



**2021 Condensed Consolidated Interim
Financial Statements
ACEA Group**



Report on Operations

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ACEA Organisational Model

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

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

The activities of each business segment are described below.

Environment

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

Commercial and Trading

The ACEA Group is one of the leading Italian players in the sale of electricity and offers innovative and flexible solutions for the supply of electricity and natural gas with the objective of consolidating its positioning as a dual fuel operator. It operates on the market segments of medium-sized enterprises and households with the objective of improving the quality of the services offered with particular regard to web and social channels. It supervises the Group's energy management policies. The Area also has the objective of developing and searching for innovations and start-ups to launch testing 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. The Group is also present in Abruzzo as it has entered the natural gas distribution market in the Municipality of Pescara and in the province of L'Aquila.

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 lights. 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.

Generation

The ACEA Group produces electricity, via hydroelectric stations, thermo-electric stations (high-efficiency cogeneration) and photovoltaic plants. Furthermore, consistent with the strategy of the Industrial Plan, the Group has an acquisition programme in the renewable energy market through the acquisition of a number of photovoltaic plants in Italy.

Engineering and Services

The ACEA Group has developed know-how at the forefront in the design, construction and management of integrated water systems: from the source to the pipelines, 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 and engineering consultancy services are of particular importance.

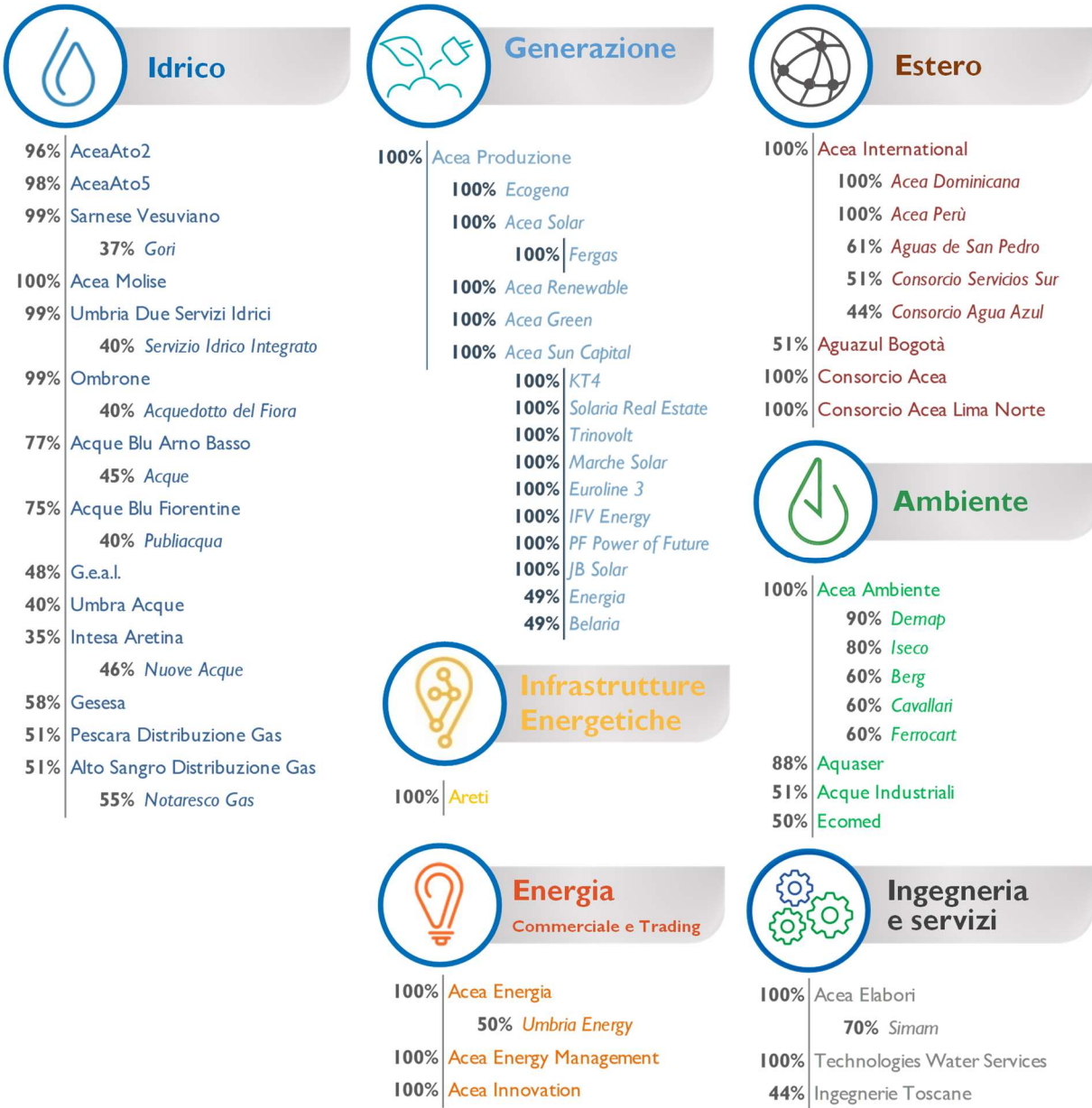
Overseas

The ACEA Group manages water activities in Latin America and its objective is to make the most of development opportunities in other businesses related to those already held in Italy.

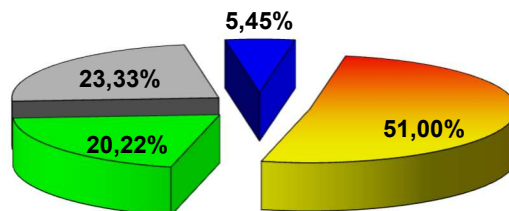
It is present in Honduras, Dominican Republic, Colombia and Peru, serving approximately 4 million people. The activities are carried out in partnership with local and international partners, including through staff training and the transfer of know-how to local entrepreneurs.



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



The share capital of ACEA S.p.A. at 30 June 2021 was made up as follows:



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



Corporate bodies

Board of Directors

Michaela Castelli	Chairperson
Giuseppe Gola	Chief Executive Officer
Alessandro Caltagirone	Director
Massimiliano Capece Minutolo Del Sasso	Director
Gabriella Chiellino	Director
Diane Galbe	Director
Giovanni Giani	Director
Liliana Godino	Director
Giacomo Larocca	Director

Board of Statutory Auditors

Maurizio Lauri	Chairperson
Pina Murè	Regular Auditor
Maria Francesca Talamonti	Regular Auditor
Maria Federica Izzo	Alternate Auditor
Mario Venezia	Alternate Auditor

Executive Responsible

Fabio Paris

Auditing Firm

PricewaterhouseCoopers S.p.A.

Summary of Results

Income statement data (€ million)	30/06/2021	30/06/2020	Change	% Change
Consolidated revenues	1824.6	1622.0	202.6	12.5 %
Consolidated operating costs	1216.9	1069.7	147.2	13.8 %
(Negative) fair value of commodities	0	0.2	(0.2)	(100.0%)
Income/(Expenses) from equity investments of a non-financial nature	11.1	16.2	(5.1)	(31.5%)
EBITDA	618.8	568.7	50.1	8.8 %
EBIT	309.8	280.9	28.8	10.3 %
Net profit/(loss)	188.9	164.7	24.3	14.7 %
Profit/(loss) attributable to non-controlling interests	23.2	20.9	2.3	10.8 %
Net profit/(loss) attributable to the Group	165.8	143.8	22.0	15.3 %

EBITDA per industrial segment (€ thousand)	30/06/2021	30/06/2020	Change	% Change
Environment	30.7	26.2	4.4	17.0 %
Commercial and Trading	40.4	29.7	10.7	35.9 %
Overseas	13.5	13.8	(0.3)	(2.1%)
Water	326.2	305.4	20.8	6.8 %
Energy Infrastructure	181.7	182.0	(0.3)	(0.1%)
Generation	35.4	24.1	11.3	47.0 %
Engineering and services	9.0	5.5	3.5	64.6 %
Corporate	(18.1)	(18.0)	(0.1)	0.3 %
Total EBITDA	618.8	568.7	50.1	8.8 %

Financial position data (€ million)	30/06/2021	31/12/2020	Change	% Change	30/06/2020	Change	% Change
Net Invested Capital	6253.5	5851.2	402.3	6.9 %	5650.6	602.9	10.7 %
Net Financial Debt	(3,913.4)	(3,528.0)	(385.5)	10.9 %	(3,527.5)	(385.9)	10.9 %
Consolidated Shareholders' Equity	(2,340.1)	(2,323.3)	(16.8)	0.7 %	(2,123.1)	(217.0)	10.2 %

Capex (€ million)	30/06/2021	30/06/2020	Change	% Change
Environment	14.8	9.5	5.4	56.7 %
Commercial and Trading	36.0	17.6	18.5	105.1 %
Overseas	2.8	0.9	1.9	n.s.
Water	246.9	229.2	17.7	7.7 %
Energy Infrastructure	139.5	133.6	5.8	4.4 %
Generation	21.7	7.7	14.0	183.0 %
Engineering and services	3.5	2.7	0.7	27.2 %
Corporate	16.3	9.4	6.9	72.9 %
TOTAL	481.5	410.6	70.9	17.3 %

Net Financial Debt (€ million)	30/06/2021	31/12/2020	Change	% Change	30/06/2020	Change	% Change
Environment	283.9	268.0	15.9	5.9 %	286.7	(2.9)	(1.0%)
Commercial and Trading	(75.5)	(95.7)	20.2	(21.1%)	(44.0)	(31.5)	71.6 %
Overseas	(10.6)	(9.0)	(1.6)	17.3 %	(7.0)	(3.6)	51.6 %
Water	1664.9	1483.8	181.2	12.2 %	1417.1	247.8	17.5 %
Energy Infrastructure	1516.8	1342.5	174.3	13.0 %	1371.9	144.9	10.6 %
Generation	238.4	224.2	14.2	6.3 %	230.8	7.6	3.3 %
Engineering and services	28.4	31.1	(2.7)	(8.8%)	42.6	(14.2)	(33.4%)
Corporate	267.1	283.2	(16.1)	(5.7%)	229.4	37.8	16.5 %
TOTAL	3913.4	3528.0	385.4	10.9 %	3527.5	385.9	10.9 %

Debt at 30 June 2021 (i) is shown gross of € 13.0 million of receivables relating to IFRIC 12 of ACEA S.p.A.; (ii) contains € 199.0 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 measures

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

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 the international accounting standards IFRS 10 and IFRS 11 came into force. EBITDA is determined by adding Operating profit/loss (EBIT) to "Amortisation, Depreciation, Provisions and Impairment", insofar as these are the main non-cash items;
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 financial year 2019) net of Non-current financial assets (excluding a part of ACEA S.p.A.'s receivables related to IFRIC 12 and securities other than equity investments), Current borrowings and Other current financial liabilities net of Current financial assets (including dividends to pay to Roma Capitale), and cash and cash equivalents; It should be noted that the net financial position has been determined in line with previous years and that regarding the ESMA guidelines referring to the recognition of financial debt (paragraph 39 of the Document of 4 March 2021), that an information and reconciliation schedule were included in the section "Accounting standards and measurement criteria".
3. *net invested capital* is the sum of "Current assets", "Non-current assets" and "Assets and Liabilities held for sale", less "Current liabilities" and "Non-current liabilities", excluding items taken into account when calculating the net financial position;
4. *net working capital* is the sum of the current receivables, inventories, the net balance of other current assets and liabilities and current debts, excluding the items considered in calculating the net financial position.



Summary of Results: economic performance

Income statement data (€ million)	30/06/2021	30/06/2020	Change	% Change
Revenue from sales and services	1760.1	1566.9	193.3	12.3 %
Other revenue and income	64.5	55.1	9.4	17.0 %
Costs of materials and overheads	1073.2	929.4	143.8	15.5 %
Personnel costs	143.8	140.3	3.4	2.4 %
Net income/(costs) from commodity risk management	0.0	0.2	(0.2)	(100.0%)
Income/(Costs) from equity investments of a non-financial nature	11.1	16.2	(5.1)	(31.5%)
EBITDA	618.8	568.7	50.1	8.8 %
Amortisation, Depreciation, Provisions and Impairment	309.0	287.8	21.3	7.4 %
Operating profit/(loss)	309.8	280.9	28.8	10.3 %
Financial operations	(43.4)	(46.5)	3.2	(6.8%)
Equity investments	2.7	2.6	0.2	5.9 %
Profit/(loss) before tax	269.1	237.0	32.2	13.6 %
Income taxes	80.2	72.3	7.9	10.9 %
Net profit/(loss)	188.9	164.7	24.3	14.7 %
Profit/(loss) attributable to non-controlling interests	23.2	20.9	2.3	10.8 %
Net profit/(loss) attributable to the Group	165.8	143.8	22.0	15.3 %

Compared to 30 June 2020 the following changes occurred in the consolidation scope:

- the acquisition by Acea Sun Capital of the photovoltaic companies Euroline3 on 6 May 2020, Energia on 7 May 2020, IFV Energy and PF Power of Future on 7 June 2020 and lastly Belaria on 31 August 2020;
- the 100% consolidation of Fergas Solar, acquired by Acea Solar on 15 April 2020, operating in the field of the development and construction of photovoltaic plants;
- the full consolidation of the companies acquired on 22 April 2020 by Acea Ambiente: 60% of the companies Ferrocarr, Cavallari and Multigreen (the latter then merged into Cavallari as of 1 January 2021); the companies own a total of four plants with a total authorised capacity of over 145 thousand tonnes per year, operate in the provinces of Terni and Ancona, carrying out sorting and recovery of paper, iron, timber, plastics and metals and are also active in the management of the separate collection of production waste and packaging as well as waste disposal;
- 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 Electric Drive Italia, acquired by Acea Innovation on 19 May 2020 to promote the development of electric mobility through advanced IT solutions. It should be noted that the company was merged by incorporation into the parent company Acea Innovation as of 1 January 2021;
- the line by line consolidation of 51% of Alto Sangro Distribuzione Gas, acquired on 31 August 2020, a company operating in the gas distribution sector, and its subsidiary Notaresco;
- the consolidation of Servizio Idrico Integrato (hereafter SII) after an amendment to the shareholders' agreements and the acquisition on 16 November 2020 of an additional 15% stake, thereby arriving at a total stake of 40%;
- the establishment on 15 December 2020 of the Consorzio ACEA and the Consorzio ACEA Lima Norte held by Acea Perù (99%) and ACEA Ato2 (1%), the first signed a three-year contract for the management of pumping stations for drinking water in Lima, the second signed a three-year contract for maintenance of the water and sewerage network in the Nord di Lima zone.

We can note that the merger by incorporation of the companies Brindisi Solar, Acquaviva, Compagnia Solare 2, Compagnia Solare 3 and SPES into the company Solaria Real Estate was carried out on 27 July 2020, while the merger by incorporation of the companies Luna Energia, Sisine Energia, Urbe Cerig, Urbe Solar and Bersolar into the company KT4 was carried out on 26 October 2020. Both mergers have accounting and fiscal effects backdated to 1 January 2020. The installed power with reference to the secondary photovoltaic system as of 30 June 2021 was 62 MW.

Lastly, with reference to the 2021 financial year, it should be noted that:

- on 24 February 2021, the deed of merger by incorporation of BioEcologia into Acea Ambiente was signed. As a result of the merger, the share capital has not changed while the by-laws were amended. The full effects of the merger run from the date on which the final registrations required by art. 2504 of the Italian Civil Code take place;
- on 21 March 2021, an additional 35% stake was acquired in the company Solaria Real Estate, thus bringing the stake to 100%;
- finally, Crea S.p.A., placed in liquidation on 8 June 2011, was removed from the Companies Register on 25 March 2021;
- on 19 May 2021, ACEA Sun Capital acquired 100% of the shares of the photovoltaic company JB Solar which has two photovoltaic systems located in the province of Lecce, respectively with power of 891 kWp and 521 kWp, for total installed power of 1.4 MW;
- On 28 May 2021, Acea Produzione established the company Acea Green and Acea Produzione (82.5%) and Acea Solar established the company Acea Renewable;

The table below shows the main impact of the change in the consolidation scope at 30 June 2021 (gross of intercompany adjustments).



€ million	Simam	Ferrocarril Cavallari Group	Consorcio Acea and Lima Norte	Alto Sangro Distribuzione Gas and Notaresco	Photovoltaic Company	SII	Total
Revenues	16.2	10.1	9.4	3.1	0.8	20.6	60.1
EBITDA	2.3	1.8	0.4	2.0	1.1	7.0	14.7
EBIT	1.1	(0.0)	0.3	1.4	0.6	2.2	5.7
EBIT	1.0	(0.0)	0.2	1.4	0.4	1.5	4.6
NP	0.7	0.1	0.1	1.4	0.5	0.8	3.8
NFP	0.5	0.1	0.1	0.7	0.5	0.1	2.1

At 30 June 2021, revenues from sales and services come to € 1,760.1 million, up € 193.3 million (+ 12.3 %) on those in the same period of 2020, mainly due to the increase in revenues from electricity sales (+ € 128.5 million), primarily attributable to the higher volumes sold on the market and the higher number of customers. The total sale of electricity in the Greater Protection Service was 955 GWh, a decrease of 5.6% on an annual basis compared to the same period in the previous year; the sale of electricity on the free market amounted to 3,165 GWh, with an increase compared to the same period in the previous year of 34.7 %, primarily related to the B2B segment.

Further contributing to the increase were the following: **i)** the increase in revenue from gas sales for € 14.6 million attributable mainly to the higher quantities sold (+ 34.5 million smc); **ii)** the revenue from the integrated water system (+ € 25.9 million), mainly attributable to the full consolidation of SII (+ € 19.3 million) and for the remaining portion to ACEA Ato2 (+ € 3.8 million) and Gori (+ € 3.8 million); **iii)** the increase in revenue from waste conferment and landfill operations (+ € 8.8 million) deriving mainly from the increased volumes handled and disposed of, and the change in the scope of consolidation; **iv)** the change in inventories (+ € 9.2 million) mostly due to the consolidation of SIMAM (+ € 8.9 million).

Other revenues show an increase of € 9.4 million (+ 17.0 %) compared to the same period of the previous year. The change mainly refers to: **i)** the recognition of contributions for Energy Efficiency Certificates in Acea Produzione (+ € 2.5 million); **ii)** refunds for damages and penalties (+ € 2.1 million) mainly attributable to Acea Energia for claims for CMOR indemnities on the free market (+ € 1.3 million); **iii)** higher revenue recorded by Acea Ato2 for costs ancillary to the user related to amicable reminder expenses and revenue for water disconnections and connections suspended in the previous period (2020) as a consequence of the Covid-19 health emergency (+ € 0.8 million) and higher revenue in Areti for contingent assets and bonuses related to work on increasing the resilience of the electricity distribution service and revenue from users for reports (+ € 1.5 million).

External costs increased overall by € 143.8 million (+ 15.5 %) compared to 30 June 2020; with the variation mainly due to the following:

- to higher costs related to the supply of electricity, transport and metering (- € 99.5 million) in line with the trend recorded in revenues;
- higher materials purchasing costs (+ € 19.8 million), related to the change in the scope, with particular reference to SIMAM (+ € 9.0 million) and Cavallari (+ € 1.2 million);
- higher costs for services (+ € 24.5 million), of which € 18.3 referring to the change in the scope.

Overall, the change in external costs was influenced by the change in the scope of consolidation for € 36.0 million, mainly attributable to SII (+ € 12.8 million), SIMAM (+ € 13.2 million) and the Ferrocarril Cavallari Group (+ € 8.9 million).

Personnel costs increased by € 3.4 million compared to the same period the previous year (+ 2.4%), impacted by the change in the scope of consolidation, mainly referring to Simam (€ 1.8 million) and SII (€ 0.6 million).

The average number of employees was 9,304 and increased by 1,394 compared to 30 June 2020, mainly due to the effect of the change in the scope of consolidation.

€ million	30/06/2021	30/06/2020	Change	% Change
Staff costs including capitalised costs	241.0	220.6	20.3	9.2 %
Costs capitalised	(97.2)	(80.3)	(16.9)	21.1 %
Personnel costs	143.8	140.3	3.4	2.4 %

Income from non-financial equity investments represents 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 SII consolidated at equity until 16 November 2020 equal to € 0.3 million.

€ thousand	30/06/2021	30/06/2020	Change
EBITDA	61.6	62.7	(1.1)
Amortisation, depreciation, impairment and provisions	(45.1)	(37.8)	(7.3)
Financial operations	(1.4)	(1.8)	0.3
Total profit/(loss) on equity investments	0.0	(0.0)	0.0
Taxes	(3.9)	(6.9)	3.0
Income from equity investments of a non-financial nature	11.1	16.2	(5.1)

EBITDA rose from € 568.7 million at 30 June 2020 to € 618.8 million at 30 June 2021, recording an increase of € 50.1 million or 8.8%.

The change in the scope of consolidation accounted for € 15.0 million, due mainly to the line-by-line consolidation of SII (+ € 7.0 million) as from 16 November 2020 and the change in the scope of consolidation relating to the acquisitions of SIMAM (+ € 2.3

million), Cavallari e Ferrocarril (+ € 1.8 million), the photovoltaic companies (+ € 1.5 million) and the companies Alto Sangro Distribuzione Gas and Notaresco Gas (+ € 2.0 million).

With the same scope, the growth in EBITDA of € 35.1 million mainly derived from: **i)** the tariff trends in the water segment (+ € 11.8 million), primarily attributable to ACEA Ato2 (+ € 14.8 million) following the higher ERC Capex values valued on the basis of the MTI-3 with reference to the investments that came into operation in 2019 and FONI, partially offset by lower Capex values, partially offset by the lower margins recorded by Publiacqua (- € 4.3 million) and Gruppo Acque (- € 1.3 million) as a consequence of the increased amortisation and depreciation recorded in the first half of 2021; **ii)** this is followed by the increased margins for the commercial and trading segment (+ € 10.7 million) due to the higher electricity and gas margins (price effect and higher volumes); **iii)** generation shows an increase of € 10.4 million attributable primarily to Acea Produzione (+ € 9.0 million), determined by the higher margin relating water contributions and the effect of higher quantities and price; of note, the higher incentive revenue from the quantity effect; **iv)** the environment segment made a positive contribution for € 2.4 million due mainly to higher margins on the sale of electricity as a combined effect of lower volumes and the price effect; the engineering and services segment made a positive contribution for € 1.2 million following the increase in design work and greater cost efficiencies. Other areas recorded results that were in line with the same period the previous year.

EBIT increased by € 28.8 million compared to the same period in the last year. This increase was mitigated by growth in depreciation/amortisation and impairments (€ 19.9 million compared to the first half of 2020), of which € 8.7 million attributable to the change in the scope of consolidation. Below are details of the items influencing EBIT.

€ million	30/06/2021	30/06/2020	Change	% Change
Amortisation / depreciation of intangible and tangible assets and impairment	259.9	239.9	19.9	8.3 %
Provision for doubtful accounts	45.8	40.3	5.5	13.7 %
Provision for risks and charges	3.3	7.5	(4.1)	(55.5%)
Amortisation, depreciation, impairment and provisions	309.0	287.8	21.3	7.4 %

The increase in depreciation and amortisation is associated, net of the changes in the scope, mainly with investments in the period in all business areas, mainly Acea Ato2 (+€ 6.7 million). We note instead the reduction of the depreciation and amortisation recognised by Acea Ambiente (- € 4.9 million) as a result of the adjustment of the technical economic lives of assets recognised made in financial year 2020 following the assessment of the technological changes in the sector, the dismantling/closure expenses and the recoverable value.

The increase in the Provision for doubtful accounts mainly refers to Acea Energia (+ € 3.8 million), Acea Ato2 (+ € 1.8 million) and Gori (+ € 1.2 million).

The Provision for risks and charges was down by € 4.1 million due to the lower provisions made by UmbriaDue (- € 1.3 million), Areti (- € 1.3 million) and Acea Energia (- € 0.6 million).

Net gains/losses from financial operations showed net expenses of € 43.4 million, down by € 3.2 million compared to the same period in 2020. The change is mainly attributable to the Parent Company; the average overall all-in cost of the ACEA Group's debt stood at 1.43% compared to 1.82% in the same period the previous year.

The estimate of fiscal charges amounted to € 80.2 million, compared to € 72.3 million in the previous year. The overall increase of € 7.9 million was mainly due to the higher pre-tax profit. The tax rate for 30 June 2021 was 29.8% (30.5% at 30 June 2020).

The net profit attributable to the Group was € 165.8 million, and showed an increase of € 22.0 million compared to the same period of the previous year.

Summary of results: trends in financial position and cash flows

Financial position data (€ million)	30/06/2021	31.12.2020	Change	% Change	30/06/2020	Change	% Change
NON-CURRENT ASSETS AND LIABILITIES	6823.7	6602.2	221.5	3.4 %	6071.6	752.1	12.4 %
NET WORKING CAPITAL	(570.2)	(750.9)	180.7	(24.1%)	(421.0)	(149.2)	35.4 %
INVESTED CAPITAL	6253.5	5851.2	402.3	6.9 %	5650.6	602.9	10.7 %
NET FINANCIAL DEBT	(3,913.4)	(3,528.0)	(385.5)	10.9 %	(3,527.5)	(385.9)	10.9 %
Total shareholders' equity	(2,340.1)	(2,323.3)	(16.8)	0.7 %	(2,123.1)	(217.0)	10.2 %
Total Sources of Financing	6253.5	5851.2	402.3	6.9 %	5650.6	602.9	10.7 %

Non-current Assets and Liabilities

Non-current assets and liabilities increased by € 221.5 million (+ 3.4 %) compared to 31 December 2020, mainly due to the increase in fixed assets (+ € 249.6 million).

€ million	30/06/2021	31/12/2020	Change	% Change	30/06/2020	Change	% Change
Tangible/intangible fixed assets	6485.0	6235.4	249.6	4.0 %	5816.5	668.0	11.5 %
Equity investments	290.5	279.5	11.1	4.0 %	297.3	(6.7)	(2.3%)
Other non-current assets	797.0	772.1	24.9	3.2 %	667.2	130.2	19.5 %
Employee severance indemnity and other defined-benefit plans	(113.4)	(122.0)	8.6	(7.1%)	(106.2)	(7.2)	6.8 %
Provisions for risks and charges	(236.8)	(157.0)	(79.9)	50.9 %	(209.6)	(27.2)	13.0 %
Other non-current liabilities	(398.6)	(405.8)	7.2	(1.8%)	(393.5)	(5.1)	1.3 %
Non-current assets and liabilities	6823.7	6602.2	221.5	3.4 %	6071.6	752.1	12.4 %

The change in intangible fixed assets was mainly due to investments, which reached € 481.5 million, and amortisations and impairment, totalling € 259.9 million.

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

Capex (€ million)	30/06/2021	30/06/2020	Change	% Change
Environment	14.8	9.5	5.4	56.7 %
Commercial and Trading	36.0	17.6	18.5	105.1 %
Overseas	2.8	0.9	1.9	n.s.
Water	246.9	229.2	17.7	7.7 %
Energy Infrastructure	139.5	133.6	5.8	4.4 %
Generation	21.7	7.7	14.0	183.0 %
Engineering and services	3.5	2.7	0.7	27.2 %
Corporate	16.3	9.4	6.9	72.9 %
TOTAL	481.5	410.6	70.9	17.3 %

The **Environment Segment** made investments of € 14.8 million and compared to 30 March 2020 they increased by € 5.4 million. They refer mainly to the investments made by Acea Ambiente for works carried out at the Orvieto plant for the construction of a compost storage building and for the revamping of the treatment line and at the San Vittore and Aprilia plants. The increase also involves Berg (€ 1.2 million) for the creation of a concentrator. The change in the scope of consolidation contributed for € 0.8 million in total and is mainly attributable to Ferrocarr.

The Commercial and Trading Segment: recorded investments for € 36.0 million, up compared to 30 June 2020 (+€ 18.5 million). These refer mainly to Acea Energia for € 16.8 million to the costs to acquire new customers pursuant to IFRS15 and for € 15.4 million to IT implementation projects.

The Overseas Segment showed an increase of € 1.9 million, mainly attributable to Aguas de San Pedro (€ 1.4 million). The change in the scope of consolidation contributed for € 0.5 million due to the consolidation of Consorcio Lima Norte and Consorcio Acea.

The Water Segment realised total investments for € 246.9 million, increasing by € 17.7 million on the same period the previous year, due to higher investments by ACEA Ato2 (+ € 16.5 million) and Adf (+€ 2.7 million) partially offset by the lower investments made by Gori (- € 3.7 million) and ACEA Ato5 (- € 2.4 million). The change in the scope of consolidation refers to SII for € 4.8 million and to Alto Sangro Distribuzione Gas for € 0.5 million. The investments of the Segment refer mainly to extraordinary maintenance work, reconstruction, modernisation and expansion of plants and networks, the reclamation and expansion of water and sewer pipes of the various Municipalities and work on purification and transport plants (ducts and feeders).

The Energy Infrastructure Segment recorded a growth in investments for € 5.8 million attributable 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 as part of the network “Adequacy and Safety” and “Innovation and Digitisation” projects. This was all intended to improve the quality of the service and increase resilience. Intangible investments refer to projects for the re-engineering of information and commercial systems.

The Generation Segment realised investments for € 21.7 million, up by € 14.0 million compared to 30 June 2020 and refer to: (i) Acea Produzione, mainly for the extraordinary maintenance work at the Tor di Valle and Montemartini thermal power stations, for the requalification work on the substations of the S. Angelo, Salisano and Orte Power Stations and for the extension and restoration of the district heating network in the territory of Mezzocammino in the south of Rome; (ii) the investments made by Acea Solar for the construction of photovoltaic plants on both agricultural and industrial land and (iii) Fergas Solar for € 8.1 million.

The Engineering & Services Segment recognised investments for € 3.5 million. The change in the consolidation scope refers to SIMAM for € 0.7 million.

The Corporate Segment realised an increase of € 6.9 million in investments compared to 30 June 2020 and relate mainly to software licences, IT and hardware developments, as well as investments in the company offices. The increase relates for € 1.6 million (including drafting fees) to the purchase of land to be used for parking by ATAC, adjacent to the Piazzale Ostiense headquarters. The land was acquired on the basis of a competitive procedure.

Group investments concerning shared IT infrastructure totalled € 17.1 million.

Equity investments and equity securities that do not constitute control, association or joint control, increased by € 11.1 million compared to 31 December 2020. The change refers to the increase in the valuation of consolidated companies based on the equity method.

The stock of **employee severance indemnity and other defined benefit plans** reported an increase of € 8.6 million, mainly due to the drop in the rate used (from 0.77% at 31 December 2020 to 0.35% at 30 June 2021).

Provisions for risks and charges increased by 50.9% compared to the previous year. The details by nature of the provisions are presented below. The change mainly refers to the allocation of the provisions for interim taxes (€ 84.1 million).

€ million	31/12/2020	Uses	Provisions	Release for Excess Provisions	Reclassifications/Other changes	30/06/2021
Legal	16.2	(0.8)	1.6	(0.2)	(0.1)	16.7
Taxes	9.2	(0.2)	0.1	(1.3)	(0.0)	7.8
Regulatory risks	27.4	(0.0)	0.9	0.0	(0.4)	27.9
Investees	10.3	0.0	0.0	0.0	0.4	10.7
Contributory risks	1.1	0.0	0.0	0.0	(0.0)	1.1
Insurance deductibles	11.0	(0.8)	1.3	0.0	0.0	11.5
Other risks and charges	23.7	(2.0)	1.2	(0.6)	0.2	22.4
Total Provision for Risks	98.9	(3.8)	5.2	(2.0)	(0.0)	98.2
Early retirements and redundancies	31.8	(3.0)	0.1	0.0	(0.0)	28.8
Post mortem	17.6	0.0	0.0	0.0	0.2	17.8
Provision for Expenses payable to others	8.7	(1.1)	0.0	0.0	0.1	7.7
Provisions for interim taxes	0.0	0.0	84.1	0.0	0.2	84.3
Total Provisions for Expenses	58.1	(4.1)	84.3	0.0	0.5	138.7
Total Provisions for Risks and Charges	157.0	(8.0)	89.4	(2.0)	0.4	236.8

Net working capital

The change in **net working capital** compared to 31 December 2020 is attributable mainly to an increase in other current receivables of € 64.5 million), the increase in other current assets (+€ 53.7 million) and to a decrease in current liabilities of € 138.3 million, partially offset by an increase in other current assets for € 72.8 million.

€ million	30/06/2021	31/12/2020	Change	30/06/2020	Change
Current receivables	1046.0	981.5	64.5	1145.7	(99.7)
- of which end users/customers	982.2	934.2	48.0	1044.9	(62.7)
- of which Roma Capitale	53.8	38.7	15.1	84.5	(30.7)
Inventories	89.0	92.0	(3.0)	67.2	21.8
Other current assets	320.8	267.1	53.7	274.5	46.3
Current payables	(1,488.8)	(1,627.1)	138.3	(1,530.7)	41.9
- of which Suppliers	(1,417.8)	(1,535.1)	117.3	(1,412.8)	(4.9)
- of which Roma Capitale	(65.5)	(87.6)	22.1	(112.3)	46.8
Other current liabilities	(537.2)	(464.4)	(72.8)	(377.6)	(159.6)
Net working capital	(570.2)	(750.9)	180.7	(421.0)	(149.2)

Receivables from users and customers, net of provisions for the impairment of receivables amounting to € 608.2 million (€ 640.0 as of 31 December 2020), amounted to € 982.2 million, up by € 48.0 million compared to 31 December 2020; we note: i) an increase in the receivables from the Water Segment for € 14.7 million referring primarily to ACEA Ato2 (- € 28.0 million), ACEA Ato5 (+€ 2.7 million) and ADF (+€ 2.4 million) partially offset by the decreases recorded by Gori (- € 11.8 million) and SII (+ € 9.3 million); ii) an increase in the receivables from the Energy Infrastructure Segment for € 22.8 million; iii) an increase in receivables from the Commercial and Trading Segment for € 6.5 million, mainly attributable to Acea Energia (+ € 12.8 million) and partially offset by Umbria Energy (- € 5.9 million); iv) an increase in receivables from the Environment Segment for € 4.5 million, deriving mainly from the increased receivables of ACEA Ambiente (+ € 2.3 million), Aquaser (+ € 1.8 million), Cavallari e Ferrocarrati (+ € 1.6 million); there was also an increase in receivables from overseas operations amounting to € 1.9 million mainly from the increase in the receivables from Consorzio ACEA (€ 0.8 million) and Consorzio Acea Lima Norte (+€ 1.3 million).

The decrease in provisions for the impairment of receivables was also due to the effects of the sale of non-performing receivables amounting to € 63.8 million at 30 June 2021. Receivables totalling € 718.2 million were transferred without recourse during the first half 2021, of which € 98.9 million to the Public Administration.

As regards **relations with Roma Capitale**, the net balance at 30 June 2021 was € 61.2 million payable by the Group, compared to the previous balance of € 28.6 million at 31 December 2020.

The change in receivables and payables was due to the accrual of the period and the effects of operations associated with offsets and collections, summarised below:

- January 2021 payment by Acea Ato2 of the balance of the concession fee for 2017 of € 8.4 million and the concession fee for 2019 (€ 25.1 million);
- In March 2021, offsetting of receivables for € 18.6 million relating to the Public Lighting service for January - November 2020 fees, offsetting ACEA's share dividends for 2018;
- In June 2021, offsetting of receivables for € 8.9 million relating to receivables from water utility for November - December 2020, offsetting the share dividends for 2018 and 2019, and the portion of the 2020 concession fee.

Furthermore, during the period, Acea Produzione received around € 0.3 million from Rome Capitale referring to district heating users.

During the period the stock of trade receivables recorded an increase of € 15.1 million due mainly to the accrual of invoices to water users (€ 23.7 million) and the offsetting of receivables for water users for € 8.9 million.

Financial receivables decreased by € 3.0 million compared to 31 December 2020, to be attributed to the combined effect of i) the offsetting of financial receivables in March (as detailed above); ii) the accrual of receivables related to the public lighting service agreement, to the modernisation of security, to extraordinary maintenance, to the Led Plan agreement and to the works relating to the Public Lighting service.

As regards payables, in the period there was an increase of € 44.6 million. The main changes are listed below:

- (+) recognition of share dividends accrued for 2020 amounting to € 86.9 million (Shareholders' Meeting resolution of 22 April 2021);
- (+) recognition of the portion accrued in the period for the concession fee of ACEA Ato2 for € 13.2 million.
- (+) recognition of ACEA Ato2 share dividends accrued for 2020 amounting to € 2.3 million, as resolved by the Shareholders' Meeting of 21 April 2021;
- (+) recognition of the portion accrued for the COSAP liability for € 1.6 million;

- (-) decrease due to payment by ACEA Ato2 of the balance of the concession fee for 2017 and 2019 for a total of € 33.5 million;
- (-) decrease due to the payment by ACEA Ato2 of the 2020 concession fee for € 4.6 million due to the June offsetting;
- (-) decrease in the payable for Acea's share dividends for 2018 of € 18.6 million following the payment made through offsetting in March;
- (-) decrease in ACEA Ato2 share dividends referring to 2018 and 2019, due to the offsetting in June for € 4.3 million.

As described in the Consolidated Financial Statements at 31 December 2019 as part of the activities required for the first consolidation of the ACEA Group in the 2018 Financial Statements of Roma Capitale, a round table was launched to reconcile the Roma Capitale Receivables and Payables. After several meetings and communications, on 22 February 2019 the Technical Department of the Municipality (SIMU) in charge of the management of the contracts with the ACEA Group communicated several objections relating to the supply of both works and services for the period 2008-2018. These objections were completely rejected by the Group. In order to arrive at a complete resolution of the differences during 2019 a specific Joint Technical Committee was set up with the ACEA Group.

Following several meetings, on 18 October 2019, the Joint Technical Committee drew up a report on the closure of the work, highlighting the results that emerged and proposing a favourable restart of the ordinary execution of the mutual obligations between the ACEA Group and Roma Capitale.

As a first step after the completion of the work, the parties took steps to implement the results that emerged from the discussions, restarting the payment of their respective receivables and payables. In 2020 at total of € 33.3 million of receivables referred to the aforementioned Report were settled.

Please note that at the end of December 2020, the Consolidated Financial Statements of Roma Capitale at 31 December 2019 were approved.

We can inform you finally that, as regards the Public Lighting Service, following the opinion given by the AGCM (Antitrust Authority) in Bulletin no. 49 of 14 December 2020, Roma Capitale began checking the conditions of congruity and economic convenience of the performance terms pursuant to the service contract between the Administration and ACEA S.p.A. (and through it areti) compared with the terms pursuant to the Consip Luce 3 Convention and, in addition, on the basis of the positions expressed by the AGCM in the said opinion, expressed queries over the legitimacy of the award to ACEA S.p.A. On 8 February 2021, with a note ref. DG 1585/2021, Roma Capitale communicated the results of the said checks, affirming definitively "the congruity and convenience of the economic terms currently in being with respect to the qualitative and economic parameters of the CONSIP – LUCE 3 convention" and confirming "the correctness of the prices applied for the public lighting service", overcoming definitively all reserves on the congruity of the prices charged in the context of the contractual relationship in being between Roma Capitale and Acea S.p.A.. In the same note, the Administration therefore ordered the restart of the procedures for payment of Acea's ascertained receivables in relation to the service contract. We can note that the said communication regards the correctness of the prices charged, without affecting the Administration's intention, already manifested, to terminate the relationship with ACEA to call for tenders and thus make a new award for the Public Lighting Service.

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 due from Roma Capitale	30/06/21	31/12/20	Change
	A)	B)	A) - B)
Utility receivables	56.5	42.0	14.5
Provisions for impairment	(9.2)	(9.3)	0.2
Total receivables from users	47.3	32.7	14.7
Receivables for water works and services	2.3	2.3	0.0
Receivables for water works and services to be invoiced	2.0	1.8	0.2
Contributions	0.0	0.0	0.0
Provisions for impairment	(1.9)	(1.9)	0.0
Receivables for electrical works and services	4.3	4.1	0.2
Receivables works and services - to be billed	0.0	0.0	(0.0)
Provisions for impairment	(0.3)	(0.3)	0.0
Total receivables for works	6.5	6.0	0.4
Total trade receivables	53.8	38.7	15.1
Financial receivables for Public Lighting services billed	162.1	129.3	32.8
Provisions for impairment	(30.2)	(30.2)	0.0
Financial receivables for Public Lighting services to be billed	34.0	65.0	(31.0)
Provisions for impairment	(25.0)	(22.0)	(3.0)
M/L term financial receivables for Public Lighting services	10.0	11.8	(1.7)
Total Public Lighting receivables	151.1	154.0	(3.0)
Total Receivables	204.9	192.7	12.1
Payables due to Roma Capitale	30/06/21	31/12/20	



Electricity surtax payable	(15.2)	(15.2)	0.0
Concession fees payable	(37.3)	(62.2)	24.9
Other payables	(14.4)	(11.0)	(3.4)
Dividend payables	(199.0)	(132.9)	(66.2)
Total payables	(266.1)	(221.3)	(44.8)
Net balance receivables payables	(61.2)	(28.6)	(32.6)

Current payables rose due to the increase in the stock of trade payables (+ € 62.3 million). This effect was recorded in particular with reference to payables of Acea Energia (- € 48.5 million).

Other Current Assets and Liabilities recorded an increase of € 53.7 million (of which € 6.9 million for change in scope) and € 72.8 million (of which € 6.1 million for change in scope) compared to last year. In detail other assets rose as a result of the increase in tax receivables of € 4.9 million, in receivables for energy equalisation of € 5.8 million and in receivables from the OTAA (€ 16.0 million) deriving from the consolidation of SII.

As regards the increase in other current liabilities we can note an increase in payables to municipalities of € 11.1 million, in accrued expenses and deferred income of € 27.6 million as a consequence mainly of the consolidation of SII and SIMAM and in tax payables of € 26.7 million owing to higher IRES payables.

Shareholders' equity

The **shareholders' equity** amounted to € 2,340.1 million. The changes, amounting to € 16.8 million, are detailed in the relevant table and are basically due to the distribution of dividends, the accrual of first half 2021 profits, and the change in the cash flow hedge reserves and those formed by actuarial profits and losses as well as the change in the consolidation scope.

Net financial position

Group **debt** recorded an overall increase of € 385.5 million, going from € 3,528.0 million at the end of 2020 to € 3,913.4 million at 30 June 2021. This change is a direct consequence of the investments for the period and trend in operating cash flow attributable to **areti** (+ € 144.9 million) and to **ACEA Ato2** (+ € 156.0 million).

€ million	30/06/2021	31/12/2020	Change	% Change	30/06/2020	Change	% Change
Non-current financial assets/(liabilities)	3.4	2.9	0.5	16.7 %	2.4	1.0	42.8 %
Parent company, subsidiaries and associates current financial assets/(liabilities)	16.0	21.2	(5.2)	(24.4%)	24.4	(8.4)	(34.6%)
Non-current borrowings and financial liabilities	(4,856.5)	(4,154.3)	(702.2)	16.9 %	(4,122.6)	(733.9)	17.8 %
Net medium/long-term debt	(4,837.1)	(4,130.2)	(706.9)	17.1 %	(4,095.8)	(741.3)	18.1 %
Cash and cash equivalents and securities	855.6	642.2	213.4	33.2 %	465.2	390.5	83.9 %
Short-term debt	(119.5)	(224.0)	104.6	(46.7%)	(112.1)	(7.4)	6.6 %
Current financial assets/(liabilities)	241.5	173.0	68.5	39.6 %	214.6	26.9	12.5 %
Parent Company and Associates non-current financial assets/(liabilities)	(53.9)	11.1	(65.0)	n.s.	0.6	(54.6)	n.s.
Short-term financial position	923.7	602.2	321.4	53.4 %	568.3	355.4	62.5 %
Total net financial position	(3,913.4)	(3,528.0)	(385.5)	10.9 %	(3,527.5)	(385.9)	10.9 %

As regards the **medium/long-term** component, the increase of € 706.9 million compared to the end of 2020 refers to the increase in non-current payables and financial liabilities (€ 702.2 million). This change derives from an increase in bond loans of € 889.7 million offset in part by a decrease in payables for medium/long-term loans of € 187.5 million (of which + € 3.01 million owing to IFRS 16), as shown in the following table:

€ million	30/06/2021	31/12/2020	Change	Change %	30/06/2020	Change	Change %
Bonds	4143.2	3253.4	889.7	27.3 %	3246.3	896.8	27.6 %
Medium/long-term borrowings	713.3	900.8	(187.5)	(20.8%)	876.3	(163.0)	(18.6%)
Medium/long-term debt	4856.5	4154.3	702.2	16.9 %	4122.6	733.9	17.8 %

Bonds of € 4,143.2 million increased by a total of € 889.7 million mainly due to the placement of two Green Bonds issued in January 2021 by the Parent Company under the Euro Medium Term Notes (EMTN) programme. The amount of € 889.0 million includes the long-term portion of the arrangement costs.

Medium/long-term loans of € 713.3 million, recording a total decrease of € 187.5 million due mainly to the Parent Company (- € 172.0 million) for the early repayment on the loan taken out in 2020 for € 100.0 million and the early repayment of principals for € 52.8 million for a portion of BEI funding taken up in 2014. The following table shows medium/long-term and short-term borrowings (excluding the portion due to application of IFRS 16) by term to maturity and type of interest rate.

Financing	Total Residual Debt	By 30.06.2021	Due from 30.06.2021 to 30.06.2025	After 30.06.2025
fixed rate	200.6	30.2	122.3	48.2
floating rate	366.8	55.2	165.8	145.7
floating rate cash flow hedge	183.6	14.6	67.1	101.9
Total	751.0	99.9	355.2	295.8

The **fair value** of ACEA hedging derivatives was a negative € 0.1 million, decreasing by € 0.2 million compared to 31 December 2020 (a negative € 0.3 million). The fair value of AdF hedging derivative was a negative € 3.8 million (at 31 December 2020 it was a negative € 4.4 million), while that of GORI was a negative € 0.7 million (at 31 December 2020 it was a negative € 1.6 million).

The **short-term** component was a positive € 923.7 million and, compared to the end of 2020, shows an increase of € 321.4 million, generated for € 288.3 million by the Parent Company, for € 20.3 million by ACEA Ato2. The higher cash and cash equivalents of the Parent Company are primarily generated by the issue of the bond loans.

At 30 June 2021 the Parent Company had unused committed credit lines of € 500.0 million, uncommitted lines of € 528.0 million of which € 39.4 million used, as well as unused and available medium/long term loan lines of € 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"



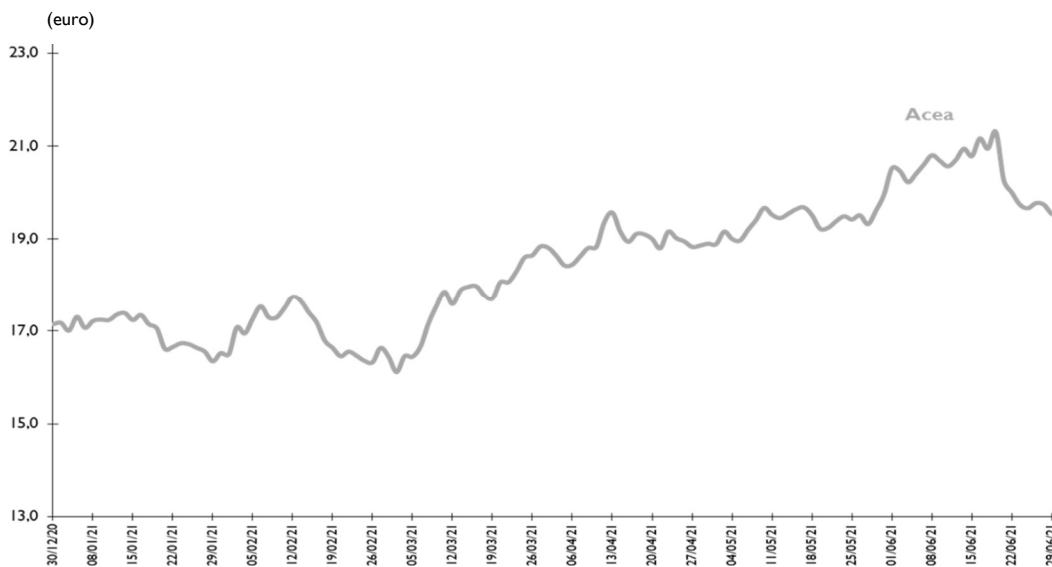
Reference context

Performance of the equity markets and the ACEA stock

In the first half of 2021, international equity markets recorded a positive trend, thanks to general confidence in the economic recovery supported by the global vaccination campaign and the consequent progressive easing in the restrictions imposed by the Covid-19 pandemic.

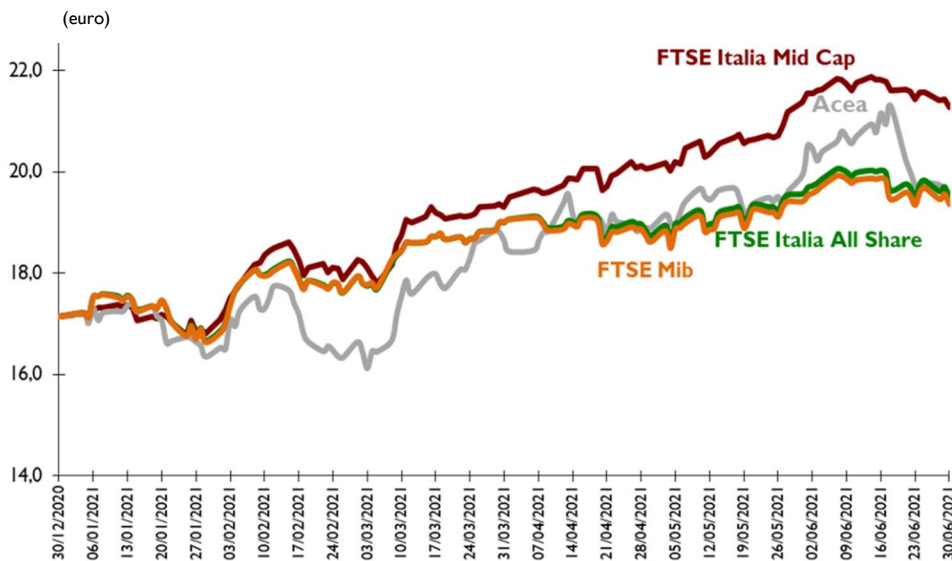
As regards Italy, the main Stock Market indices showed the following positive changes: FTSE MIB +12.9%; FTSE Italia All Share +13.8%; FTSE Italia Mid Cap +24.1%.

In the analysis period, Acea shares recorded a positive performance, increasing from € 17.15 to € 19.49 (+ 13.6%). The closing price of the stock at 30 June (last share session for the half-year) was € 19.49 (capitalisation: € 4,151 million). The maximum value of € 21.30 was reached on 18 June, while the minimum value of € 16.12 was reached on 3 March. During the half-year, the daily average volumes traded were higher than 152,500 (compared to 175,000 in HI 2020).



(Source: Bloomberg)

The following normalised graph shows the ACEA stock values, compared to the performance of the Stock Market indices.



(grafico normalizzato ai valori di Acea – Fonte Bloomberg)

	Change % at 30/6/2021 (compared to 31/12/20)
ACEA	+13.6 %
FTSE MIB	+12.9 %
FTSE Italia All Share	+13.8 %
FTSE Italia Mid Cap	+24.1 %

Approximately 70 studies/reports on Acea shares were published in the first six months of 2021.

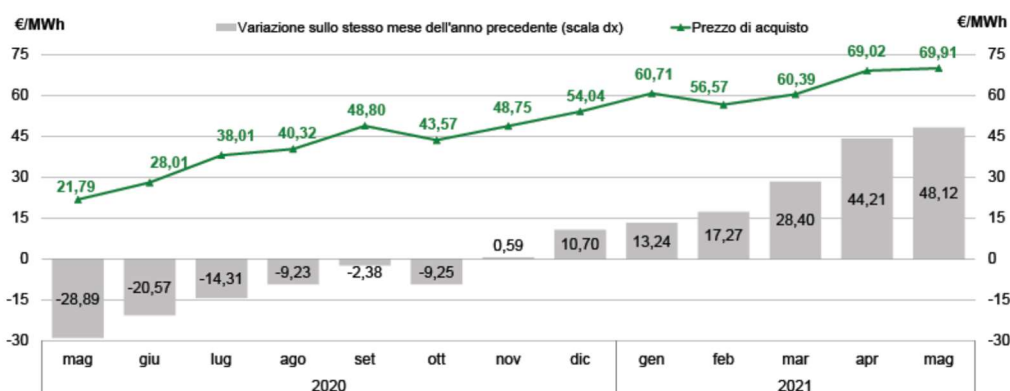
Energy market

With regard to the national electricity market, demand for electricity in the first half of 2021 stood at 154,811 GWh, up by +7.9% compared to the same period the previous year. The increase is solely representative of the rebound relating to the electrical load recorded in 2020, which had fallen significantly due to the national lockdown imposed by the Italian Government to counter the contagion from the Covid-19 pandemic.

Energy production in the first half of 2021, less self-consumption and consumption by pumping (13,774 GWh), was at 119,200 GWh, up by 2.7% on the same period in 2020, covering 77% of the requirement, against the net amount that had recovered compared to the drop the previous year, recording 21,868 GWh (+ 57.1%) and contributing 14.1% to satisfying demand. An increase was recorded in production from thermoelectric sources at 71,501 GWh (+ 3.5%), hydroelectric sources at 23,563 GWh (+ 2.5%) and wind sources at 10,760 GWh (+ 3.0%), whereas the photovoltaic segment remained essentially unchanged at 10,628 GWh (- 0.3%). Finally, a drop in geothermal sources was recorded (2,746 Gwh, - 3.5%).

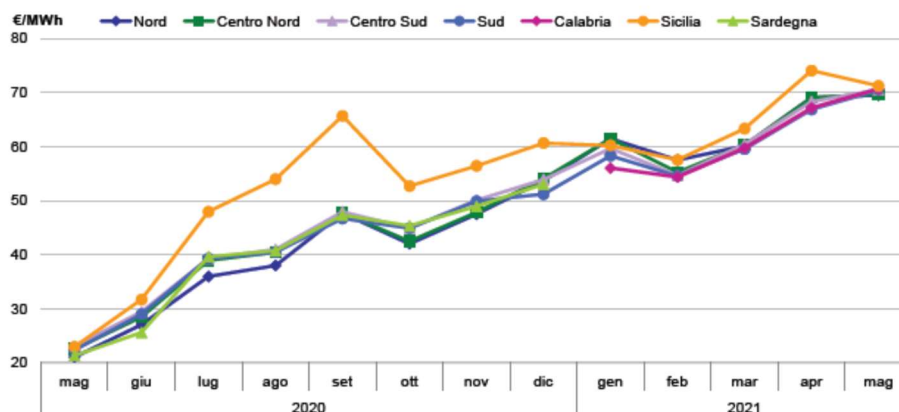
The Single National Price (PUN) in the first half of 2021 recorded an average of € 66,96/MWh, showing an exceptional increase of 108% compared to the first half of 2020, driven by the surge in Gas and CO2 prices. The higher increase is concentrated especially in the second quarter months, which rose by 200% on average compared to the previous year, based on the dual effect of the extraordinary recovery in the commodities segment on 2021 in relation to the significant reduction due to Covid in 2020.

DAM: Single National Price (SNP)³



The increase in energy prices in the first half of 2021 compared to 2020 was also seen in other European countries, with the higher increases recorded in the Scandinavian Area + 299% (€ 42.03/MWh), followed by France + 147% (€ 58.48/MWh) and Germany + 135% (€ 54.96/MWh), and finally Spain + 102% (€ 58.58/MWh).

With regard to natural gas, demand in the first half of 2021 was at 38,550 Msmc (Snam Rete Gas figures), up by a significant 11.1% on the same period in 2020, supported mainly by the residential segment (19,522 Msmc, + 12,8%), and lesser contributions from the thermoelectric (11,856 Msmc, + 8.3%) and industrial sectors (7,172 Msmc, + 11.0%).

DAM: Selling Prices³


The increase in demand was mostly covered by imports from gas pipelines (30,998 Msmc, + 14.2%) against the drop in national production (1,581 Msmc, - 19.4%) and especially the LNG loads (5,695 Msmc, - 12.6%), attracted mainly from the Asian market due to the higher premium compared to the European reference prices. In the first half of 2021, inventory supplies recorded a 2.4% (7,168 Msmc) increase, whereas injection supplies recorded a 16.7% drop compared to the same period the previous year, both caused by the frequent and extended waves of cold that characterised the winter and spring in 2021, causing mass recourse to the inventory on the one hand, and a delay in injections on the other.

In a global context of recovery in the economy and commodity prices after the “Annus Horribilis 2020”, which was severely affected by the spread of the Covid-19 pandemic, the increase in gas demand was supported by weather factors combined with the scarcity in LNG supplies, which pushed the TTF price in the first half of 2021 to an average level of € 22.93 c /smc, recording an exceptional increase of 187% compared to the same period the previous year, with a PSV price for the same period in 2021 at € 23.10 c/smc, up by 138% on 2020. The PSV-TTF differential for the first half of 2021 was almost balanced out at € 0.17 c/smc, coming down significantly by € -1.56 c/smc.

Tariffs for transport services

2021 was the sixth year of the new regulatory period, the term of which has been increased from four to eight years (2016-2023) divided into two sub-periods.

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

For the distribution service, ARERA confirmed unbundling of the tariff applied to end customers (the so-called compulsory tariff) from the reference tariff for determination of the constraint on revenue permitted to each company (the reference tariff). The compulsory tariffs for the year 2021 were published with Resolution 564/2020/R/eel for the distribution and metering services for non-domestic customers, with Resolution 565/2020/R/eel for the provision of the transmission service, with Resolution 566/2020/R/eel for provision of the domestic customers network services on 22 December 2020.

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

- regulatory lag and return on invested capital;
- extension of regulatory useful life;
- tariff adjustment criteria: distribution, sale, measurement.

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

The criterion based on the increase in the remuneration rate of invested capital recognised for new investments, of 1% (of the year t-2) was replaced by the introduction of recognition in the capital base (so-called RAB) also of investments made in the year t-1, measured on the basis of pre-final data communicated to ARERA. This data will be used to determine the provisional tariffs of reference not yet published and will then be replaced by the final data to determine the definitive tariffs of reference published by February of the following year.

On 30 March 2021 ARERA published Resolution 131/2021/R/eel with which it determined the definitive tariffs of reference for distribution and metering services for the year 2020.

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

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

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

With Resolution 380/2020/R/COM of 13 October 2020, ARERA launched a proceeding to update the criteria for determining and updating the WACC for the WACC regulatory period that begins on 1 January 2022 (the PWACC).

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

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

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

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

- the portion of the tariff covering operating costs will be updated using the price cap mechanism (with a productivity recovery target of 1.3%);
- the part covering the costs concerning the remuneration of the invested capital will be updated through the deflator of the fixed gross investments, the change in the volume of service provided, the gross investments that are operational and differentiated by level of voltage and rate of change connected to the increased remuneration recognised for incentivised investments;
- the part covering the depreciation will be updated through the deflator of the fixed gross investments, the change in volume of service provided, the rate of change connected to the reduction in the gross invested capital due to disposal, withdrawal and end of useful lifetime and the rate of change connected to the investments that are now operational.

ARERA confirms for 2021 the mechanism, already introduced in the third regulatory period, for the higher remuneration of certain categories of investments made until 2015, not extending this mechanism also for the 2016-2023 cycle.

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

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

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

- equalisation of the revenues from the distribution service;
- equalisation of the revenues from the low-voltage metering service;
- equalisation of the transmission costs;
- equalisation of the value of the difference between effective losses and standard losses.

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

With Resolution 568/2019, ARERA established that the equalisation of the revenues from distribution would be reduced by an amount equal to 50% of the net revenues from the use of the electrical infrastructure for purposes additional to the electric service, recorded at the end of year n-2 should the aforementioned net revenue exceed 0.5% of total recognised revenue.

The equalisation of the transmission costs has the objective of passing the distributor in terms of the cost recognised to Terna for the transmission service (CTR) with what was paid by the end customer based on the compulsory transmission tariff (TRAS).

With regard to the procedure initiated with Resolution 677/2018/R/eel on the finalisation of the regulation of losses on distribution networks for the three-year period 2019-2021, with Resolution 449/2020/R/eel dated 10 November 2020, the algorithm for calculating the DeltaL equalisation relating to the value of the difference between the effective losses and the standard losses starting from the year 2019 was modified; the percentage factor applied for equalisation purposes for commercial losses of electricity on the networks with an obligation to connect third parties for the "centre" zone and for the LV voltage level was modified, going from 2% to 1.83%. Table 4 of the TIS was also amended by the same Resolution with effect from 1 January 2021.

In addition, with a specific application to be presented by the end of May 2022, the resolution provides for recognition of network losses attributable to non-recoverable fraudulent withdrawals that manifest with exceptional amounts compared to the levels recognised conventionally. The recognition is provided for exclusively in the case of a negative net equalisation balance on the three years 2019-2021 and will have a value at the most equal to what is necessary to reduce this balance to zero.

In the new Transport Integrated Text, the ARERA has confirmed the mechanism of advance recognition on a two-monthly basis, of equalisation balances for revenue from the distribution service and transmission costs. With Determination 19/2020 of 13 November 2020, ARERA defined the operating methods of managing the general equalisation mechanisms, confirming the method of calculating the advances every two months.

On 20 May 2021, via certified email (PEC), the CSEA communicated the 2021 equalisation advances and relevant regulation deadlines. The two-month advance equalled € 25.6 million.

Further impact on the equalisation is linked to the fact-finding investigation launched with Resolution 58/2019/E/eel on the settlement of the economic items related to the electricity destined for States included in Italian territory, the Authority, with Measure 491/2019/E/eel, ordered Areti to carry out - by 31 December 2019 – the actions necessary to define correctly the dispatching point



of export related to the electric frontier with the Vatican City State (hereinafter VCS), and to obtain the measurement data of the electricity sold to the said State.

On 20 December 2019, the company stated that it had complied with the requirements.

The Authority decided that the elements acquired constituted a condition for the launch of a proceeding aimed at ascertaining any breaches on the subject of settling the economic items related to the electricity destined for the Vatican City State.

In June 2020, Areti submitted its commitments in terms of the applicable regulation, which will be reviewed in light of the results communicated by the CSEA and approved by ARERA with Resolution 262/2021/E/eel. The relevant items will in any case be settled at the end of the penalty proceedings initiated with Determination 5/2020/eel.

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

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

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

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

Starting in 2017, ARERA established in the same resolution that for the annual updating of the return on invested capital and depreciation concerning effective low-voltage metering points, for each distribution firm, the maximum gross investment value recognisable per meter installed is 105% of the corresponding gross investment value per meter for the investments that came into operation in 2015.

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

- the possibility of setting obligations on the timing of commissioning of 2G systems together with the modulation of the "conventional plan" in order to reduce the risk of a "two-speed country"; the updating and simplification of the provisions relating to admission to the shortened programme for companies that launch their plan for commissioning 2G smart metering systems in that three-year period;
- The assessment of the provisions of Decree 93/2017 of the Minister for Economic Development concerning the periodic verification of electricity meters and the extra costs that could result from them;
- the possibility of introducing provisions to quantify the penalties to be applied in the event of non-compliance with the expected levels of performance of 2G smart metering systems.

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

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

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

Resolution 213/2020/R/eel, which follows 177/2020/R/eel accompanied by CD 178/2020, provides for transitional amendments for the year 2020 to some of the directives for second generation (2G) smart metering systems for measuring low voltage electricity.



In particular, in consideration of the COVID-19 health emergency and its impacts on the replacement of meters, the Authority expressed the orientation to:

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

On 28 July 2020, with Resolution 293/2020/R/eel, the Authority approved the plan of commissioning of the 2G smart metering systems presented by Areti and determined the related conventional commissioning plan and the expenses envisaged for the plan for the purposes of recognition of the costs of capital.

ARERA also considers it appropriate to offer distribution companies the option of proposing the updating of their upgrade plan during 2021 to adjust for the effects of the epidemiological emergency. It is noted that on 31 March 2021, in consideration of the ongoing health emergency and need to further investigate the relevant impact, Areti announced its intention to collect additional information to assess whether it should update its PMS2 by 15 June 2021.

On 14 June 2021, Areti notified ARERA that it had promptly intervened, by adapting its processes and procedures so as to absorb the operational impact that had arisen during the health emergency period, and it that it had consequently not identified any effects that would require the plan to be revised. It is noted nonetheless that certain risks still remain even though they are not yet apparent, such as by way of example and not limited to, the possible increase in asset costs due to raw materials becoming more expensive or the potential shortages in supplies due to the widespread slowdown in production worldwide.

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

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

It should be noted that with Resolution 461/2020/R/eel of 17 November 2020, the rules were defined for the payment to the electricity distribution companies of the otherwise non-recoverable expenses for failure to collect the tariffs for the network services. The CSEA is to quantify and settle the receivables not recoverable by the distribution companies in relation to the network tariffs. On 31 December 2020, the 50% advance on the amount requested from CSEA was paid for around € 5.8 million, and the remaining portion is expected to be paid in 2021.

Finally in view of the continuing COVID-19 emergency, on 29 March 2021, ARERA published Resolution 124/2021/R/eel containing the urgent actions necessary to implement the provisions of the Italian Support Decree on the reduction of expenditures incurred by low voltage electricity user accounts other than domestic users for the months of April, May and June 2021.

The Italian Waste Management market

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

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

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



Water Regulation

A summary analysis is provided below of the measures approved by ARERA during the reference period.

Of note, in particular, the proceedings opened with Resolution 83/2021/R/IDR regarding the update to the metering regulation in SII, aimed, among other things, at identifying best practices to assess appropriate solutions that would allow owners of residential units to access individual consumption data and information.

Also of note is the Authority's approval of over 25 tariff applications pursuant to Resolution ARERA 580/2019/R/IDR, which are in addition to the eight approved last year.

Contractual Quality

With the publication on 8 February 2021 on the Authority's website, of the Communication "Data collection: Contractual quality of the integrated water service (SII) - 2020", the collection of data and information relating to contractual quality of the integrated water service was opened to operators and government entities, with reference to the period 1 January 2020 - 31 December 2020, pursuant to Article 77, paragraph 1 to the SII Contractual quality regulation (RQSII - Annex A to Resolution 655/2015/R/IDR). This data collection edition also includes the transmission of data relating to the provision of the automatic indemnities relating to the cases detailed under article 10 of the default regulation in SII (REMSI), pursuant to Annex A to Resolution 311/2019/R/IDR and subsequent amendments.

The deadline for operators was set at 15 March 2021, whereas the second phase for the AGB validation was completed on 26 April 2021.

Once again with regard to Contractual Quality, on 24 March 2021, during a webinar organised for World Water Day, ARERA presented the contractual quality data for water operators, which it made available on its website using interactive infodata journalism tools, to make it accessible to all stakeholders. Tables, maps, integrated graphics, and texts will be published on a periodic basis on the Authority's website, showing the contractual quality performance of individual Italian water management operators, thus confirming the Authority's commitment to provide consumers with tools for comparative analyses and transparent disclosure.

Biennial limitation

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

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

With the resolution in question, ARERA made changes and additions and adapted the regulatory framework to current legislation. In particular, amendments were made to Annex B of Resolution 547/2019/R/IDR, updating the text of the communication to be sent to the user in art. 3.3 and repealing the entire art. 4 relating to the obligations of the operator in the case of a billing delay attributable to the responsibility of the end user. Moreover, in order to make the current regulatory framework consistent with the limitations of the new legislation, amendments were made to the RQSII (art. 50.2 ter, written complaints), the REMSI (art. 4 on the information provided in the notice procedure) and Annex A of Resolution 586/2012 (art. 6 on the information to be reported on the bill relating to payments, arrears and security deposit). The provisions take effect with regard to bills issued in the first billing cycle following the date of publication of the resolution.

Social water bonus

Resolution 63/2021/R/com of 23 February 2021 Application procedures for the automatic recognition of those eligible for the electricity, gas and water Social Bonus due to economic hardship: with Resolution 63/2021/R/COM, ARERA regulates the automatic recognition of the electricity, gas and water social bonus due to economic hardship, in terms of Italian Decree-Law no. 124 of 26 October 2019, converted with amendments by Law no. 157 of 19 December 2019.

The application procedures for the new system were defined, replacing the previous "on demand" regulations, and more specifically, the relative information flows: Acquirente Unico, operator of the Integrated Information System (IIS) will receive information from the Italian National Pension Fund (INPS) relating to family units, which on the basis of the certified Single Declaration ["Dichiarazioni Sostitutive Uniche"] for the previous month, find themselves experiencing economic hardship; the IIS will check that no other family member has already benefited from the bonus for the same reference year. Specifically with regard to the water social bonus, based on the data received from INPS and via the Authority's Water Territorial Database ["Anagrafica Territoriale Idrica - ATID"], the IIS will identify the water operator that is responsible for the territory, to whom the information will be sent to find the supply that will be assisted and paid the bonus.

The provision produces effects, in terms of recognising the benefits to those that are eligible (family units with an Equivalent Economic Situation Indicator (ISEE) not higher than € 8,265 or with at least 4 dependent children and an ISEE indicator not higher than € 20,000; beneficiaries of national income or pensions), as from 1 January 2021, in accordance with the provisions of the aforementioned Decree-Law no. 124/196; taking into consideration the time needed to develop the related IT systems, the mechanism is expected to become operational from 1 June 2021 with regard to the activities pertinent to the IIS, and consequently, from 1 July regarding the activities pertinent to operators.

The measure also details the transitory provision procedures for beneficiaries of the 2021 bonus portions accrued prior to the mechanism becoming operational.

Moreover, Acquirente Unico will transmit periodically to ARERA the reporting related to observance of the formalities relating to the accrediting process by the water operators, under the terms of paragraph 6.1 of Annex A to Resolution ARG/COM 201/10.



In terms of the above, at the end of February, Acquirente Unico has initiated consultations on the Technical Specific relative to the implementation of the provisions to identify the supplies that will be supported, setting a deadline for the 28 March 2021 for submissions. Following the consultation, the Acquirente Unico published the Technical Specifications on its website on 2 April 2021. As specified by ARERA in a press release dated 25 February 2021, the automatic recognition of the bonus to family units experiencing economic hardship will make it possible to provide benefits to over 2.6 million eligible families, surpassing the old on-request bonus mechanism, which had in fact limited the application of the benefit in the past to only one third of potential beneficiaries. Finally, with the Communication dated 5 March 2021, in order to comply with the disclosure and communication obligations for data relating to 2020, the Authority requested that operators send through the information relating to the water social bonus and integrated water bonus, pursuant to paragraphs 12.3 and 12.4 respectively of the TIBSI (Annex A to Resolution 897/2017/R/IDR), accompanied by the relative illustrative note required by paragraph 12.5. The deadline for submissions was set for 31 March 2021.

Resolution 223/2021/R/com of 27 May 2021 Transmission procedures from INPS to the integrated information system managed by Acquirente Unico SpA, of the data required for the automatic recognition process for the economic hardship electricity, gas and water social bonus: in the resolution, the Authority regulates the technical procedures for making available the information needed for the process to automatically recognise the economic hardship electricity, gas and water social bonus, identified in terms of resolution 63/2021/R/com, by INPS to the Integrated Information System Manager, the relative security measures and time frames whereby INPS needs to send Acquirente Unico the data relating to the certified Single Declarations ["Dichiarazioni sostitutive uniche"] from 1 January to 30 April 2021. Based on the Resolution, the Authority also becomes the Controller of the personal data processing relating to the process for the automatic recognition of social bonuses.

National water pipeline plan

Resolution 58/2021/R/ldr of 16 February 2021 "Simplification of the procedures for the provision of resources, pursuant to Resolution ARERA 425/2019/R/ldr, for the implementation of the interventions in the first passage of the national water sector interventions plan – water pipelines section". Based on the ongoing health emergency, the resolution introduces measures to simplify the procedures for Resolution 425/2019/R/ldr, in order to ensure the timely provision of the resources required for the design and implementation of the interventions contained in Annex 1 of the dPCM of 1 August 2019 referring to the "Adoption of interventions in the first passage of the national water sector interventions plan – water pipelines section". More specifically, the provision of funding for the portion exceeding the advance and any portions already disbursed, is done prior to having checked that the conditions have been complied with, based on the amounts effectively spent and reported to the reference Entity.

Metering

Resolution 83/2021/R/ldr of 2 March 2021 "Start of proceedings to update the metering regulation for the integrated water service". Resolution 83/2021/R/ldr opens the proceedings to update the regulation for metering the ISS, with this expected to be completed by 31 December 2021. During the proceedings, the investigations required may be conducted on the basis of technical meetings and focus groups, including one or more consultation documents.

The Authority has specified that the outputs for the metering activity are deemed essential to strengthening the regulatory framework, and it is therefore important to ensure the effective application for all end users, by also conducting the necessary investigations to define a common framework of rules directed at aggregated users. The following shall be done in the scope of the proceedings:

- set out the installation obligations and guarantees for the proper functioning of meters, also taking into account the potential contribution from the use of new smart metering devices;
- strengthen the effectiveness of the provisions regarding the collection of metering data and remote reading procedures;
- improve the transparency of the periodic consumption communication to users;
- introduce specific standards and relative automatic indemnities in the case of failed compliance;
- regulate the effects following delays in reporting problematic consumption, which is required to promptly identify any hidden leaks;
- identify best practices for assessing solutions, to be checked in terms of technical-economic feasibility, which can provide owners of residential units with individual consumption data and information.

Briefs and reports

Brief 86/2021/I/com of 2 March 2021 "Regulatory Authority for Energy, Networks and Environment brief regarding the proposal for the National Recovery and Resilience Plan". In this Brief, the considerations and proposals were submitted for the Commissions 10a Industry, commerce, tourism, 5a Budget and 14a Policies of the European Union Senate, referring to the PNRR, in the version approved by the Council of Ministers on 12 January 2021. The brief concentrated on the aspects that are most pertinent to the Authority's sphere of responsibility, referring to certain aspects of Mission 2 "Green revolution and ecological transition", relating to the major issues of the circular economy and energy transition, in relation to the goals of the Green Deal (reduction of climate-changing emissions by 55% by 2030 and achieving climate neutrality by 2030), and in particular, the "Green Business/Agriculture and circular economy", "Renewable energy, hydrogen and sustainable mobility" issues, and finally the "Protection of the territory and water resources".

Over a third of the total Plan's resources are intended for Mission 2, Green revolution and the ecological transition; the Authority in this regard noted the significant imbalance between the resources intended for the energy sector compared to the environment. With regard to the governance of the PNRR, the Authority drew attention to the European Commission's specification of identifying an independent public body to conduct the validation, and in this respect, offering its support to institutional entities that will be carrying out this function, within the scope of their respective responsibilities.

With specific reference to the water sector, the protection of the territory and water resources falls within the scope of Mission 2, aimed at generally strengthening the resilience of water systems against climate changes, by improving the ecological and chemical quality status of bodies of water and the management and effective allocation of water resources among the different uses/sectors.



Among the relative actions, the Authority focused specifically on those referring to IIS, noting the priorities in terms of investments and reforms. With regard to investments, these focus on the extraordinary maintenance of reservoirs and procurement systems, the completion of major water projects, the reduction of network leaks, also promoting the development of smart networks, the strengthening of sewerage and purification infrastructure, also in consideration of the four EU procedures pending against Italy for the infringement of Directive 91/271/EEC. In respect of the reforms, priority is given to the simplification of the regulations relating to the National Intervention Plan for the water sector and strengthening of governance, with the purpose of promoting the full implementation of the ISS projects.

Finally, the Authority noted that in the update to the “water pipelines” section in the National Plan, it emerged that additional investments of around € 10 billion would be required over the next five-year period; in this regard, the need to reformulate the resources allocated is required, with additional funding in the form of contributions, and taking into account the potential and leverage provided by the Guarantee Fund.

Sundry

Resolution 130/2021/A/ of 30 March 2021 “Reporting on activities carried out for the 2019-2020 period and revision for 2021 of the ARERA strategic framework for the three-year period 2019-2021”. In line with the content of the Strategic framework for the three-year period 2019–2021 (Resolution 242/2019/A9) and the relative commitments referring to accountability and transparency, Annex A reports on the activities carried out in implementing the strategic objectives over the two-year period 2019-2020, providing the progress status and reasons for any variances in terms of the original time frames envisaged.

More specifically, it outlines the different measures characterising the 23 strategic objectives, breaking down the relevant interventions, grouped according to the three strategic areas (Transversal themes, Environment Segment and Energy Segment), each of which is broken down further into 3 strategic lines.

Resolution 111/2021/R/com of 18 March 2021 “Urgent measures referring to the electricity, gas and integrated water services in support of the populations affected by the earthquakes of 24 August 2016 in Central Italy and on 21 August 2017 in the municipalities of Casamicciola Terme, Lacco Ameno and Forio”. This resolution implements the recent regulations under Art. 17 of Decree-Law no. 183 of 31 December 2020, converted with amendments by Law no. 21 of 26 February 2021, and extends the tariff benefits until 31 December 2021, already stipulated under Resolutions 252/2017/R/COM and 429/2020/R/COM, in favour of users located in the red zones, emergency housing structures (SAE) and in temporary rural housing modules (MAPRE) and users and supplies relating to inusable properties in Central Italy and in the municipalities of Casamicciola Terme, Lacco Ameno and Forio, affected by the earthquakes in 2016 and 2017.

With communication of 10 May, the collection of separate annual accounts (CAS) opened, prepared pursuant to the Integrated Accounting Unbundling Text (TIUC) (Annex A to Resolution 137/2016), relating to the 2020 financial year. As specified in the communication, the collection refers to all operators exercising one or more of the activities under Art. 4.1 of the TIUC, including the operators of IIS and multi-utilities; in terms of Art. 30.1 of the TIUC, the deadline for submitting the CAS is 90 days from the opening, if this is after the date when the financial statements are approved.

Consumer protection

With regard to consumer protection, in the first half of 2021, the Conciliation Service published its Annual Report on the activities carried out, with the relevant press release dated 5 February 2021. Also of note is the publication of a resolution whereby ARENA proposes projects to the Ministry of Economic Development that would benefit consumers funded by the Authority’s sanctions fund, pursuant to Art. 11-bis of Decree-Law 35/05.

With regard to the 2020 Conciliation Service Report, the document notes that in 2020 the ARERA Conciliation Service made it possible for customers and users to obtain or save over € 10.3 million, by resolving disputes with regulated service operators (water, electricity and gas sector) and guaranteeing full operations and continuity during the health emergency; the Report also underlines that a new “Conciliation Service” app will shortly become available, providing direct access to a reserved area to resolve disputes more simply, by using the new mobile version of the platform on one’s own smartphone or tablet.

Of specific interest is the information that the number of applications grew in 2020, going from the 16 thousand in 2019 to over 18 thousand, with 70% of the agreements between parties on procedures finalised. The highest concentration of conciliation applications was in the Lazio and Abruzzo regions, followed by Calabria, Basilicata and Campania.

The majority of the applications refer to cases related to the electricity (10,054) and gas (4,794) sectors; this is followed by the water (2,332) and dual fuel (1,330) sectors. An attempt at reconciliation is mandatory before approaching the courts in the energy sectors, whereas it is still optional in the water sector. The total amount of € 10.3 million in 2020 (amount expected to increase once the procedures still pending are completed), represents for example, the amounts reimbursed to customers, indemnities, the recalculation of incorrect billing or the waiver of default expenses or interest by suppliers. This number, which is constantly increasing and has doubled compared to the 5.6 million in 2018, is subdivided almost in half between non-domestic (51%) and domestic (49%) customers, even though the applications submitted by households is higher in terms of numbers (over 70% of the total).

The matters most often dealt with refer to billing, especially in the gas and water sectors, contracts, in particular for the supply of dual fuel, claims for damages especially in the electricity sector, and net metering for prosumers. Furthermore, in around 68% of all applications sent, consumers preferred to be represented by a proxy (for example, a consumers’ association). Finally, it should be noted that around 20% of applications were not accepted, mainly because the customer decided not to complete the application or for procedural reasons (missing documentation, deadlines, scope of application).

Regarding the project proposals to benefit consumers, with Resolution 483/2020 published on 4 February 2021, the Authority formulated a proposal to the Ministry of Economic Development to allocate a portion of € 1.6 million to the cost equalisation fund account relating to the provision of the water bonus, which is supplemented by the UI3 tariff component, so as to reduce the

requirement of the account for 2020, and reduce the charges in respect of IIS users. The fund to finance projects for the benefit of electricity, gas and IIS consumers was established in terms of Italian Decree-Law 35/2005 and the sanctions imposed by ARERA are currently channelled into the fund. Likewise, with Resolution 901/2017, ARERA had proposed allocating an amount of € 1.2 million) to the UI3 Account for 2018; the proposal was accepted by the Ministry in terms of the Decree dated 5 April 2018.

Finally, it should be noted that an historic agreement was signed on 7 April 2021 between seven major companies in the energy, water and district heating sectors (Acea SpA, A2A SpA, Edison Energia SpA, Enel Italia SpA, Eni Gas e Luce SpA, E.ON Energia SpA, Iren SpA) and 20 consumer associations belonging to the National Consumers and Users Council – CNCU. For the first time in Italy, based on the positive experiences gained in recent years, a Single Protocol was signed with the aim of relaunching joint negotiations, strengthening the alternative resolution instruments for disputes, by consolidating dialogue between companies and consumer associations and strengthening the relationship of trust with consumers. In particular, based on this Protocol, Parties “undertake to promote and develop joint negotiations, as a significant means to resolve disputes out-of-court and to affirm co-existential justice”.

Tariff determination Ato2 Central Lazio - Rome

With Resolution 197/2021/R/idr dated 11 May 2021, ARERA approved the tariff provisions for the third regulatory period (four-year period 2020-2023), adopted by the Mayors' Conference of ATO 2 Central Lazio - Rome with Resolution 6/20 at the meeting of 27 November 2020. Pending approval by the Authority, the tariff prepared by the Governing Body in compliance with paragraph 7.3, letter b) of Resolution ARERA 580/2019/R/IDR (MTI-3), was applied.

The main points of the tariff provision are as follows:

- ✓ Placing of the management in the regulatory scheme related to the 5th quadrant pursuant to paragraph 5.1 of Annex A (MTI-3) of Resolution 580/2019/R/IDR (high investments with respect to the value of the existing infrastructures and average per-capita Guaranteed Revenue Constraint (GRC) higher than the national average figure determined by ARERA);
- ✓ Works programme for the four-year period 2020-2023 for over € 1,300 million), with new investments for around € 90 per capita per year; an additional amount of around € 3,200 million is envisaged for the subsequent period 2024-2032;
- ✓ Tariff multiplier theta (to be applied to the tariff in force at 31/12/2015) of 1.020 for 2020, 1.078 for 2021 and for the following two years of 1.139 and 1.202 respectively. The theta multipliers for 2022 and 2023 may be redetermined following the biannual update, as provided in article 6 of Resolution 580/2019/R/IDR;
- ✓ Use of what is not spent of the solidarity contribution collected in the whole of 2019 (more than € 5.6 million) to reduce the tariff adjustments due for 2020 and 2021;
- ✓ Adoption of the value of the ψ parameter of 0.45 (the maximum value provided for in Resolution 580/2019/R/IDR is 0.8) for the purposes of determining the component for the financing in advance of new investments (FNI_{new});
- ✓ Portion as per paragraph 36.3 of Annex A of Resolution 580/2019/R/idr, aimed at integrating the national mechanism to improve the quality of the integrated water system (to be paid to CSEA and included in billing documents with the relevant reason) of 0.4 euro cents/mc applied to water pipeline, sewerage and purification volumes with effect from 01/01/2020.

The aforementioned resolution of the Conference of Mayors no. 6/2020 also updated the implementation regulation for the integrated water bonus for the ATO2 Central Lazio - Rome. As extraordinary measures and up to 31/12/2021 (unless extended), the new provisions introduced allow users admissible at the moment of the request for the contribution with ISEE (Equivalent Economic Situation Indicator) within the limits set by ARERA exclusively to cover earlier arrears, in addition to the ordinary amount to have access to a further once-off amount up to three times the ordinary value.

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

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

Under their own responsibility and based on specific certification by the relevant offices, the Municipal Administrations also have the power to authorise the supply for individual users in situations of proven particular economic/social hardship, increasing the ISEE threshold for admission for this specific case.

- The amount of the "local" bonus, consisting of the payment of a once-off annual contribution recognised in the bill (in the case of indirect users in the apartment building utility bill), is calculated as the expenditure corresponding to the fixed and variable fees for water, sewerage and purification for a consumption of up to 40 cubic metres per year for each member of the household, for direct and indirect users with ISEE up to € 8,265 and 20 cubic metres per year for each member of the household for other eligible users, based on the tariff in force during the reference year. The bonus is valid for one year and is paid in a single payment, normally within 6 months from the date of submission of the application.

Update on appeals against the ARERA tariff regulation

In 2013 ACEA ATO2 filed an appeal against Resolution 585/2012 (MTT) and subsequent resolutions that amended and supplemented the contents (Resolutions 88/2013, 73/2013 and 459/2013). The appeal was partially upheld by the regional administrative court of Lombardy 2528/2014, against which both Acea Ato2 and ARERA have appealed.

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

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

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

Following the hearing, held as planned on the scheduled date, the Council postponed the discussion of the judgement, inviting the parties to file some briefs (to be presented by 19 December 2018) to make sure that there were no delays in resuming the appeal proceedings. At the hearing in question, however, the judge had not set the date of referral, which was instead established only in the early days of 2019. At the hearing held on 13 June 2019, part of the grounds for appeal were waived and the Council of State ordered the acquisition of the expert's report submitted by the aforementioned parties (Codacons, Acqua Bene Comune, Federconsumatori) in order to submit it to the parties for oral arguments. The next hearing was set for 2 April 2020. Owing to the Covid-19 emergency the new public hearing was set for 10 December 2020 inviting the parties to: 1) file documents by 19 November 2020; 2) file briefs by 24 November 2020; 3) file replies by 28 November 2020. The hearing at the Council of State was brought forward to 22 October 2020 inviting the parties to: 1) file documents by 1 October 2020; 2) file briefs by 6 October 2020; 3) file replies by 10 October 2020.

A partially favourable judgement, no. 8079/2020 16 December 2020:

- accepted Ato2's appeal related to non-recognition of the CCN in relation to other water activities, the only ground for the appeal that the Company had decided not to waive;
- rejected the Authority's appeal related to financial expenses on adjustments, with reference to which already the Lombardy Regional Administrative Court (RAC) had found in favour of Ato2;
- accepted the said Authority's appeal concerning the ground on non-enforceable receivables.

As of the date of this report, in addition to the appeal to the Council of State mentioned above, the other appeals filed by Acea Ato2 before the Lombardy Regional Administrative Court against Resolution no. 643/2013/R/IDR (MTI), Resolution no. 664/2015/R/IDR (MTI-2) and Resolution no. 580/2019/R/IDR are still pending.

With regard to Resolution 643/2013, it should be noted that on 8 May 2014 additional grounds were presented for the cancellation of ARERA decisions no. 2 and no. 3. On 9 December 2014 additional grounds were presented for the cancellation of Resolution 463/2014/R/IDR. Pending the scheduling of the hearing, in April 2019 the notice of the hearing was received (the administrative process was cancelled due to the inactivity of the party). Following this communication, on 20 June 2019 Acea Ato2 presented the request for the scheduling of the hearing together with the new power of attorney signed by the Chairperson. As of today we are waiting for the hearing on the merits to be scheduled.

With regard to Resolution no. 664/2015, it should be noted that in February 2018 Acea Ato2 extended the appeal originally proposed, submitting additional grounds of appeal against ARERA Resolution no. 918/2017/R/IDR (biennial update of the tariff arrangements for the integrated water service) and against Annex A of Resolution no. 664/2015, as amended by the aforementioned Resolution no. 918/2017. As of today we are waiting for the hearing on the merits to be scheduled.

In February 2020, ACEA Ato2 also challenged Resolution 580/2019/R/IDR which approved the Tariff Method of the integrated water service for the third regulatory period (MTI-3), reiterating many of the reasons for previous appeals in tariff matters and introducing new ones related to specific aspects introduced for the first time with the new tariff methodology. Other subsidiaries and/or investees of the ACEA Group that have challenged MTI-3 are Acea ato5, Acea Molise srl and GESESA (which had not previously challenged the resolutions relating to the TTM, MTI and MTI-2). Resolution 235/2020/R/IDR for the adoption of urgent measures in the integrated water service, in the light of the COVID-19 emergency was also appealed. Today we are awaiting the scheduling of the hearing.

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

There are no new elements to report regarding developments on the redefinition of the Hydrographic Basin Optimal Territorial Areas (Ambiti Territoriali Ottimali di Bacino Idrografico - ATOBI), provided for by Lazio Regional Decree 218/18.

News is still expected regarding the draft proposal for a regional law reordering the integrated water services and the establishment of an institutional consultation committee, which will comprise delegates of the Mayors' Assemblies of all the OTAs.

Of note are the publication (BUR Lazio Region no. 33 of 01/04/2021) of the Notice for the adoption of Water Management Plan (PGDAC) and Flooding Risk (PGRAAC) projects relating to the Central Apennines river basin district. This refers to the second update of the PGDAC and first update of the PGRAAC, made available on the basin Authority's website for consultation and the submission of comments, together with the calendar for information meetings and the initiatives for the consultation and circulation of the Plan projects, in order to receive comments from the various stakeholders involved.

Finally, the Regional Landscape Territorial Plan (PTPR) (BUR no. 56 of 10 June, Supplement no. 2) was published and approved by the Regional Council on 24 April. The plan had already been approved in August 2019, but had not passed the review by the Constitutional Court after the appeal submitted by the Government; the resolution was rejected because it did not reflect the prerequisites of the Cultural Heritage and Landscape Code (Urban Code), which require that the PTPR is drafted on the basis of joint planning between the Region and Ministry of Culture.



Finally, with Resolution 306/2021/R/idr of 13 July 2020, ARERA initiated the proceedings to define the rules and procedures for the two-year update (2022-2023) for the tariff provisions relating to the integrated water service.

Electrical Regulation

2020 Budget Law

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

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

Biennial limitation

Article 1, paragraphs 4-10 of the 2018 Budget Law, introduced a two-year limitation on electricity supply contracts, initially establishing that end users were not eligible for this in the case of the failed or erroneous recording of consumption data, attributable to users. Paragraph 295 of Article 1 of the 2020 Budget Law eliminated this specification, establishing that the biennial limitation was also applicable in the case of confirmed responsibility on the part of the customer, and introducing objective liability in respect of the electricity chain operator, and in particular, the distributor, in its capacity as metering service operator, even without any liability or inefficiency in terms of its service provision. With Resolution **184/2020/R/com**, ARERA transposed the provisions of the 2020 Budget Law with reference to the case of exclusion from the biennial limitation in cases of failed or erroneous recording of the electricity metering data, arising from the confirmed responsibility of the end customer. On 27 July 2020, Areti submitted an appeal to the Regional Administrative Court to have Resolution 184/2020/R/com cancelled. The appeal was accepted with the consequent cancellation of the resolution on the basis that the interpretation of the 2020 Budget Law had only referred to the duration of the limitation (two years instead of five years), without however excluding the applicability of the general civil code regulations regarding limitation.

With consultation **330/2020/R/com**, ARERA pre-announced the introduction of a mechanism aimed at sterilising the negative effects of the biennial limitation affecting traders to the detriment of inefficient distribution companies. More specifically, the offsetting mechanism that it intends introducing would only apply in cases where the limitation is challenged by the customer as a consequence of the adjustments arising from delayed adjustments on the metering data previously communicated by the distributor. In these cases, the trader would be compensated for the transportation costs paid to the DSO as well as the expenses incurred to purchase the raw materials and the dispatching based on a reimbursement mechanism funded by the less efficient DSOs in terms of making available the metering data that generated the delayed adjustments where the limitation could possibly apply. The consultation has not yet been followed by any measures.

COVID-19 health emergency

During 2020 and into part of 2021, the main provisions of the Regulatory Authority for Energy Networks and Environment (hereinafter: the Authority or ARERA) introduced a series of extraordinary measures to counter the Coronavirus (so-called Covid-19) epidemic, in keeping with the emergency management measures adopted by the Government all over the country.

As regards electricity distributors, the main measures issued were the following:

- Resolution **116/2020/R/com and subsequent amendments and additions** introduced a series of exceptions to the rules on non-fulfilment of contractual obligations pursuant to the Grid Code providing for the option for electricity vendors and distributors to pay, for the months April-July 2020, amounts less than those invoiced. Consequently, Resolution **248/2020/R/com** defined the methods of reimbursement of the network expenses not paid by the traders, and the general system expenses not paid by the DSOs to the CSEA and the GSE;
- Resolution **190/2020/R/eel** provided for urgent actions to implement the Italian Relaunch Decree Law on the reduction of expenditures incurred by low-voltage electricity user accounts other than domestic users for the months of May, June and July 2020. The action regarded a reduction in the fixed components of the network tariffs and the general system expenses for customers with committed power of more than 3 kW. The provision had an exclusively financial impact for distributors given that the constraint on revenue was guaranteed by the offsetting mechanism activated with Resolution **311/2020/R/eel**. The same intervention was adopted by the Authority in March 2021, in implementing the Support Decree Law, with Resolution **124/2021/R/EEL**, making provision for the transitory reduction in the network tariffs and general system expenses incurred by low-voltage non-domestic users for the period April-June 2021. Based on the same Resolution, the Authority issued orders to the Cassa regarding the management of the resources paid to the COVID-19 Emergency Account in terms of the Support Decree-Law, and on activating the offsetting for distribution companies relating to the lower income resulting from the provisions of the same resolution. Support Decree bis no. 73/2021 extended the transitory reduction of tariffs for low-voltage non-domestic users until July 2021.
- Resolution **213/2020/R/eel** introduced the option for distribution companies to revise the Plan for the installation of 2G smart metering systems for the year 2020 based on a series of postponements to the current regulations aimed at avoiding penalties for distribution companies for events arising from Covid-19. The main changes for 2020 concern the preparation of indicative detailed plans for the mass phase, the suspension of penalties envisaged in case of progress below the forecast set out in the Plan, and the suspension of application of the “Information Quality Incentive” matrix. Areti notified the Authority that it had promptly intervened, by adapting its processes and procedures so as to absorb the operational impact that had arisen during the health emergency period, and it that it had consequently not identified any effects that would require the plan to be revised.

With reference to sales companies, we note the resolution implementing the Support Decree-Law. With Resolution **124/2021/R/EEL**, the Authority ordered the transitory reduction of tariffs for low-voltage non-domestic users, for the period 1 April- 30 June 2021. With this document, the Authority established that:

- for the period 1 April-30 June 2021, for other use LV users (excluding public lighting and recharging points for electric vehicles in places accessible to the public), a reduction is provided on the distribution and metering tariffs and the components covering general charges (asos and arim);
- for each month of the reference period, BTA6 users are granted a refund if the maximum power withdrawn in the month does not exceed 2.0 kW. Distribution companies will pay this refund to the sales companies by 30 September 2021, who in turn, will pay this benefit to end customers by 30 November 2021;
- By 30 September 2021, distribution companies will send the Cassa the necessary information to quantify the lower income deriving from the reduction in tariff components to cover the electricity distribution service and metering costs. The Cassa will arrange the offsetting by 31 October 2021;
- the funds allocated by the Government (€ 600 million) and paid to the COVID-19 emergency Account, for the portion exceeding the resources need to provide the offsetting to distributors, are intended to reduce the tariff rates relating to general charges;
- if at the date when this provision comes into effect, bills have already been issued for April, the relevant adjustments must be made within the second subsequent bill.

The Support Decree Law bis was published on 26 May, extending the reduction in charges for SME bills until the end of July 2021.

In relation to the impacts of the COVID-19 health emergency ARERA, in addition, introduced, with Measure **432/2020/R/com**, a whole series of extraordinary changes on the subject of technical quality, resilience, testing of riser cables and automatic indemnities not disbursed by the distribution companies on commercial quality performance not achieved owing to force majeure. More in detail the Authority:

- with reference to the bonus-penalty regulation of the service quality for the semi-period 2020-2023, redetermined, to the advantage of the companies, the annual levels of the number of interruptions without notice and reduced the penalising parameters of the duration indicator for the two years 2020-2021;
- postponed by 6 months the actions of the 2019-2021 Resilience Plan with completion date envisaged between the first half of 2019 and the second half of 2021;
- extended by 6 months also the completion of the census of old riser cables and, more generally, of the three-year testing;
- confirmed the applicability of force majeure for non-observance of the commercial quality standards for reasons directly attributable to Covid-19.

Social bonus

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

In October 2020 the Authority launched a Focus Group during which it illustrated three possible cases as regards the timing and methods for awarding and disbursing the national bonuses in the automatic mechanism. In particular, as well as a first case (preferred



by the operators) that provides for the subsidy period being the same for each year (case in continuity with the current bonus disbursement system) in which, in addition, the disbursement accrues in relation to the period of possession of the point by each vendor, the Authority presented a second case that provides for the disbursement period covering the entire calendar year and for the disbursement being made only and for the entire period of the said vendor in possession of the point at the moment of acceptance of the application by INPS and IIS; finally, in the third case the Authority provided for the subsidy period having start and end date on the basis of the date of transmission and acceptance of the application by INPS and IIS, with the possibility of simultaneous disbursements of several subsidies with different annual accrual.

With year-end Determination 11/2020- DACU, the Authority introduced certain provisions only for the transitory management of applications to access the economic bonus submitted during the final months of 2020, as well as certain procedures for the progressive discontinuation of functions on the SGAt system related to managing the economic hardship social bonuses. In the same Determination, the Authority did not clarify which automatic system would be used from 2021, but provided four alternative procedures for applications admitted into the SGAt system up until 31 December 2020, which could be selected by the seller for the provision of the portion of the remaining bonus covering the 12 months when the offsetting was effective.

Following on from DCO 204/2020, the Authority published Resolution 63/2021/R/com, which implemented to the automatic recognition of the social economic bonus to eligible end customers. In consideration of the complex procedures and applications reported by INPS, and in any case, the relative implementation time frames that are not compatible with the entry into force of the mechanism for the automatic recognition of the social bonuses envisaged for the 1 January 2021 by Decree-Law 124/19, the mechanism is expected to become operational from 1 June 2021 with regard to the activities pertinent to the IIS, and consequently, from 1 July 2021 regarding the activities pertinent to operators.

In order to reconcile the recognition and implementation timing, the Authority has made provision for the retroactive recognition, within the deadline for the benefit period, of any portions of the bonus already accrued according to one of the following procedures for direct customers:

- provision of a once-off contribution, with a non-transferable bank draft;
- splitting the amount accrued into equal portions over several bills or in the first invoice thereafter.

Completion of the contract transfer registration process for the electricity sector: transfer registration with change in supplier

With Resolution 135/2021/R/eel, the Authority introduced the option of selecting the commercial counterparty during the contract transfer registration phase, prior to having published Consultation Document 586/2020/R/eel. These provisions are applicable as from 30 September 2021, whereas the transfer registration applications on a withdrawal point associated with the Gradual Protection Service, it will already be possible to select a commercial counterparty as from 1 July 2021. Specifically:

- the IIS Operator shall arrange a service making available to the user the dispatch of technical and sales information pertinent to the POD relevant to the transfer registration application with the change of supplier, so that the new user can decide whether or not to accept the transfer registration;
- the commercial counterparty must notify the applicant end customer as to whether the registration transfer has been accepted/refused within 3 business days, whereas the transfer of registration must take place within 5 business days from the application made by the end customer;
- the timing for making available the metering data to the new dispatch user is consistent with the timing currently applicable in respect of the pre-existing dispatch user (i.e. within 5 business days from the date the contract is activated);
- the timing for making available the data required for the supply activation and historic data is consistent with the timing currently applicable in the case of switching during the month following the termination of dispatch and transport contracts due to non-compliance by the dispatch user (within 5 business days from the date the contract is activated for points not dealt with on an hourly basis, 2 business days for points dealt with on an hourly basis);
- in the case of a refusal, the customer is free to approach another open market vendor or last resort service operator, in which respect the obligation remains to accept the transfer registration.

Network losses

With Resolution 449/2020/R/eel the Authority amended the regulation on network losses for the three years 2019-2021:

- reducing the commercial loss factor recognised in LV which for Areti goes down from 2% to 1.83% valid from the equalisation accruing to 2019 and, as a consequence, the percentage of standard loss to be applied to withdrawals of LV final customers which, from 1 January 2021, goes down from 10.4% to 10.2%;
- awarding to the DSOs, for the three years 2019-2021, an equalisation amount equal to the lower between the value obtained counting the energy lost with the selling price to higher protection providers (PAU) differentiated by month and by band and that obtained from the annual average PAU;
- it does not introduce for DSOs the process of ensuring greater efficiency of commercial losses, unlike what was anticipated in the consultation;
- introduces a mechanism for recognising non-recoverable fraudulent withdrawals on an application by the companies - to be presented in 2022 with reference to the three years 2019-2021 - after checking the existence of the following requisites:
 - the total result of the equalisation in the three years 2019 - 2021 must be to the debit of the company;
 - the condition pursuant to point 1. must be aggravated by non-recoverable fraudulent withdrawals attributable to the following cases:
 - cases for which interruption of the supply can cause public order problems or put at risk people present in the place and the operating personnel tasked with carrying out the disconnection and for which there is a formal report to the competent authorities;
 - cases of buildings occupied abusively for which there are measures of public authorities that prevent interruption of the supply.



- if the fraudulent withdrawals are in part estimated, it is necessary to specify the estimation criteria adopted, justify their validity and the results through measurements – for a period of at least 6 months - on a representative sample of 10% of the estimated withdrawals;
- fixes a cap on the amount payable to the company equal to the reduction to zero of the total penalty over the three years 2019-2021.

Continuity of the service

With the Integrated text on output-based regulation in force from 1 January 2020, the Authority introduced the possibility for the DSOs to present regulatory experiments to improve the service quality in particularly critical contexts. A specific feature of these experiments is the suspension of the penalties for the experimental period and their non-retroactive application if the target levels for the indicators of number and duration of interruptions without notice, set by the current regulations, are achieved.

In this context, Areti presented its proposal, outlining a process for improving the technical quality indicators different from that defined by the ordinary regulation. This proposal was approved by the Authority with **Determination 20/2020** of 20 November 2020.

Very briefly, the measure postpones to 2024 the calculation of the bonuses and penalties for the entire four-year period 2020-2023 and provides for the activation of an additional bonus mechanism if the target proposed at 2023 is achieved and the effective annual levels achieved are better than those proposed in the experimentation. Two specifications:

- the total bonus obtained cannot be more than that achievable in the ordinary regulation;
- in the event of non-achievement of the improvement commitment indicated, Areti must pay any penalties that it would have incurred in the four-year period, in the absence of an extension.

As regards the 2019 accrual, the national service continuity results were made known with **Resolution 462/2020/R/eel**; these confirmed for Areti a penalty of € 5.4 million.

Resilience Plan

With **Resolution 500/2020/R/eel** the 2020-2022 Resilience Plan sent by Areti on 30 June 2020, including the final results of the actions completed in 2019, was approved: for actions already previously included in the 2019-2021 plan and not yet completed the completion dates were confirmed, without taking into consideration the delaying effects associated with the emergency situation in progress.

Furthermore, with Resolution **563/2020/R/eel**, the Company was granted the a bonus of around € 3.1 million for the interventions completed in 2019.

Energy efficiency certificates and tariff contribution awarded to distributors

On 14 July 2020, Resolution **270/2020/R/efr** was published; this contained the new rules for defining the tariff contribution to cover the costs incurred by DSOs with regard to obligations arising from the mechanism of energy efficiency certificates. The measure confirms the value of the cap on the tariff contribution of € 250/EEC and introduces, starting from the current obligation year, a consideration additional to this contribution, to be awarded to each distributor for each EEC used to comply with its obligations. On the one hand, ARERA repeats that it considers the cap an instrument necessary to limit the changes in market prices, on the other, it considers opportune to provide for an additional consideration in support of distributors in the light of the economic losses that they are forced to incur owing to the scarcity of EECs available. On 13 October 2020 the Company presented an appeal for cancellation of the resolution.

The resolution, in addition, introduced the possibility of requesting from CSEA the extraordinary consideration in advance of 18% of the specific target for the 2019 obligation year, in order to finance distributors which having already acquired EECs at the beginning of the period, then suffered the negative effects of the extensions of the end date of the obligation year laid down in the Italian Relaunch Decree Law (30 November 2020). Areti submitted an application on 31 August 2020.

In December 2020, Resolution **550/2020/R/efr** confirmed the value of 250 €/EEC for the tariff contribution awarded for the 2019 obligation year and fixed at 4.49 €/EEC the value of the additional consideration.

In view of the continuous increase in prices once again during the first half of 2021, the main sector associations sent a letter to Mite, urging the adoption of urgent measures, especially regarding the correction for the current year, and reimbursement of the extra costs.

On 31 May 2021, the Decree of the Ministry for the Ecological Transition was published in the Official Gazette, containing the “Determination of national energy saving targets that could be pursued by electricity and gas distribution companies for 2021-2024 (so-called white certificates)”. The Decree extended the expiry of the obligation year 2020 to 16 July 2021, and the Authority subsequently published Determination 6/2021-DMRT, whereby it determined the primary energy saving obligations for electricity and natural gas distributors for the obligation year 2020, setting Areti an obligation of 54,848 white certificates.

Tariff regulation

On 13 October 2020, with Resolution 380/2020/R/com, the Authority launched the proceeding to update the criteria for determining and updating the WACC for the second regulatory period (so-called 2nd PWACC) which will start on 1 January 2022. In the context of the measure, as usual, consultation documents will be made available and, if considered opportune, hearings will be convened for the purpose of acquiring of items of information useful for the formation and the adoption of the regulatory measures.

With Resolution 461/2020/R/eel of 17 November 2020 the Authority introduced the mechanism of reintegration of the receivables related to network services, otherwise non-recoverable by the DSOs. The application for admission must be sent to CSEA by 30 June 2021, and the amounts will be disbursed to the companies by 31 August of the same year. The measure gave to companies the possibility of requesting the disbursement of an advance of 50% of the reintegration amount, to be awarded by the end of the year. Areti presented an application to CSEA this past 7 December



In December, in addition, the updates of the obligatory transmission, distribution and measurement tariffs for the year 2021 were made known, as well as the economic condition for providing the connection service.

Standard network code of the electricity transport service

With Resolution **261/2020/R/eel** changes were introduced to the rules on the network code with application starting from January 2021.

The main provisions introduced regard the reduction to 4 months of the DSOs' exposure through reduction of the contractual forms termination times and, consequently, the amount of the guarantees chargeable to the vendors.

Following the requests for clarification sent by operators to the Authority's offices on the correct methods of applying the new rules, a subsequent measure **490/2020/R/eel** was published. This introduced, for traders with credit ratings, the obligation to present a supplementary guarantee in the traditional form in cases of a significant increase in withdrawal points served, limited to the new PODs (so-called GARnewPOD). With the subsequent further measure **583/2020/R/eel**, ARERA also established that in cases of non-fulfilment by traders, if the traditional guarantee GARnewPOD is not sufficient with respect to the debt exposure of the trader, the DSO is required to proceed, at time of enforcement, to a request for reintegration of the guarantee to be done within the following 7 working days, and to a new notice to perform with regard to payment of the amounts due within the following 7 working days, only after which, in the absence of reintegration and at the same time complete payment of the amounts due, the transport contract can be understood as terminated.

Subsequently, the Authority published Resolution **81/2021/R/com** further amending the previous provisions (Resolution 116/2020/R/COM, Resolution 248/2020/R/COM, Resolution 261/2020/R/EEL and Resolution 490/2020/R/EEL) relating to the general transport conditions referring to the guarantees to be submitted to distributors. More specifically, this resolution made provision for:

- an extension to the derogation recognised for the admissible credit rating in the case of a downgrade due to the health emergency for an additional 12 months from confirmation of the rating;
- an extension of the admissible insurance sureties to those issued by institutions controlled by companies with the required rating, pursuant to Art. 2359, paragraphs 1 and 2 of the Italian Civil Code.

General system charges

The Authority published Resolution **32/2021/R/eel** approving the mechanism for recognising general charges not collected by seller from end customers and already paid to the distribution companies, which follows up on the previous DCO 445/2020/R/eel.

The same measure further confirmed that as already stipulated under Resolution 109/2017, the guarantee that the transport user is obliged to provide to the distribution company to cover the GSC's payment obligations continues to be measured at an amount representing the best estimate of the amounts normally collected by operators, or that the distribution companies reduce the GAR amount defined pursuant to paragraph 2.7 of Annex B to Resolution 268/2015/R/EEL and the maximum amount of the guarantee, referring to the provisions under paragraph 3.3 of the same Annex B, by 4.9% to be applied to the portion of the GAR amount relating only to the General System Charges. This amount will be updated on a two-yearly basis by the Authority based on the trend of the unpaid ratio in the country, where default is being recorded on average at higher levels.

With Resolution 123/2021/R/com, the Authority updated the electricity sector general charges tariffs, announcing the transfer of the Asos component from GSE to CSEA, to be allocated to the Account for new renewable energy plants and similar (pursuant to paragraph 41.1, letter b), of the TIT). The transfer of responsibility for the collection of the Asos component to CSEA, with effect from 1 July 2021 was officially confirmed under Resolution 231/2021/R/eel.

Electric mobility

With Resolution **541/2020/R/eel** the Authority launched national experimentation destined for LV customers, aimed at facilitating the installation of e-car rechargers in private areas.

Acceptance is voluntary and free and access is subordinated to observance of a number of conditions:

- the customer must be at LV with contractually committed power of not more than 4.5 kW and not less than 2 kW;
- the POD must be fitted with a 1G or 2G remotely-managed meter. In this second case, any multi-hour bands set by the vendor must enable identification of the withdrawals made in night, weekend and holiday bands;
- a recharging device must be electrically connected to the meter; this device must at least be capable of: measuring and recording the active recharging power and transmitting this figure to an external subject (e.g. an aggregator); reducing/increasing or reinstating the maximum recharging power.
- customers must give their consent to checks and controls also in their homes and are required to communicate promptly any change to the system or contract that occurs during the experimentation.

The application of the experimentation runs from 1 July 2020 and lasts until 31 December 2023.

Finally, in the context of public electric mobility, we can note the consultation document 201/2020/R/eel with which the Authority first implemented the decree of the Ministry of Economic Development of 30 January 2020, illustrating its first orientations on the subject of participation of electric vehicles in the Dispatching Services Market (DSM), through the recharging infrastructures equipped with vehicle-to-grid technology.

"2G digital meter" project

ARERA published Resolution **105/2021/R/eel** amending requirement R-4.01 under Annex A to Resolution 87/2016, specifying that in the case of second-generation meters installed at withdrawal points that were equipped with previous meters, the information displayed must show a reading of the totals for the months prior to the replacement, for a period of 26 months and 15 days starting from the replacement. The previous version of the regulation had stated "at least" 26 months and 15 days. This amendment must be implemented by 30 July 2021 also with regard to the 2G systems that are already operational.



Reactive energy

The Authority published **Determination 2/2021 – DIEU** stating that every distribution company directly connected to the national high and very-high transmission grid, needs to send the Authority information by 30 June 2021 on the quantities referring to the volumes of reactive energy, the type and annual amount of interventions implemented since 2017 and those planned by 2024, in order to check on the voltage and manage reactive energy inputs and withdrawals from the transmission grid. Furthermore, the Authority is expecting the joint report by 31 October 2021 from Terna and distribution companies on the outcome of the coordination and planning of interventions to check the voltage and management of reactive energy exchanges.

Transmission, distribution and dispatching of electricity withdrawn for subsequent feeding into the grid

The Authority published Resolution **109/2021/R/eel** - which follows up on Consultation Document 345/2019 - in which it defines the procedures for providing the transmission, distribution and dispatching service in the case of electricity withdrawn for consumption relating to ancillary generation services, and in the case of electricity withdrawn and subsequently fed back into the grid from the storage system. The priority objective of the resolution is to standardise regulations for the transmission, distribution dispatching services for electricity withdrawn for subsequent feeding back into the grid and extend the aforementioned regulation to more complex cases, where the withdrawal of electricity via the same connection point is not only intended for storage systems and/or ancillary generation services, but also additional loads separate to these. The resolution stipulated that as from 1 January 2022 on request of the producer, electricity withdrawn for the subsequent feeding into the grid will be handled as negative electricity fed in for the purposes of accessing transport, distribution and dispatching services.

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

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

With Resolution no. 491/2019/E/eel the Authority closed the preliminary investigation by instructing Acea Energia and Areti on the actions to be taken by the end of 2019. Acea Energia informed the Authority that it had complied with the requirements. Resolution 491/2019/E/eel, moreover, gave a mandate (i) to Terna, the relevant distribution companies and CSEA to recalculate the charges for withdrawals by Vatican City State by applying the criteria highlighted in the preliminary findings attached to the same resolution (ii) to the Director of the Sanctions and Commitments Department of the Authority for the documents resulting from the evidence found. As a result of this, with subsequent Determination 5/2020/eel, ARERA initiated two sanction proceedings against Acea Energia and Areti, respectively. On 12 June 2020, Acea Energia sent ARERA its proposal of commitments, including waiver of the amount receivable accrued in relation to the system, payment of compensation to ARERA and the obligation to send two-monthly reporting for a period of ten years.

With Resolution 262/2021, ARERA partially amended the methods for carrying out the recalculation activities indicated in Resolution 491/2019 and CSEA then sent the definitive recalculations to Acea Energia on 9 July 2021. The items must be settled at the end of the penalty proceedings initiated with Determination 5/2020/eel. Acea Energia is currently awaiting approval of the commitments from ARERA.

It is noted that in Consultation Document 308/2021/R/com and Consultation Document 292/2021/Reel, ARERA proposed: new criteria to determine and update the remuneration rate for capital invested to make electricity and gas sector infrastructure compliant in the second regulation period (PWACC), with the deadline for sending comments on 12 September, and a reform of the imbalance regulations, with the deadline for comment on 31 August.

Finally, Resolution 279/2021/R/eel extended the provisions already adopted with Resolution 124/2021/R/eel, whereby ARERA provided a reduction for other LV users up until 31 July 2021 of the distribution and metering tariffs and the components covering general system charges, implement article 5, paragraph 1 of the Support Bis Decree-Law.

Furthermore, the Government approved the “Labour and business Decree”, allocating € 1.2 billion to reducing general system charges for the next quarter. With Resolution 278/2021/R/com, the Authority consequently reformulated the general charges (Asos and Arim) for the quarter July - September 2021.

Environmental Regulation

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

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

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



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

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

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

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

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

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

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

The EFP (Economic and Financial Plan) remains the tool of reference for the development of the integrated cycle and for the calculation of TARI tariffs and is prepared by the “integrated waste system operator”, where it is also the Municipality, while “the operators who manage parts of the supply chain make their data available to those who prepare the EFP for the correct elaboration of the entire Plan”.

With regard to the Integrated Text TITR - 444/2019/R/irif - Provisions on transparency in the management of urban and similar waste, it is specified that this text defines the provisions on transparency of the management of urban and similar waste for the regulatory period 1 April 2020 - 31 December 2023. The scope of the intervention includes the minimum information to be made available by the integrated cycle manager through websites, the minimum information to be included in collection documents (payment notice or bill) and individual communications to users concerning significant changes in operations.

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

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

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

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



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

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

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

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

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

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

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

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

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

Sustainable development

The European scenario was characterised by the direction taken by the Commission chaired by Ursula von der Leyen with preparation of the Green Deal, as an integral part of the strategy for implementation of Agenda 2030 and pursuance of the UN sustainable development goals and, at the same time, the whole world had to handle the pandemic caused by Covid-19.

The response adopted by the Commission and transfused into the national systems confirmed the orientation towards the objective of making the European Union the first carbon-neutral area of the planet, socially and economically inclusive and with advanced technological and innovative development, seizing from the planetary health emergency the opportunity and urgency of revising the development and coexistence models.

The evidence and the repercussions generated by the serious situation, in fact, highlighted the risks deriving from the correlations between pollution and environmental degradation and the spread of the virus or the fragile resistance of the welfare systems, and also the effectiveness of certain solutions introduced all over the world to manage the crisis in a resilient way. For example, the generalised lockdowns of economic activities balanced by an unprecedented use of technologies to guarantee the continuity and safety of civil life, at school or at work, or the ability activated by clinical research aimed at creating a vaccine and the cohesion and solidarity shown by all player in civil society – institutions, businesses, local communities, voluntary workers - faced with a common problem.

The new awareness and urgency of sustainable growth were confirmed by the main players in the global scenario: Europe, with NextGeneration EU and the important objectives connected with it, strengthened by more stringent limits in countering climate change, but also China, with the commitment assumed on decarbonisation, and the USA, with the relaunch of the Paris Accords confirmed by the new President elected.

Italy is part of this global scenario, and is intent on balancing the relationship between nature and people and on creating inclusive and sustainable development conditions, with important appointments fixed for 2021, in which our country will have a guiding role: co-chairing with the United Kingdom the UN Conference on Climate (COP26), chairing the G20 which will be organised around the three points People, Planet, Prosperity.

Finally, we must mention the role that the segment of water, energy and environmental service industries is called upon to perform to tackle the challenges of environmental protection, social inclusion, economic and civil development of the territories and populations that these involve. Taking into account these developments, ACEA continues its development by integrating sustainability



in its strategies and organisation, as seen in the approval of the Business Plan and the Sustainability Plan for the period 2020-2024, with an increase in investments related to sustainability targets for a total of € 2.1 billion.

Environmental and energy impacts

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

Today, recovery from the pandemic is the central issue that shapes the lives and decisions of all members of society: families and individuals, workers and businesses, public and private institutions. In this context, to limit the spread of the virus, the countries affected shut down economic activities for a continuous and prolonged period of time during 2020.

This initiative, adopted at the global level, entailed a decrease in carbon dioxide emissions into the atmosphere, enabling the planet to delay the overshoot day, the day on which the earth exhausts the renewable resources available for the year in progress.

In view of these environmental benefits and in line with the European decarbonisation policy, the President of the European Commission, Ursula von der Leyen, on 28 April 2020 said that it was important to use the European Green Deal as the motor of the post Covid-19 recovery.

The Green Recovery is the opportunity to leave the pandemic crisis behind rebuilding the economic system to make it resilient and sustainable.

To this end, on 15 June 2020 the TEG (Technical Expert Group set up by the European Commission to implement the Action Plan for financing sustainable growth) published the five principles on which the post Covid-19 recovery should be based, constructing at the same time an economic system resilient to future threats.

The idea at the base of these recommendations is that the crisis caused by the pandemic is the first of a series of threats to which the population will be exposed owing to the degradation of ecosystems caused by human activities. One of the instruments indicated by the TEG for implementation of the Green Recovery is the EU taxonomy, to identify the areas that need investments to be environmentally sustainable.

Alongside the work done by the European Commission, the Financial Stability Board (an international organisation that controls the global financial system) set up the Taskforce on Climate-related Financial Disclosure (hereinafter TCFD) with the objective of defining a series of recommendations that companies have to follow for reporting the risks and opportunities associated with climate change and for describing the impacts that they generate on the business, in order to respond to the expectations and needs of investors.

Of particular importance in this context are the scenario analyses that companies are called upon to perform and report, in order to assess the future impacts that the climate-related risks/opportunities generate on the company's business.

Governing this phase in a resilient manner and containing the risks of aggravating inequalities among people and a lack of sustainability in development models is essential to finding solutions that truly allow the transformational change that can put us on a development path that is balanced, lasting and widespread.

The focus of national and international institutions has been to put in place initiatives to protect people, both in terms of health protection and prevention and support for income capacity, designed precisely to build an overall sustainable system.

These include European programming and financing instruments being defined that, contrary to what some observers feared, have asserted a preference for investments capable of ensuring a transition that is ecological, socially and territorially inclusive, digital and innovative.

In this context, ACEA is continuing to carefully monitor its sustainability plan, and given the strategic nature of the issue it has begun reflecting on how to define the opportunities deriving from the current scenario and its contribution to the creation of shared value.

Development and technological innovation

In ACEA, the Innovation, Technology & Solutions Function reports directly to the CEO and has the task of ensuring a model of innovation for the Group through the adoption of processes and approaches typical of open innovation, with the involvement of internal and external stakeholders as defined by the Industrial Plan. In this direction, activities were developed in the electrical area, with further progress on the automation and efficiency of processes and on applications in the field of smart metering and smart grids with a view to smart cities, such as the launch of installation of new digital meters or the PlatOne project on energy flexibility, and in the water sector, with customer-oriented technological innovations, capable of optimising and accelerating the processes of contractualisation, invoicing, payments and communication between operator and customer, improving also the security of remote interactions.

Digital innovation also played a fundamental role for the continuity of the business activity, enabling, thanks to prompt implementation of adequate digital infrastructures, fully effective performance of the remote work of thousands of colleagues. Technology made it possible to perform also the activities of selecting, training, developing, communicating and involving personnel completely remotely, accelerating the process of digitalising the corporate processes and the transfer of new skills over the entire population.

The ecosystem of innovation is constantly overseen by ACEA also in the networks of external collaboration and partnerships. Among these, involvement in Startup Europe Partnership, an Open Innovation programme that puts into contact the European Scaleups with businesses, and Open Italy, the co-innovation programme promoted by Elis to combine the innovation needs of Companies in the consortium with the offer of startups, innovative SMEs, university spin-offs and research centres.

Development of personnel

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

Entrepreneurship, teamwork and action are the three driving values of our Leadership Model upon which the Group's initiatives are built to achieve the goals of the 2020-2024 strategic plan and the sustainability plan.



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

It was in fact precisely people, in this difficult period in which the pandemic represented the most complex challenge, who were the driver that enabled the company to continue to provide its services giving continuity to the business with no interruptions. In a few days in fact, thousands of colleagues managed with full effectiveness to work remotely, rethinking processes and activities in a totally digital way, managing to be a team in an enterprising manner and continuing to achieve all the objectives foreseen.

The activities of selecting, training, rewarding, developing, communicating and involving personnel, carried out digitally, contributed to the enhancement of the human capital, accelerating along the pathway of digitalising the corporate processes and the transfer of new skills over the entire population.

To respond better to the challenges that the evolution of the economic and social context is putting before us, ACEA is continuing to work on the skills, on new ways of organising the work and on improving the management and development processes in order to support the entire organisation in achieving the corporate objectives defined maintaining a high level of personal satisfaction and well-being.

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

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

Sustainable management of the supply chain

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

Indeed, for several years ACEA has been using the Minimum Environmental Criteria, in its calls for tenders including even rewarding aspects that are not mandatory but often decisive in ensuring the maximum achievement of the objectives set.

Furthermore, it engages in the education of its own resources so that the purchasing choices tend toward goods or services with sustainable characteristics, thus stimulating the development of a specific sensitivity towards these aspects, with the aim of having them always present in supplier selection processes.

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

Health and safety in the workplace

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

Safety seen as strategy, and not only as compliance, is based on the possibility of measuring and monitoring the results in a managerial approach. In the context of the process of continuous improvement that it has undertaken, oriented to the prevention and reduction of injuries, ACEA intends to make available to its employees a valid and effective instrument for the purposes of active participation in analysing the trend of indicators; this aspect is often considered a measure of the level of maturity of the culture of safety and the culture of improvement in an organisation. Improvement actions based on the realisation that there are margins to pursue (for example actions to reduce the proportion of some types of injury) and consolidation actions (for example maintaining positive results, growing organisational resilience), represent the natural process of continual improvement in the field of workplace health and safety. A Group RSPP Coordination Committee is active, with the aim of sharing the results of safety performance, experiences, good practices and sustainable solutions for the prevention of accidents in the company. It is also an opportunity to share the corrective actions implemented following safety performance analyses that have found deviations from the objectives set (e.g. worsening of the IFR/IG indices, repeated lack of compliance in the field, etc.).

A special H&S Dashboard was also prepared and has become a shared tool for the reporting of occupational health and safety performance. The key performance indicators on the subject of safety in the workplace constitute an important part of the information necessary to determine and explain how an organisation progresses towards its objectives of preventing and reducing injuries.

Safety is at the centre of numerous innovative experiments. Various innovation projects continue to make Acea operators safer. An example of these was the development and use of personal protective equipment fitted with sensors capable of signalling the correct devices (Smart PPE).



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. It should be noted that compared to 31 December 2020, the "Generation" segment has been created, which includes the companies with electricity generation, cogeneration and the production of electricity from photovoltaic plants as their main business; before, this segment had been included in the energy infrastructure segment.

€ million 30.06.2021	Environment	Commercial and Trading	Overseas	Water	Generation	Energy Infrastructure				Engineering and Services	Other		Consolidated Total
						Reti	IP	Adjustments	Total		Corporate	Consolidation adjustments	
Revenues	110	878	39	637	56	289	17	0	306	62	65	(298)	1854
Costs	79	838	25	311	20	105	19	0	125	53	83	(298)	1235
EBITDA	31	40	14	326	35	184	(2)	0	182	9	(18)	0	619
Depreciation/amortisation and impairment charges	14	32	6	159	14	69	1	0	70	3	11	0	309
Operating profit/(loss)	17	8	8	167	22	115	(3)	0	112	6	(30)	0	310
Capex	15	36	3	247	22	137	2	0	139	3	16	0	482

The revenues in the above table include the condensed result of equity investments (of a non-financial nature) consolidated using the equity method, as well as results from equity investments in the gas distribution segment in Abruzzo.

€ million 30.06.2020	Environment	Commercial and Trading	Overseas	Water	Generation	Energy Infrastructure				Engineering and Services	Other		Consolidated Total
						Reti	IP	Adjustments	Total		Corporate	Consolidation adjustments	
Revenues	99	738	34	595	41	282	25	0	307	35	59	(269)	1638
Costs	72	708	20	289	17	100	24	0	125	30	77	(269)	1070
EBITDA	26	30	14	305	24	181	1	0	182	5	(18)	0	569
Depreciation/amortisation and impairment charges	17	29	7	143	12	70	1	0	71	1	8	0	291
Operating profit/(loss)	9	1	7	162	12	111	0	0	111	4	(26)	0	281
Capex	9	18	1	229	8	132	2	0	134	3	9	0	411



Operating Segments

ACEA's macro structure is organised in corporate functions and seven operating segments: Water, Energy Infrastructure, Generation, Commercial and Trading, Environment, Overseas and Engineering and Services.

It should be noted that compared to 31 December 2020, a new segment has been added, namely "Generation", which comprises companies operating in the sector of electricity generation and cogeneration; this segment had been previously included in the energy infrastructure segment.



Environment
Operating figures, equity and financial results for the period

Operating data	U.M.	30/06/2021	30/06/2020	Change	% Change
WTE conferment	tonnes	211.2	224.3	(13.2)	(5.9%)
Landfilled waste	tonnes	20.3	15.3	5.1	33.3 %
Contributions to composting plants	tonnes	97.7	85.7	11.9	13.9 %
Contributions to Selection Plants	tonnes	118.6	61.8	56.8	91.9 %
Intermediated waste	tonnes	80.1	96.0	(15.9)	(16.5%)
Liquids treated at Plants	tonnes	236.3	224.1	12.2	5.4 %
Net Electrical Energy transferred	MWh	163.8	172.8	(9.0)	(5.2%)
Waste produced	tonnes	95.3	71.7	23.6	33.0 %

Equity and financial results (€ million)	30/06/2021	30/06/2020	Change	% Change
Revenues	109.9	98.7	11.1	11.3 %
Costs	79.2	72.5	6.7	9.2 %
EBITDA	30.7	26.2	4.4	17.0 %
Operating profit/(loss) (EBIT)	16.5	9.2	7.3	79.0 %
Average workforce	590	567	24	4.2 %

Equity and financial results (€ million)	30/06/2021	31/12/2020	Change	Change %	30/06/2020	Change	Change %
Capex	14.8	23.6	(8.8)	(37.1%)	9.5	5.4	56.7 %
Net financial debt	283.9	268.0	15.9	5.9 %	286.7	(2.9)	(1.0%)

EBITDA (€ million)	30/06/2021	30/06/2020	Change	% Change
EBITDA – Environment Segment	30.7	26.2	4.4	17.0 %
EBITDA – Group	618.8	568.7	50.1	8.8 %
Percentage weight	5.0 %	4.6 %	0.3 p.p.	

Environment closed the first half of 2021 with an EBITDA of € 30.7 million, up by € 4.4 million (+ 17.0 %). The increase recorded is attributable to Acea Ambiente (+ € 2.6 million) and is due mainly to the increase in the volumes treated and disposed of, the higher margins on the sale of electricity as an overall effect of the lower volumes and the price effect and for the remainder to the consolidation of the companies **Cavallari** and **Ferrocarr**, which entered the scope of the Group in late April 2020.

We also report that on 24 February 2021, the deed of merger by incorporation of BioEcologia into Acea Ambiente was signed, with effect from 1 January 2021.

The average number of employees at 30 June 2021 was 590, an increase of 24 employees compared with 30 June 2020, due mainly to the change in the scope of consolidation, particularly **Cavallari** (+16 employees).

Investments in the Segment amounted to € 14.8 million (+ € 5.4 million compared to 30 June 2020) and mainly refer to the investments made by **Acea Ambiente** (+ € 2.4 million) for works carried out at the Orvieto plant for the construction of a compost storage building and for the revamping of the treatment line and at the San Vittore and Aprilia plants, **Berg** (+ € 1.3 million) for the creation of a concentrator and **Ferrocarr** (+ € 0.8 million).

Net debt for Environment amounted to € 283.9 million, an increase of € 15.9 million compared to 31 December 2020, due mainly to the operating cash flow dynamics of **Acea Ambiente** (+ € 7.5 million) and **Aquaser** (+ € 9.9 million). The change compared to 30 June 2020 (- € 2.9 million) reflects the company acquisitions in the first half of 2020.

Significant and subsequent events in the first half of 2021

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

Terni (UL1): during the year, the contractual planning for the delivery of pulper waste guaranteed the fuel requirements for the entire period. We report that on 27 April 2021, a specific request was submitted to the National Committee for the management of Directive 2003/87/EC and for the management of the project activities of the Kyoto Protocol to the Italian Ministry of Energy Transition, intended for the exclusion of the Terni waste-to-energy plant from the scope of the so-called Emission Trading System (ETS), pursuant to art. 2, paragraph 2, letter c) of Italian Legislative Decree no. 30/13, for definition of pulper waste under the category “of non-hazardous special waste produced by treatment plants, supplied annually with urban waste for a quota greater than 50% in weight”.

Paliano (UL2): on 26 April 2021 the works for the demolition of the treatment plant, underground tanks and former mineralised water production building resumed, following the update to the executive plan. The works are currently continuing as planned. With



reference to Building Permit no. 116 issued on 16 June 2020, on 29 April 2021 the start of the works with site preparation activities was communicated to the Municipality of Paliano.

San Vittore del Lazio (UL3): the waste-to-energy plant is destined for the production of electricity from renewable sources, and in particular from SRF (Solid Refuse Fuel) produced by the treatment of urban waste from the territory of the Lazio Region. The San Vittore del Lazio plant is now the only waste-to-energy plant on a regional scale and represents a strategic terminal for the waste chain.

Regarding Lines 2 and 3, after expiry of the CIP 6 Agreement on 13 July 2019, electricity sold to the national grid is valued at market tariffs. Electricity sold to the national grid from Line 1 is valued at market tariffs and benefits from the incentive recognised for the quota attributable to the biodegradable portion of the waste.

During the year, lines 1, 2 and 3 of the plant guaranteed regular operation in terms of operating hours.

Regarding the disposal/recovery of waste produced in the waste-to-energy process, the Company has established an adequate number of contracts for the current year, which guarantee operations of the three Lines without interruption.

Expected performance of the plant during the period in question, both in terms of waste treatment and production of electricity, were affected by adverse weather conditions recorded in the first half of the year. Performance was also affected by the postponement, to the end of the second half of 2021, of the service of the line 2 turbogenerator and the investments planned to improve line 1 performance.

From March 2020 to date, in the context of the Covid-19 health emergency, with order no. Z00015 of 25 March 2020, the Lazio Region established that Acea Ambiente, in relation to the plant in question, receive and launch combustion, for lines 2 and 3, in addition to SRF, of unseparated urban waste originating from the homes of individuals who have tested positive for SARS-Cov-2, who are self-isolating or subject to mandatory quarantine.

To launch the activities ordered by the Lazio Region, specific commercial contracts were prepared with the suppliers and specific procedures were created for the management of the receipt, storage and supply operations for waste contaminated with COVID-19 sent for thermal destruction.

In the first half of 2021, there was a significant increase in the quantity of waste sent for thermal destruction.

Orvieto (UL4): during the period, in accordance with the information shown in the Integrated Environmental Authorisation and the contracts signed with Sub-Section 4 of the AURI of Umbria (Umbria Authority for Waste and Water - formerly ATI4 Umbria) and the Municipalities of the Section of reference, the supply of non-hazardous urban and special waste continued, implementing the recovery and disposal activities according to the terms provided for herein. During the period under review, the Orvieto hub was involved in one construction project regarding the construction of the storage shed and compost maturation, which, following suspension due to the COVID-19 health emergency, the original dates outlined in plans for completion of works have been extended; the construction is still under way.

Lastly, it should be noted that on 4 June 2021 the performance inspection certificate was issued related to the works to construct the compost storage and maturation shed and with subsequent Acea Ambiente memo the Umbria Region was notified of the launch of the plant for 7 July 2021.

Monterotondo Marittimo (UL5): on 27 August 2020, in accordance with the deadline envisaged by the calendar approved by the Tuscany Region, the Company submitted a request to review the Integrated Environmental Authorisation for its adjustment to the BAT Conclusions for waste treatment plants (as per Commission Implementing Decision (EU) 2018/1147 of 10 August 2018 of the European Commission). Regarding this procedure, two Services Conferences were held and two different document additions requested, which the Company promptly provided, the last of which on 4 May 2021. We are currently awaiting any further briefs from the competent administration in preparation for the issue of the final measure, which, by virtue of the achievement of certification of the Environmental Management System's compliance with UNI EN ISO 14001, will authorise the plant for 12 years. Finally, on 23 June 2021, the Tuscany Region sent the final approval of the non-substantial modification submitted in March 2021 related to the implementation of new tanks for the fire prevention water reserve and the reorganisation of the compost storage area.

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

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

In order to comply with the requirements of the state concession, it will be necessary to carry out certain projects that will make it necessary to temporarily interrupt waste management in order to avoid interfering with the work. A suspension of deliveries was implemented starting 31 October 2019. Operationally, with the temporary suspension of the deliveries, the last composting cycles ended in June 2020.

The tender procedure was completed and the aforementioned works for the adaptation of the plant to the requirements of the Consorzio di Bonifica Agro Pontino were assigned following verification of the adequacy of the tenders. The works were handed over to the company on 24 June 2020 and completed on 10 March 2021. As it stands, part of the works (demolition and reconstruction of a roof) has not been possible to execute because it was subject to the issue by the Municipality of Sabaudia, which has been sent several formal requests, of an amnesty which must be followed by a planning authorisation.

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



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

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

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

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

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

Execution of the tests was nevertheless suspended by Works Management with a specific Service Order of 20 January 2021, then confirmed by Acea Ambiente with a memo via certified email, complaining in particular about the inefficiency of a number of components and the contractor's inability to bring and maintain the plant under full operating conditions. To overcome the stall in testing, in February 2021 TME suggested that Acea reach a settlement. Following long negotiations the agreement was signed on 13 April 2021. The agreement provides for precise conditions that must be respected by TME in the redelivery of the new plant section to Acea Ambiente. Furthermore, tests are required on both the digesters and the entire evaporation line for the digested material. In particular, the test on the evaporator will continue until 2 July 2021 with scheduled testing for performance and reliability. On 14 May 2021, following verification of compliance with the provisions of the agreement, partial redelivery of the plant to Acea Ambiente was carried out.

The agreement, with which the entire remaining sum of the contract will not be paid, also provides for the payment schedules to TME, but at the same time the latter must demonstrate that it has paid all suppliers and subcontractors while simultaneously releasing Acea Ambiente from any responsibility.

Sureties are envisaged to cover and guarantee the payments and the dryer.

Therefore, as it stands, the operation of the entire plant both in the original section and in the anaerobic digestion section (otherwise as stated of the dryer) is the responsibility of Acea Ambiente, which, with assistance from the main suppliers, must commission and test the plant.

Chiusi: the company carries out purification, treatment and intermediation of liquid waste in the plants located in Le Biffe, Pianino and ex Comova. During the year, the services provided for in the contracts entered into with the operators of the integrated water service for the purification of urban wastewater in the Municipalities of Chiusi and Buonconvento were regularly carried out, performing the treatment of special non-hazardous waste in accordance with IEA specifications. During the period, further efforts were made to acquire residual treatment capacity in the suspended-biomass biological segment and to make it more efficient in terms of electricity consumption. Replacement of the bed of oxygenators of the second oxidation reactor allowed a significant economic saving. Similarly, evident increased oxidative capacity for the segment allowed an increase in the flow of waste sent for treatment. During the six months it was therefore possible to accept a much higher quantity of liquid waste compared to the expected provision in the budget. Regarding the volumes of waste treated at the Chiusi plant, the quantity processed during the first half of 2021 was 47,175 tonnes, much higher than the expected value in spite of the contingent limitations, resulting from the execution of the plant redevelopment works, and the critical operating status due to the Covid-19 pandemic.

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

Aquaser currently wholly or partially performs the service of loading, transport and recovery/disposal of waste from water purification for the companies of the ACEA Group. It also manages individual orders related to the service of loading, transportation and recovery/disposal of waste or soil improvers for the company Acea Ambiente, as well as other ancillary activities on behalf of third-party customers (mainly transport services). The recovery activities are carried out through energy recovery, conditioning or composting plants of third parties, and in part at the plants of the parent company, while disposal activities are almost all carried out at treatment plants/landfills of third parties.

Iseco: operates in the Water Business, whose main activities are the management, maintenance and construction of plants, and the Milk - Dairy Business, whose main activities are the production of whey powder and the sale of related products for zootechnical and food use and the processing of seroderivatives on behalf of third parties. It should be noted that with reference to this latter business segment, as a result of the strong upturn recorded in the whey market, during the six months a boost was given to the processing of this product in a concentrated and crystallised form on behalf of third parties.

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

The Company carries designs and builds plants mainly related to the treatment of wastewater and sludge and waste in general, as well as the treatment of atmospheric emissions, following up with their subsequent ordinary and extraordinary management, as well as carrying out design, direction and execution of works in the field of environmental clean-up of polluted sites, mainly in the industrial sector. It also performs research and development in the sectors of reference in partnership with research bodies at both a regional and national level. In 2021, the Company's business activities intended to achieve the objectives and the company mission were implemented and developed further, as were specific activities in coordination with the Parent Company Acea S.p.A. and with the



companies belonging to the “Environment” business in order to implement the potential synergies with the various operating areas of the relevant group, with particular reference to the sector for the treatment and disposal of liquid waste and biological sludge in addition to other activities connected to the intermediation of non-hazardous solid and liquid waste.

The initiatives and services historically managed are still fully operational, thus guaranteeing the maintenance of an operating scope mainly in the territory of the Tuscany Region. The first half of 2021 was characterised by normal rainfall which guaranteed continuous flows to the platforms for a total of 60,806 tonnes.

Demap: carries out its activity in the field of sorting plastic packaging from urban waste collection. It is one of the 33 or so Forced Waste Selection Centres (CSS) that have an agreement with the Corepla Consortium, established by law pursuant to Italian Legislative Decree 22/97 and now regulated by Italian Legislative Decree 152/06, responsible for achieving the recycling and recovery targets for plastic packaging of consumed products.

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

Separated collection of plastic packaging is regulated at a national level by a framework agreement between Anci and Conai and by the technical annexes concluded between Anci and the individual value chain consortia which, in the case of plastic packaging, provide that collection may be transferred to the sorting centre either selectively (mono-material collection) or jointly (multi-material collection). During the period, a total of 29,330 tonnes of materials were received, a decrease of approximately 9% compared to volumes for the same period in the previous year. The greatest decrease was recorded on the supply of single-material collections (-13.4%) compared to the volumes from the same period in the previous year, while the volumes originating from joint multi-material collections decreased by around 3.9% compared to the same period in the previous year.

Finally, it should be noted that on 29 July 2021, Acea Ambiente acquired 10% of the shares of Demap, thus acquiring its entire share capital.

Berg: operates in the environmental services sector and in particular in the treatment of liquid and solid waste. Pursuant to article 2428 of the Italian Civil Code, it should be noted that the activities are carried out at the Frosinone plant, where the Storage and Treatment of Hazardous and Non-Hazardous Liquid and Solid Waste is carried out. In terms of authorisation, the plant has an Integrated Environmental Authorisation issued by the Lazio Region with Executive Resolution B0201/09 of 30 January 2009, expiring on 30 January 2025 (duration of 16 years by virtue of the site’s EMAS registration). In May 2021, in accordance with the deadline envisaged by the calendar approved by the Lazio Region, the Company submitted a request to review the Integrated Environmental Authorisation for its adjustment to the BAT Conclusions for waste treatment plants (as per Commission Implementing Decision (EU) 2018/1147 of 10 August 2018 of the European Commission).

In the period in question the business trend was more or less in line with the expected results.

Cavallari: the first half of 2021, still marked by the Covid-19 health emergency, strongly affected both operations and the market of the segment. During the six months there were significant increases in market prices of paper and recyclable plastics, while the difficulties to position less “noble” plastics on the market were accentuated.

In spite of this, in the first half of the year a significant increase in incoming quantities was recorded, in particular in Ostra in relation to the plant’s increased processing capacity for the production of fuel from waste. As a matter of fact, from April the working hours of the plant were extended from 16h to 24h due to a consistent increase in notifications on cement factories. Furthermore, in the first half of 2021 the Company strengthened and structured its commercial action to oversee and expand its geographic scope of reference and the various market segments where it operates, in order to tackle various new opportunities and to consolidate a number of at-risk or weaker areas with a particular focus on the area of the Fabrianese. Specific attention was also paid to the northern area of the Marche where the largest competitors operate and with which the Company is seeking possible integrations or better strategic actions to consolidate its leadership in the waste processing market.

Finally, it is noted that on 11 December 2020 the deed of merger by acquisition of Multigreen Srl by Cavallari Srl was signed, with validity for civil and tax purposes from 1 January 2021.

Ferrocart: during the first half of 2021 Ferrocart regularly continued the services referring to existing relationships with companies that manage separate collection through contracts for direct assignment or through tenders. Relations with all value chain consortia also continued regularly, as did the intermediation service for the pulper. It is further noted that from 7 January 2021, the dismantling and assembly works of the new plant for processing plastic bottles began; to date the plant is still being tested.

Commercial and Trading
Operating figures, equity and financial results for the period

Operating data	U.M.	30/06/2021	30/06/2020	Change	% Change
Electrical Energy sold - Free	GWh	3,165	2351	814	34.6 %
Electrical Energy sold - Protected	GWh	966	1012	(46)	(4.5%)
Electricity - Free market customers (P.O.D.)	N/1000	476	414	62	15.0 %
Electrical Energy - No. Protected Market Customers (P.O.D.)	N/1000	730	766	(36)	(4.7%)
Gas Sold	M\$mc	124	90	34	37.8 %
Gas - No. Free Market Customers	N/1000	230	198	32	16.2 %

Equity and financial results (€ million)	30/06/2021	30/06/2020	Change	% Change
Revenues	878.0	737.6	140.4	19.0 %
Costs	837.6	707.9	129.7	18.3 %
EBITDA	40.4	29.7	10.7	35.9 %
Operating profit/(loss) (EBIT)	8.3	1.0	7.3	n.s.
Average workforce	428	468	(40)	(8.6%)

Equity and financial results (€ million)	30/06/2021	31/12/2020	Change	Change %	30/06/2020	Change	Change %
Capex	36.0	44.1	(8.1)	(18.4%)	17.6	18.5	105.1 %
Net financial debt	(75.5)	(95.7)	20.2	(21.1%)	(44.0)	(31.5)	71.6 %

EBITDA (€ million)	30/06/2021	30/06/2020	Change	% Change
EBITDA Commercial and Trading Segment	40.4	29.7	10.7	35.9 %
EBITDA – Group	618.8	568.7	50.1	8.8 %
Percentage weight	6.5 %	5.2 %	1.3 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 HI 2021 with an EBITDA of € 40.4 million, up compared to the same period of 2020 by € 10.7 million. The increase is mainly attributable to **Acea Energia** (+ € 10.6 million), as a result of the increase in energy and gas margins (+ € 20.2 million) partially offset by a worsening in costs of materials and overheads and personnel costs. It should be noted that the segment comprises the company **Acea Innovation**, previously comprised under **Corporate**.

With regard to the effects on the primary margin, the increase recorded by **Acea Energia** derives from opposing effects. In detail, the energy margins related to the **free market** were up € 12.5 million compared to 30 June 2020, due to growth in Retail sector customers, domestic customers and micro-enterprises to the same extent, and to increased consumption in the Business sector, the unit margins of which increased slightly. The **gas market** generated an increase in margins of € 6.9 million compared to 30 June 2020, as a result of the improvement in the Retail sector, due both to an increase in unit margins and to an increase in customers, and in the Business sector, despite the slight reduction in the customer base. Energy margins related to the **optimisation of energy flows** increased by € 1.0 million compared to the same period in the previous year. This margin also includes 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. Energy margins related to the **protected market** decreased by € 1.4 million compared to 30 June 2020 as a result of the automatic assignment of "small" and "micro" enterprise customers to the Gradual Protection Service (provisional management), created as of 1 January 2021 and managed until 30 June 2021, the margins of which amounted to € 1.3 million.

Operating profit/loss increased by € 7.3 million mainly due to the higher margins achieved, partly offset by the increased depreciation for the period (+ € 3.7 million) carried out by **Acea Energia**.

With reference to the workforce, the average number at 30 June 2021 stood at 428 employees, down compared to 30 June 2020 by 40 employees. The change is primarily due to effects of liquidation of **Acea8cento** (- 125 employees) only partly offset by transfer of a portion of the personnel to **Acea Energia** (+ 78 employees).

Investments in the Segment amounted to € 36.0 million, up by € 18.5 million compared to 30 June 2020, and mainly refer to the cost of acquisition of new customers pursuant to IFRS15 for € 16.8 million, to the implementations linked to the new CRM for € 11.7 million and to the significant improvements to the support systems for the management of processes linked to the Contact Center activities and analysis and monitoring of customer margins.

Net debt at 30 June 2021 was positive, standing at € 75.5 million, a decrease of € 20.2 million compared to 31 December 2020 and an increase of € 31.5 million compared to 30 June 2020. The changes are mainly attributable to **Acea Energia** and mainly derive from the operating cash flow dynamics.



Significant and subsequent events in the first half of 2021

Energy Management

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

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

In the first half of 2021 Acea Energia purchased electricity from the market for a total of 4,631 GWh, of which 3,547 GWh through bilateral contracts and 1,083 GWh through Borsa, for resale to end customers of the free market and for the optimisation of energy flows and the purchasing portfolio.

Electricity distribution

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

In the first half of 2021, electricity was sold on the standard-offer market for a total of 966 GWh, with a 4.5% reduction on a trend basis. The number of withdrawal points totalled 729,650 (738,989 at 31 December 2020). The sale of electricity on the free market amounted to 2,932 GWh for Acea Energia and 234 GWh for Umbria Energy, for a total of 3,165 GWh, with an increase compared to last year of 34.6%, primarily related to the B2B segment. The average number of withdrawal points in the period totalled 476,170 (414,200 at 30 June 2020).

In addition, Acea Energia and the other sales companies of the Group sold 124 million Sm³ of gas to end customers and wholesalers which involved 230,500 re-delivery points, while at 31 December 2020 they were 212,234 and at 30 June 2020 they were 198,359.

Commercial Agreements

In July 2021, a commercial partnership agreement was signed between Acea Energia S.p.A. and Wind Tre S.p.A. regarding the definition, promotion and advertisement of offers related to the supply of electricity and gas by Acea Energia characterised by the brand "Wind Tre powered by Acea Energia". The commercial offers dedicated to the initiative will be promoted from July 2021 inside the points of sale belonging to the Wind Tre sales network in the Veneto and Puglia regions, before expanding during 2022 across Italy.

This decision is in line with the company's strategic plan, which aims to expand the customer portfolio beyond its territory of reference while benefiting from the widespread network of WIND points of sale across Italy.

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 1 bis, 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 for the annulment of the fine. On 24 September 2020 the sentence was received with which the Lazio Regional Administrative Court rejected the appeal submitted in 2016 by Acea Energia with regard to the AGCM order on the HHV regarding unsolicited activations of electricity and gas supplies.

On 23 December 2020, an appeal for the sentence of the Lazio Regional Administrative Court to be overturned was submitted.

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 S.p.A. and its subsidiaries and, as a result, annulled sanction measure no. 27496 of 20 December 2018 that found that ACEA S.p.A. and its subsidiaries had abused their dominant position in violation of art. 102 of the TFEU, which had led to the imposition of an administrative fine of € 16,199,879.09.

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

On 14 February 2020 the cross appeal was filed with the restatement of the grounds of appeal that were taken up by the judgement of first instance. More specifically, in the first part the appeal focuses on the sole ground of appeal rejected by the Lazio Regional Administrative Court concerning the lack of investigation regarding the definition of the relevant market; in the second part, it proposes – thus covering them in full – the fourth to seventh grounds of the appeal that the Regional Administrative Court declared "absorbed", having considered sufficient the acceptance of the second and third grounds of the appeal for the annulment of the fine. On 30 April 2020 ACEA received a communication in which AIGET, on 23 April 2020, filed a formal instrument of incorporation in support of AGCM's appeal.

Proceeding PSI0958 of the Antitrust Authority (AGCM): on 21 April 2020, the AGCM sent Acea Energia a request for information regarding "each commercial offer related to electricity and natural gas services, proposed to domestic users and micro-enterprises, starting from H2 2019 until Q1 2020", in particular: i) copy of the technical and financial conditions - TFC - and the



general conditions of supply - GCS - related to the aforementioned commercial offers, ii) number of contracts signed by domestic users and micro-enterprises for each commercial offer proposed in the period considered; iii) copy of promotional messages relating to the same commercial offers disseminated through the different communication channels (web, radio, TV, advertising brochures); iv) copy of the scripts used by sales agents in the same period (H2 2019 - Q1 2020) to propose the aforementioned commercial offers to customers, both via telesales and door to door.

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

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

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

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

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

With Resolution no. 491/2019/E/eel the Authority closed the preliminary investigation by instructing Acea Energia and Areti on the actions to be taken by the end of 2019. Acea Energia informed the Authority that it had complied with the requirements. Resolution 491/2019/E/eel, moreover, gave a mandate (i) to Terna, the relevant distribution companies and CSEA to recalculate the charges for withdrawals by Vatican City State by applying the criteria highlighted in the preliminary findings attached to the same resolution (ii) to the Director of the Sanctions and Commitments Department of the Authority for the documents resulting from the evidence found. As a result of this, with Determination 5/2020/eel, the Authority initiated two sanction proceedings against Acea Energia and Areti. On 12 June 2020, Acea Energia sent ARERA its proposal of commitments, including waiver of the amount receivable accrued in relation to the system, payment of compensation to ARERA and the obligation to send two-monthly reporting for a period of ten years. With Resolution 262/2021, ARERA partially amended the methods for carrying out the recalculation activities indicated in Resolution 491/2019 and CSEA then sent the definitive recalculations to Acea Energia on 9 July 2021. The items must be settled at the end of the penalty proceedings initiated with Determination 5/2020/eel. Acea Energia is currently awaiting approval of the commitments from ARERA.

Proceeding PSI 1216 of the Antitrust Authority (AGCM): on 29 April 2021 the Antitrust Authority sent Acea Energia S.p.A. a request for information regarding the measures used by the company to prevent the charge of amounts potentially subject to biennial limitation in case of use by customers, direct debit or other automatic bill payment methods.

On 20 May 2021, Acea Energia responded to the Authority's request, describing how objections of limitation are managed. In particular, the objection of limitation, on bills paid through direct debit or otherwise, can be lodged through various channels, including, for example:

- branch;
- complaint
- e-mail for Free Market: prescrizioneML@aceaenergia.it;
- e-mail for Protected Market: prescrizioneSMT@aceaenergia.it;
- post: PO box 5114_00154 Roma Ostiense.

Acea Energia has introduced a telephone system which allows the direct debit customer to be informed of the issue of a bill containing amounts subject to limitation, in order to assist him/her in exercising his/her right to object to the limitation period.

The company also considered it appropriate to make its customers aware of the use of self-read meter readings, in order to reduce the charge of amounts potentially subject to limitation as far as possible.

In this context, the Company is carrying out development of its information systems in order to implement a function that makes it possible to automatically block the direct debit with exclusive reference to the quota of consumption subject to limitation for bills containing amounts with regard to which the biennial limitation has accrued. Pending the definition of the aforesaid process, with reference to direct debit customers, the Company has decided to temporarily activate the mechanism – already implemented with reference to the five-year limitation – intended to automatically render the amounts subject to biennial limitation non-collectable.

Overseas
Operating figures, equity and financial results for the period

Operating data	U.M.	30/06/2021	30/06/2020	Change	% Change
Water Volumes	Mm3	19.7	21.0	(1.3)	(6.2%)
Volumes fed into the grid	Mm3	38.4	40.3	(1.9)	(4.8%)
Number of customers (user accounts served)	N/1000	121657	120480	1770	1.0 %

Equity and financial results (€ million)	30/06/2021	30/06/2020	Change	% Change
Revenues	38.5	33.8	4.7	14.0 %
Costs	25.0	20.0	5.0	25.2 %
EBITDA	13.5	13.8	(0.3)	(2.1%)
Operating profit/(loss) (EBIT)	7.6	7.2	0.3	4.6 %
Average workforce	2300	1218	1082	88.9 %

Equity and financial results (€ million)	30/06/2021	31/12/2020	Change	Change %	30/06/2020	Change	Change %
Capex	2.8	3.1	(0.2)	(8.0%)	0.9	1.9	n.s.
Net financial debt	(10.6)	(9.0)	(1.6)	17.3 %	(7.0)	(3.6)	51.6 %

EBITDA (€ million)	30/06/2021	30/06/2020	Change	% Change
EBITDA Overseas Segment	13.5	13.8	(0.3)	(2.1%)
EBITDA – Group	618.8	568.7	50.1	8.8 %
Percentage weight	2.2 %	2.4 %	(0.2 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 Acueducto Alcantariado Santo Domingo);
- **AguaAzul Bogotá (Colombia)** of which the Group holds 51% is consolidated on the basis of the equity method with effect from the 2016 financial statements as a result of a change in the composition of the Board of Directors;
- **Consortio Agua Azul (Peru)** is controlled by the Group which owns 44% and provides the water and discharge service in the city of Lima. Control of the company was taken by virtue of the amendment of the shareholders' agreements and the purchase on 13 January 2020 of additional shares in the company from the outgoing shareholder Impregilo International Infrastructures N.V., which increased the Group's shareholding from 25.5% to 44.0% (+18.5%);
- **Acea Perù** is wholly owned by Acea International and was established on 28 June 2018. This company was established with the specific intent to manage the aqueduct service in the city of Lima.
- **Consortio Servicio Sur** controlled by Acea International (50%), ACEA Ato2 (1%) and by local partners Conhydra, Valio and India overall equal to 49%. The Consortio was established on 5 July 2018 with the specific aim of managing the corrective maintenance service for the drinking water and sewerage systems of the Directorate of Services Sur of Lima (Peru).
- **Consortio ACEA** controlled by Acea Perù (99%) and ACEA Ato2 (1%), established on 15 December 2020. Consortio ACEA signed a three-year contract for the management of pumping stations for drinking water in Lima;
- **Consortio Acea Lima Norte** controlled by Acea Perù (99%) and ACEA Ato2 (1%), established on 5 January 2021. Consortio Acea Lima Norte signed a three-year contract for maintenance of the water and sewerage network in the northern zone of Lima.

The Segment closed the first half of 2021 with EBITDA of € 13.5 million, down slightly compared to 30 June 2020 (- € 0.3 million). The change derives from opposing effects: a decrease recorded by **Acea Perù** (- € 0.8 million) and **Agua de San Pedro** (- € 0.4 million) offset by the increase of **Consortio Agua Azul** (+€ 0.5 million) and by the change in scope (+ € 0.4 million) as a result of the consolidation of **Consortio ACEA** and **Consortio Ace Lima Norte**.

The average number of staff at 30 June 2021 was 2,300, an increase of 1,082 people compared to 30 June 2020. The change derives from changes in the scope of consolidation (+ 1,557 employees) offset by the reduction attributable to **Acea Perù** (- 432 employees) which in the first half of 2020 managed a six-monthly contract for maintenance in the zone of North Lima in an emergency situation.

Investments for the first half of 2021 amounted to € 2.8 million, an increase of € 1.9 million compared to the same period in the previous year. The change is mainly due to the company **Aguas de San Pedro**, while the change in the scope of consolidation contributed for € 0.4 million.

Net debt at 30 June 2021 was positive, amounting to € 10.6 million, an improvement of € 1.6 million compared to 31 December 2020 and of € 3.6 million compared to 30 June 2020.

Significant and subsequent events in the first half of 2021

No significant events occurred in the period.

Water
Operating figures, equity and financial results for the period

Operating data	U.M.	30/06/2021	30/06/2020	Change	% Change
Water Volumes	m3	303	306	(2)	(0.8%)
Electrical Energy Consumed	GWh	341	332	9	2.6 %
Sludge disposed of	tonnes	97	88	9	10.1 %

Equity and financial results (€ million)	30/06/2021	30/06/2020	Change	% Change
Revenues	637.1	594.5	42.6	7.2 %
Costs	310.9	289.1	21.8	7.5 %
EBITDA	326.2	305.4	20.8	6.8 %
Operating profit/(loss) (EBIT)	167.2	162.1	5.1	3.2 %
Average workforce	3480	3209	271	8.4 %

Equity and financial results (€ million)	30/06/2021	31/12/2020	Change	Change %	30/06/2020	Change	Change %
Capex	246.9	476.0	(229.1)	(48.1%)	229.2	17.7	7.7 %
Net financial debt	1664.9	1483.8	181.2	12.2 %	1417.1	247.8	17.5 %

EBITDA (€ million)	30/06/2021	30/06/2020	Change	% Change
EBITDA Water Segment	326.2	305.4	20.8	6.8 %
EBITDA – Group	618.8	568.7	50.1	8.8 %
Percentage weight	52.7 %	53.7 %	(1.0 p.p.)	

The EBITDA for the Segment stood at € 326.2 million at 30 June 2021, an increase of € 20.8 million compared to 30 June 2020 (+ 6.8 %).

The increase is mainly attributable to **ACEA Ato2** (+ € 14.9 million) following the higher ERC Capex values valued on the basis of the MTI-3 with reference to the investments that came into operation in 2019 and FONI, offset by lower Capex values; the change in scope due to the consolidation of SII (+ € 7.0 million) and Alto Sangro Distribuzione Gas (+ € 1.9 million) contributed to the increase. These changes were partly offset by the lower margins recorded by **Gori** (- € 1.0 million) and **Acquedotto del Fiora** (- € 1.6 million).

Finally, the contribution to EBITDA of water companies valued at equity, amounting to € 8.7 million, decreased by € 7.4 million due to the combined effect of decreases recorded by **Publiacqua** (- € 4.3 million) and by the **Gruppo Acque** (- € 1.3 million) and by **Nuove Acque** (- € 1.4 million), all attributable to the increased amortisation and depreciation recorded in the first half of 2021.

The contribution to EBITDA of the companies valued at shareholders' equity is detailed below:

(€ million)	30.06.2021	30.06.2020	Change	% Change
Publiacqua	2.2	6.6	(4.3)	(66.1%)
Acque Group	4.8	6.1	(1.3)	(20.7%)
Umbra Acque	1.1	1.1	0.0	(0.9%)
Nuove Acque and Intesa Aretina	0.4	1.7	(1.4)	(78.5%)
Geal	0.2	0.3	(0.1)	(28.9%)
Integrated Water Services*	0.0	0.3	(0.3)	(100.0%)
Total	8.7	16.1	(7.4)	(45.8%)

* The company was consolidated on a line-by-line basis as from 16 November 2020

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 2023. 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 SII, 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 (+ € 13.8 million), mainly due to the consolidation of **SII** (+ € 4.6 million) and Alto Sangro Distribuzione Gas (+ € 0.5 million) and the remainder to the higher amortisation and depreciation recorded by **ACEA Ato2**, also due to the entry into operation of the new plants (+ € 9.1 million).

The average workforce at 30 June 2021 of 3,480 employees is an increase on 30 June 2020 of 271 employees, primarily attributable to **ACEA Ato2** (+ 104 employees) that employed a portion of the personnel from Acea8cento as described in the Commercial and Trading segment, **GORI** (+ 87 employees) and consolidation of **Servizio Idrico Integrato** (+ 36 employees) on 16 November 2020.

Investments in the Segment amounted to € 246.9 million with an increase of € 17.7 million compared to the same period in the previous year, due to higher investments recorded by **ACEA Ato2** for € 16.5 million and **Acquedotto del Fiora** for € 2.7 million while the consolidation of **SII** contributed for € 4.8 million. This change was offset by lower investments recorded by **ACEA Ato5**



(- € 2.3 million) and **Gori** (- € 3.7 million). The investments refer mainly to extraordinary maintenance work, reconstruction, modernisation and expansion of plants and networks, the reclamation and expansion of water and sewer pipes of the various Municipalities and work on purification and transport plants (ducts and feeders).

Net debt for the Segment at 30 June 2021 was € 1,664.9 million and represents a worsening of € 247.8 million compared to 30 June 2020 partly due to consolidation of **SII** (+ € 45.2 million) and for the remainder attributable to **ACEA Ato2** (+ € 163.8 million) and to **ACEA Ato5** (+ € 30.3 million) connected primarily to investments during the year and operating cash flow dynamics. This is also a decrease of € 181.2 million compared to 31 December 2020 mainly attributable to **ACEA Ato2**.

Significant and subsequent events in the first half of 2021

Lazio - Campania area

ACEA Ato2

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

Acquisition situation	No. of Municipalities
Municipalities that declared they do not wish to be part of the Integrated Water Service*	7
Municipalities with Protected Entity	1
Municipalities fully acquired into the Integrated Water Service	79
Municipalities partially acquired, for which ACEA Ato2 provides one or more services:	18
Municipalities to be acquired	7

* Municipalities with less than 1,000 inhabitants which had the right to express their will in accordance with paragraph 5 of Legislative Decree 152/06.

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

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

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

As at 30 June 2021, ACEA Ato2 manages a total of approximately 6,852 kilometres of sewerage network, 645 sewerage pumping stations - of which 194 in the Roma Capitale area - and a total of 161 waste treatment plants - 32 of which in the Roma Capitale area - for a total quantity of treated water equal to 299 Mmc (data referring to managed treatment plants only). In February 2021 the Ardea – Montagnano plant went from completed to managed.

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

As of 30 June 2021, the six main treatment plants had treated a volume of water equal to about 16.72 Mmc with a slight increase compared to what was treated in the same period in 2020 (16.08 Mmc).

During 2020, in compliance with the requirements of the Lazio Region, a series of initiatives were launched to reduce the solid matter produced, such as:

- the rental of a mobile dryer at the Ostia treatment plant;
- the launch of the procedure for the future construction of a sand recovery plant at the same treatment plant.

In the first half of 2021 there was a general reduction in the production of solid and liquid matter, mainly attributable to the reduction of sludge.

The trend in the production of dehydrated and dried sludge in the last quarter of 2020 shows an increase in the production of solid sludge, against a net decrease in production of liquid sludge, demonstrating normalisation in the context of waste management with particular reference to the availability of plants that deal with this type of material.

With regard to analytical certificates for sludge and waste, in 2021 there was a slight decrease in the number of analyses carried out by the associate Acea Elabiori (external certified laboratory) compared to the average for the same period in previous years, also as a result of the lack of parallel special sampling by ARPA due to the Covid-19 emergency.

Please note that the revenues for the first half of 2021 totalled € 340.3 million and that this valuation was carried out in accordance with the criteria of ARERA Resolution 580/2019/R/idr related to the third regulatory period (2020-2023 four-year period), in line with the tariff adopted by the Mayors' Conference of ATO 2 Central Lazio - Rome with Resolution 6/20 at the meeting of 27 November 2020 and subsequent update of 23 July 2021, in light of the approval resolution made by ARERA on 11 May 2021.

ACEA Ato5

ACEA Ato5 provides integrated water services on the basis of a thirty-year agreement signed on 27 June 2003 by the company and the Frosinone Provincial Authority (representing the Authority for the OTA comprising 86 Municipalities). In return for being awarded the concession, ACEA Ato5 pays a fee to all the municipalities based on the date the related services are effectively acquired. The management of the integrated water service in the OTA 5 region – Southern Lazio – Frosinone involves a total of 86 Municipalities (the management of the Municipality of Paliano still remains to be acquired, while the Municipalities of Conca Casale and Rocca D'Evandro are "outside the scope") for a total population of about 490,000 inhabitants, a population served of 467,993 inhabitants, with a service coverage equal to approximately 97% of the territory. The number of users is 200,876.

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

The sewerage and treatment system comprised a network of sewers and collectors connected to waste water treatment terminals. There are 225 sewerage pumping stations managed by the Company and 131 treatment plants.

As for the digitisation of the networks of the area managed through the inclusion of data in the GIS - Geographic Information System, at 30 June the water supply network had been digitised in 73 municipalities, of which 51 already published in the company IT system. Similar work has been carried out to map the sewerage network, with 26 municipalities completed, of which 18 already published in the company IT system. A total of 1,679 km of sewerage network has been georeferenced.

All water sites (wells, springs, reservoirs/partitions) and sewerage pumping and treatment plants are georeferenced, including their functional diagrams and P&I (Piping and Instrumentation) diagrams.

With regard to the acquisition of the plants relating to the management in the Municipality of Paliano, in November 2018 the Council of State finally decided on the appeal filed by the Municipality of Paliano against the decision of the Regional Administrative Court no. 6/2018 – which upheld the appeal filed by the Company against the Municipality of Paliano, in order to obtain the annulment of the measure by which the Municipality opposed its refusal to transfer the service – with decision no. 6635/2018 rejected the appeal filed by the Municipality of Paliano and consequently upheld the decision handed down by the Regional Administrative Court of Latina, reaffirming that the safeguard regime granted to AMEA was “limited to a period of three years from the date of signing of the Management Agreement between OTAA 5 and ACEA Ato5; this deadline therefore expired in 2006, so that, after that date, AMEA’s management was to be considered without title”.

Since ACEA Ato5 has so far failed to initiate compliance proceedings with a view to verifying the voluntary compliance of the Municipality, which is suitable for preventing the possible appointment of an acting commissioner as has already happened in similar cases, a series of meetings have taken place at the Operational Technical Secretariat of OTAA 5 Lazio Meridionale - Frosinone aimed at seeking an amicable settlement of the dispute and at initiating the preparatory activities for the transfer to ACEA Ato5 of the management of the IWS in the Municipality of Paliano. In this perspective, the Parties – with minutes of 26 November 2018 and 29 November 2018 – performed the update of the previous survey of networks and existing plants in the Municipality of Paliano, necessary for the management of the IWS.

To date, the parties are sharing the IWS handover report, which should also result in the waiver of pending litigation between them. The Parties subsequently held other meetings in order to define not only the technical scope but also the administrative and commercial scope in order to finalise the transfer of the Management of the Water Service of the Municipality of Paliano to ACEA Ato5. However, the Municipality has not provided all the requested information. ACEA Ato5 informed the OTS of this situation on 3 December 2020, and, in the meantime, on 15 December 2020 the Lazio Region also requested clarifications from the Municipality of Paliano and the Area Authority regarding the non-completion of the operations to transfer the Integrated Water Service to ACEA Ato5, warning that in the event of failure to comply with this obligation, procedures would be initiated for the application of substitute powers pursuant to art. 172, paragraph 4 of Italian Legislative Decree no. 152/2006, as amended. The Municipality of Paliano requested an extension to the deadline of thirty days assigned by the Lazio Region. We are therefore awaiting the initiative of the Municipality of Paliano and the Area Authority required to finalise the transfer of the IWS of the Municipality of Paliano.

With regard to the Municipality of Atina, whose management of the IWS has been transferred to ACEA Ato5 as of 19 April 2018, it should be noted that Municipal Council Resolution no. 14 of 17 April 2019, by which the Municipality resolved to “establish the sub/optimal territorial area called Atina Territorial Area 1, with reference to optimal territorial area no. 5, for the continuity of the autonomous and direct management of the water service pursuant to art. 147, paragraph 2 bis of Italian Legislative Decree no. 152/2006, declaring the Integrated Water Service a ‘local public service without economic importance’”.

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

As far as ACEA Ato5 is concerned, while the legal action taken by the AGB is suitable to protect the interests of the Company, it has deemed it appropriate to file suit.

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

Appeal to the Lazio – Latina Regional Administrative Court (docket no. 308/2021 section I) for the annulment of Resolution no.1 of 10 March 2021

ACEA Ato5 presented an appeal to the Lazio Regional Administrative Court, Latina section, for the annulment, following adoption of adequate precautionary measures, of Resolution no. 1 of 10 March 2021 (published on 18 March 2021) with which the Mayors’ Conference of ATO 5 containing the 2020-2023 Tariff Decisions pursuant to ARERA Resolution no. 580/2019/r/ldr “Approval of the Water Tariff Method for the third regulatory period MTI-3”, as amended, approved the proposed tariff of the IWS (integrated water service) for the 2020-2023 regulatory period, in the part where it does not include the grounded requests of the Operator ACEA Ato5 regarding the recognition of greater costs for the adjustment to the quality standards of the service (OpexQC), the recognition of greater costs for unpaid amounts (COMor), as well as the part where it refers to the recognition of adjustments due to the operator (RcTOTa) in subsequent regulatory periods and at the end of the concession (on the Residual Value – RV at end of concession).

At the hearing on 26 May 2021, the Regional Administrative Court, recognising that the matter was highly complex and required further analysis, set the trial for 15 December 2021.

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

On 28 February 2017, sentence no. 304/2017 of the Court of Frosinone was published, related to civil judgement RG 1598/2012, pending between ACEA Ato5 and the Optimal Territorial Area Authority no.5.

Indeed we recall that Acea ATO 5 S.p.A. had acted, in 2012, with the proposition of a monitory action intended for the recovery of its credit (for the amount of € 10,700,000.00) arising from the Settlement Agreement signed with the Area Authority on 27 February 2007, in implementation of the resolution of the Mayors’ Conference no.4 of 27 February 2007.



The Area Authority had opposed the injunction, disputing the existence of the credit and the validity of the Transaction on the presumption that the same had been replaced by the annulment by own determination of Resolution no. 4/2007 (made as a result of subsequent Resolution of the Mayors' Conference no. 5/2009). Furthermore, the same Area Authority had disputed the legitimacy of the Transaction, since, in its words, the same had been adopted in violation of the regulations in force pro-tempore and specifically the Normalised Method as per Italian Ministerial Decree 1.08.1996. Finally, the Area Authority – in formulating an objection to the injunction order, for the substantial reasons mentioned above – had also filed a counter-claim intended to obtain the payment from the Company of the concession fees related to the 2006-2011 period and quantified as € 28,699,699.48.

In this context, the Court of Frosinone, with sentence no. 304/2017:

- rejected the grounds for opposition formulated by the Area Authority, highlighting, on the one hand, that the annulment, by own determination, of Resolution 4/2007 (as a result of subsequent Resolution no.5/2009) had no effect on the underlying private relationship, and therefore on the validity of the Settlement Agreement of 27.02.2007; on the other hand, that the Transaction did not violate the Normalised Method since the so-called “price cap” principle is only valid for any tariff increases. However, it did annul the injunction order on the assumption of the nullity of the Resolution of the Mayors' Conference no. 4/2007 and of the Settlement Agreement adopted by the Area Authority in violation of the public regulations requiring the identification of the financial coverage of the act itself;
- rejected the requests made by the defending counsel of ACEA Ato5 alternatively (in the event that the Settlement Agreement had been declared invalid), intended for the recognition of the credit by the Area Authority;
- referred the case for pre-trial examination as regards the counter-claim formulated by the Area Authority, which, it is useful to note, in its closing briefs nevertheless recognised the successful payment, by the Operator, of a large part of its debt, describing the existence of a residual credit of approximately € 7,000,000.00. At the hearing on 17 November 2017, the following documents were filed on behalf of ACEA Ato5: copy of the transfer of 31 July 2017 for € 2 million; copy of the transfer of 4 October 2017 for € 2,244,089.20 and the Acea Memo dated 16 November 2017. With reference to the latter memo, the following were highlighted:
 - a. the commitment of ACEA Ato5 to pay € 1,370,000 by December 2017;
 - b. the dispute of any other indebtedness regarding concession fees.

In response to production of the above documents, the counterparty – initially convinced to recognise the sums of the transfers of 31 July 2017 and 4 October 2017 as contributing to the sums due by ACEA Ato5 for the Concession Fee – acknowledged the production of the documents, declaring the requirement, including due to the content of the Memo dated 16 November 2017, to “refer” to O.O.T.A. 5. In light of the above, the Judge, having acknowledged the counterparty request, postponed the hearing to 27 February 2018. During the aforesaid hearing, documents were submitted attesting to the latest payments by ACEA Ato5 in favour of O.O.T.A.5.

Consequently, the Company – through its lawyers – described that:

- a. in response to the commitment to pay € 1,370,000 by December 2017 – ACEA Ato5 paid:
 - € 1,287,589 on 5 January 2018, directly to OTAA 5;
 - € 85,261.93 on 22 November 2017 to the Consorzio Valle del Liri (as part of the larger payment of € 178,481.68 in execution of the settlement agreement of which said Area Authority is part, in which, under art.2.1, it was acknowledged that the payment of € 178,481.68 would count towards the 2010-2011-2012-2013-2016 fees); for a total of € 1,372,850.93.
- b. with these latest payments, ACEA Ato5 has fully paid the entire concession fee related to the 2006-2012 period: the above is also expressed by Executive Resolution of the OTS no. 88 of 08.11.2017. In particular, express recognition is given of the fact that “in response to established and/or subsequent payments of the concession fee by the Operator, it has to date paid up to the year 2012”.

At the outcome of the aforementioned hearing, the new Judge who took charge of the case, having noted the discrepancies that emerged in the respective accounts of ACEA Ato5 and OTAA 5, granted a postponement to 4 May 2018, inviting the parties to clarify the reasons for such discrepancies and specifying that if they could not the court would appoint an expert to do so. At this hearing there was a further postponement until 21 September 2018.

At this meeting, in light of the Conciliation Panel established on 11 September 2018 with OTAA 5 – pursuant to art. 36 of the Management Agreement to which the question concerning the determination of concession fees was also referred, among others – the Parties asked the judge for a postponement, the hearing being scheduled for 15 February 2019, then postponed to 17 September 2019. At this hearing there was a postponement until 20 December 2019. The proceedings were first postponed to 17 March 2020, then automatically postponed to 11 September 2020 and then to 15 December 2020. The case was further postponed to 12 February 2021, then again to 26 March 2021. At the hearing on 27 April 2021, the Judge reserved judgement on the technical expert and, on 30 April 2021, set the date to appoint the expert for 11 May 2021 and, subsequently, the launch of the expert appraisals for 26 May 2021. The technical expert's report must be submitted by 10 November 2021 and the technical expert's examination is set for the hearing on 30 November 2021.

In connection with these proceedings, the appeal must be considered against judgement no. 304/2017 of the Court of Frosinone that revoked the court order of € 10,700,000, initially issued by said Court.

The first hearing was automatically postponed to 11 May 2018. On this occasion the Court, having heard the respective positions of the parties, postponed the case to 20 November 2020 for the oral discussion and the ruling of the sentence pursuant to art. 281 sexies of the code of civil procedure. The proceedings were postponed to 30 June 2021. At the hearing on 30 June 2021, the Court of Appeals adjourned the hearing ex officio to 6 July 2022.

The Company did not consider cancelling the receivable or setting aside any risk provisions for two reasons:



- the issue in question, which relates to the recognition of the amount owed by the Operator (of € 10,700,00.00) in connection with the 2007 settlement, the subject of sentence no. 304/2017 of the Court of Frosinone, appealed by ACEA Ato5 to the Court of Appeal of Rome (RG no. 6227/2017), was referred to the Conciliation Board for further investigation, including legal matters;
- The legal assessments made by the lawyers illustrate, on the one hand, the validity of the appeal and, on the other hand, the fact that the nullity of the transaction does not per se determine the non-existence of the receivable.
- The validity of the appeal and of the decision not to cancel the receivable were further confirmed by the conclusions of the Conciliation Board, established by the Area Authority and the Operator, in accordance with the provisions of article 36 of the Management Agreement, in order to reach a settlement of the various disputes pending between the parties.

In the Conciliation Proposal sent to the parties on 26 November 2019, previously approved by the Board of Directors of the Company on 19 December 2019 and currently being examined by the Mayors' Conference of OOTA5, the Conciliation Board has in fact, among other things:

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

Updating of the concession fee

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

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

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

It should also be noted that since it is a so-called "pass-through cost" in the tariff definition, i.e. charged as a tariff without any economic return for the Operator (a sort of collection on behalf of third parties), its effect is substantially neutral in the Operator's financial statements: it is recorded as revenue and at the same time and in equal measure as a cost. For this reason, even if the Company mistakenly did not fulfil its obligation to pay the difference and recognised out-of-period income as an adjustment to the amount due for the concession fee, it would have had to recognise out-of-period income of the same amount following a reduction in the adjustments for the years 2013-2017, with clear economic effects that are insignificant from both a statutory and fiscal point of view.

It should be noted that on 27 November 2019 the aforementioned Conciliation Board submitted to the Company and to the Area Authority a specific Conciliation Proposal, with an attached deed still to be signed. In these documents, the Conciliation Board has, among other things, put forward a proposal to reduce the tariff adjustments claimed by the Operator by the difference of € 12,798 thousand between the concession fees approved in the various tariff arrangements for the years 2013-2017 and the amounts to be paid directly to the municipalities on the basis of Resolution no. 1 of 26 March 2018. This proposal for allocation to offset existing



receivables confirms the Operator's indebtedness of this difference, corroborating the Company's decision not to release the related liabilities in its financial statements.

Conciliation Board with OTAA 5

With regard to **relations with OTAA 5**, the Company has tried to reach a settlement of the various disputes pending against the Area Authority, convinced of the need to put an end to a very long season of clear conflict between the Granting Body and the Licensee Company, culminating with the resolution passed by the Conference of Mayors of OTAA5 aimed at the termination of the Management Agreement that forced the Company to appeal to the Latina Regional Administrative Court that annulled the above resolution.

In this context, in recent years and especially during 2018 an enormous effort has been made – including organisational efforts – to reconstruct the relations between the Company, the Area Authority and the individual Municipal Administrations of Ato5.

Similarly, the possibility of establishing a Conciliation Board with the Area Authority has therefore become concrete, with the aim of settling the main issues still in dispute by the parties.

In this regard, on 11 September 2018 OTAA5 and the Company signed report no.1 in which the parties expressed their mutual willingness to open a Conciliation Board on the various disputes pending between them.

Also in the same minutes, the Parties shared the rules of operation of the Conciliation Board and the criteria for the appointment of that Board and, in particular, each party appointed its own member.

The Chairperson of the Conciliation Board was selected by the Prefect of Frosinone, at the joint request of the parties, and was jointly appointed on 16 May 2019. The Board officially took office on 27 May 2019, thus starting the 120-day period within which it had to arrive at a proposal for an amicable settlement of the issues submitted for its assessment. On 17 September 2019, the Conciliation Board announced that it had completed the preliminary work on all the items assigned to the roundtable. However, it noted that due to the number and complexity of the issues under examination, a considerable amount of work was required to prepare a document presenting a comprehensive and reasoned conciliation proposal. It therefore requested and obtained from the parties an extension of 30 days from 24 September 2019.

Following a detailed and in-depth investigation, the Conciliation Board prepared a draft of the Conciliation Proposal, presented to the parties' legal counsel at the meeting held on 11 November 2019. At that meeting, the Parties invited the Board to draw up a draft of the Conciliation that would take into account the report illustrated in that meeting, as well as the proposals made by the Operator, to be submitted for examination and approval to the relevant Bodies.

On 27 November 2019, the Conciliation Board submitted the final Conciliation Proposal to the Parties together with the draft of the Conciliation Deed, which each party will be free to accept or reject, i.e. to accept it in full or even only in part. As a matter of fact, the aim and underlying criterion of the assessments of the Board include the formulation of a unified conciliation proposal, capable of creating balance between the respective positions and interests of the parties, minimising the negative impacts on users and on the service tariff and which will allow for the establishment of a more pleasant atmosphere in relations between the Operator, the Area Authority and the users of OTAA5, overcoming the previous period characterised by conflict, which also caused serious detriment to the Operator in its relations with users.

Specifically, with reference to the individual mutual claims referred for its assessment, the solutions proposed by the Conciliation Board in the aforesaid Conciliation Proposal are as follows:

- judgement pending with the Court of Frosinone, docket number 1598/2012, relative to concession fees from 2006-2011. - the Board proposes recognition of the amount due from the Operator in the amount requested, € 1,750,000;
- quantification of the concession fee relative to the period 2012-2017, and the linked destination of any economies for a total of 12,798,930.00 - the Board proposes, also taking into account the regulatory guidelines provided by ARERA, that these are taken out of the tariff adjustments in favour of the Operator;
- recognition of the amount owed by the Operator (€ 10,700,00.00) - the Board proposes recognition of this credit in favour of the Operator; - compensation of damages suffered by ACEA Ato5 against delayed delivery of services by the Municipalities of Cassino, Atina and Paliano - the Board holds the Operator's claim to be founded but, in consideration of the difficulty in quantifying the damage suffered and with an eye to amicable settlement, proposes that the Operator renounces this claim with regard to the Area Authority;
- compensation of damages for the lack of handover of the ASI and Cosilam plants, assessed in the amount of € 2,855,000.00 - the Board holds that the requirements to dispute a deed which is now final are not met; nonetheless, the Operator will renounce the claim against recognition of the credit for € 10,700,000.00;
- recognition of penalties totalling € 10,900,000.00 applied by AATO 5 against the Operator and annulled by the Latina Regional Administrative Court by judgement no. 638/2017; Although the Operator has substantially renounced the application of the said penalties related to the period 2014-2015, the Board proposes partial acceptance of the Area Authority's claim for a total amount of € 4,500,000. In relation to this point, the Conciliation Proposal provides for an irrevocable commitment to make investments, in the territory of the ATO5, of an amount corresponding to the quantification made by the Conciliation Board, with no tariff recognition and therefore at the total expense of the Operator;
- recognition of interest on the delayed payment of concession fees on the part of ACEA Ato5, assessed in the amount of € 650,000.00 - the Board proposes recognition of this claim;
- request for an Operator repayment plan in relation to the Area Authority for debt positions relating to the concession fee for 2013/2018 which, at 30 June 2019, amount to around € 10,167,000.00 - the Board proposes offsetting this debt by the recognition of a credit of € 10,700,000.00;
- discounting of the Adjustments 2006/2011, and for 2014, 2015, 2016 and 2017, assessed in the amount of € 1,040,000.00 - the Board proposes recognition of this credit in favour of the Operator;
- non-invoicing of adjustments 2006/2011, due to the adjustment of 2012 volumes, assessed in the amount of € 1,155,000 - the Board proposes recognition of this claim in favour of the Operator.



The “Conciliation Proposal” and the draft “Conciliation Deed” were approved by the Company’s BoD at a meeting held on 19 December 2019. On 4 February 2020, the Company informed the OTS of AATO 5, with note no. 53150/20, that on 19 December 2019 the BoD approved the Conciliation Proposal formulated by the Conciliation Board and the draft of the Conciliation Deed between AATO 5 and ACEA Ato5 and that, moreover, the Chairperson was given a mandate to sign the Conciliation Deed, confirming in particular the commitment to carry out interventions for a total amount of € 4,500,000 without any tariff recognition, in conciliation and for the reasons set out above.

However, in light of the conduct throughout the conciliation process, and in particular during the final meeting held on 11 November 2019 in which the Conciliation Board explained the Conciliation Proposal to the legal representatives of the parties and as the Company’s Board of Directors had already approved the related Conciliation Deed on 19 December 2019 and then communicated this decision to OTAA 5 on 4 February 2020, the Company believed that as at 31 December 2019 an implicit obligation had already arisen for the commitments envisaged in the Conciliation Deed, and in particular for the aforementioned commitment to carry out interventions in the territory without any tariff recognition, having already created a valid expectation in the OTAA 5 Area Authority and in the municipalities of the territory that the Company intends to honour these commitments and bear the related charges. Based on the information available, considering the approval of the Conciliation Deed by the Conference of Mayors to be probable and consequently also considering the related implied obligation to be likely, at the end of 2019 the Company decided to allocate a provision for risks for € 4,500,000.

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

Criminal proceeding no. 3910/18

With regard to criminal proceeding no. 3910/18 r.g.n.r. of the Public Prosecutor in the Court of Frosinone, on 2 January 2019 a preventive seizure decree was issued on 18 December 2018 by the Judge for Preliminary Investigations at the Court of Frosinone as part of criminal proceedings no. 3910/18 r.g.n.r., pending for the alleged violation of art. 4 of Italian Legislative Decree 74/2000 (inaccurate declaration). Pursuant to the aforementioned provision, the preventive seizure of financial resources in the accounts held in the name of ACEA Ato5 up to a value of € 3,600,554.51 was ordered. On 11 January 2019, a request for a review was filed, whose discussion hearing was scheduled for 1 February 2019 before the Court of Frosinone, as a unified bench. At the outcome of the aforementioned hearing in the Council Chamber, the Court of Frosinone upheld the proposed re-examination request and, as a result, cancelled the preventive seizure decree, ordering the restitution to the person entitled thereto. Based on the aforementioned restitution order, the Company sent a formal request to the Single Justice Fund for the restitution of the sums released. To date, the restitution procedure has been resolved with the release of the sums by the Single Justice Fund. This case was combined with criminal proceeding no. 2031/16 r.g.n.r.

At the same time, however, a court summons had been sent to a former Executive of the Company. At the hearing set for the discussion of the preliminary matters and for the opening statement of the proceedings itself, it will be recorded that the facts of the count of indictment are the same as those for which criminal proceeding RGNR 2031/2016 is pending.

ARERA sanctioning measure concerning IWS tariff regulation

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

On 4 July 2019, ARERA published Resolution 253/2019/S/IDR of 25 June 2019 imposing administrative fines on ACEA Ato5, pursuant to article 2, paragraph 20, letter c) of Italian Law 481/95, for a total amount of € 955,000.00 for violations alleged in Determination DSAI/42/2018/IDR. On 16 October 2019, the Company paid the entire penalty imposed on it.

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

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

With regard to the appeal, as of today there is no information as to the date of the hearing, nor has a request for withdrawal been filed, pending the communication of a notice of expiry. In any case, also because of the penalty payment reminder sent by ARERA on 16 October 2019, the Company paid the entire penalty imposed on it.

AGCM sanctioning measure - Proceeding PS9918

On 5 July 2018, in implementation of the Resolution adopted by the Italian Antitrust Authority on 27 June 2018, an audit took place at the registered office of the Company following the initiation of the proceeding pursuant to art. 27, paragraph 3 of Italian Legislative Decree no. 206 of 2005, as well as pursuant to art. 6 of the “Regulation on preliminary investigations concerning misleading and comparative advertising, unfair commercial practices, violations of consumer rights in contracts and unfair terms” (hereinafter Regulation). The proceedings were opened in response to reports made to the Authority by the Consumer Associations CO.DI.CI. and Federconsumatori Frosinone regarding alleged incorrect and aggressive behaviour towards consumers and small businesses by ACEA Ato5 S.p.A. in the period January 2015 - June 2018.

On 10 January 2019 a hearing was held at the AGCM – in response to a formal request formulated at the same time as the requests for information referred to in the provision of objective extension of the proceeding. During the aforementioned hearing, the Company highlighted the constant attention it had shown its consumers, implementing for this purpose a series of measures and improvements in the procedures concerning the management of the activities disputed by the Authority. Reaffirming what has already been fully explained in the feedback sent to the Authority, the Company provided further information and documentation regarding the activities implemented (collaboration with the OTUC, opening of the consumer counter, activities aimed at solving historical arrears) in a perspective of constant attention to consumer issues.

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



On 28 February 2019 the AGCM announced that it had extended the deadline for the conclusion of the preliminary phase of procedure PS/9918 – set at 20 March 2019 – with the simultaneous clarification of the high charges against the Company. In particular, the Authority abandoned some of the initial disputes, confirming instead that it had detected some critical issues concerning: (i) initiation of collection procedures pending complaint for the period prior to the corporate procedure of 2018; (ii) consumption limitations, for the period prior to the change made in January 2019 to the procedure implemented by the Company with regard to the limitation period; (iii) management of hidden water losses. On 20 March 2019 the Company filed a defence brief and supporting documentation.

On 4 July 2019, the Authority notified the Company of the sanctioning measure with a pecuniary administrative sanction totalling € 1.0 million was imposed. The Company made a specific addition to the financial statements. On 3 October 2019 the Company filed an appeal with the Lazio Regional Administrative Court – registered under docket no. RG 12290/2019 section I – against the aforesaid sanctioning measure, requesting its cancellation with precautionary suspension. In the Chamber of Council of 6 November 2019 to discuss the request for precautionary suspension, the Regional Administrative Court of Lazio issued Order no. 7223 with which it rejected the application for precautionary suspension.

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

In view of the aforesaid decision, since the Company has the power to do so, on 3 December 2019 the Company submitted to the Authority a request for payment in instalments, which the Authority accepted on 21 January 2020.

On 26 February 2020, a request for information was received from the Italian Competition Authority pursuant to art. 3, paragraph 2 of the "Regulation on preliminary investigations concerning misleading and comparative advertising, unfair trade practices, violation of consumer rights in contracts, violation of the prohibition of discrimination and unfair terms" regarding the effectiveness of the measures put in place by Acea Ato 5 following sanction no. 27798 of 5 June 2019, adopted at the outcome of the PS9918 preliminary investigation procedure.

In particular, with reference to the July-December 2019 and January-February 2020 periods, the Authority requested specific information about:

- a. the number of claims received, distinguishing and specifying the reason for each individual claim;
- b. number of claims accepted and number of claims rejected;
- c. number of payment reminders and disconnection notices sent to the users;
- d. number of executive procedures begun to collect overdue amounts;
- e. number of water service disconnections carried out, indicating the reasons and the procedures followed.

On 17 March 2020, the Company responded to the aforementioned request, highlighting the improved pro-consumer management of the relationship with users.

In particular, the evidence submitted confirmed that:

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

In light of these considerations and taking into account the data available to date, no relevant findings emerged with regard to the requests made by the Authority. At present, there are no updates nor have additional requests been received from the Authority.

Criminal proceeding no. 2031/2016

With regard to criminal proceeding no. 2031/2016 concerning the financial years 2015, 2016 and 2017, on 4 January 2019 the current Chairperson of the Company was served with an invitation to appear in person subject to investigation and information of guarantee for alleged offences attributable to false financial statements and false corporate communications. This measure also affected the Chairpersons of the Company and the representatives of the control bodies in office in those financial years. The preliminary hearing is set for 26 October 2021.

See also the additional information contained in the paragraph *"Information on services under concession"* and with reference to the proceedings Italian Legislative Decree no. 231/2001 in the paragraph of this *"Report on Major Risks and Uncertainties"*. Moreover, with reference to additional complex cases related to legal controversies, filed or being filed, between ACEA Ato5 and the Environmental Authority, see the *"Update on primary legal controversies"* paragraph of this document.

Notice of 2013 assessment and tax audits

On 3 January 2019 notice was served by the Revenue Agency - Dir. Prov. of Frosinone - Audit Office of a notice of assessment for IRAP for the year 2013. The Company has lodged an appeal. On 3 July 2019, a hearing was held at the Frosinone Regional Tax Commission. On 23 October 2019 sentence no. 475/1/2019 was filed by the Provincial Tax Commission of Frosinone rejecting the appeal filed by the Company against the administrative fine imposed by the Revenue Agency for violations ascertained by the Guardia di Finanza for 2013.

It is the intention of the Company to challenge the aforementioned judgement and to lodge an appeal before the Regional Tax Commission.

The deadline for this action is six months from the date of filing of the judgement, therefore 23 April 2020. This deadline was extended to 11 May 2020 due to the health emergency. The appeal has been presented and at present we are waiting for the hearing to be scheduled.

During 2019, the Guardia di Finanza also continued its audit of income taxes for the years 2014 to 2018.

On 31 December 2019 the parent company ACEA S.p.A. and the subsidiary ACEA Ato5 were served by the Revenue Agency – Dir. Prov. of Frosinone - Audit Office - of two notices of assessment for IRES for 2013 and 2014.

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

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

With this report on findings (PVC), the second and third points are resolved, given that the critical points noted in the report and initially ascribed to the tax year 2013 had an impact on subsequent years:

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

The Company appealed these fines with the Provincial Tax Commission of Frosinone on 28 February 2020 in compliance with the deadline of 60 days from the date of notification of the aforementioned notices of assessment, jointly and severally with the parent company Acea, with regard to the assessments of the IRES tax for 2013. The meeting for discussion originally set for 18 November 2020 was postponed to 19 January 2021. Supported by the opinion of its tax advisors, the Company believes that there is a risk of losing the case in the "remote" tax proceedings. On completion of the proceeding of 13 April 2021, the Provincial Tax Commission of Frosinone informed the company that it had accepted the IRAP 2014 and IRES 2014 appeals, ordering the Revenues Agency to pay for the legal expenses. An appeal was lodged by the unsuccessful party against the aforesaid judgement.

With regard to the remaining findings relating to the 2015-2018 financial years, contested with the PVC of 30 October 2019 and against which no notice of assessment has been served to date, the Company, supported by its tax advisors, has made the necessary assessments regarding the related risk and has set aside a provision for tax risks.

AGCM feedback on purification and charge of sewerage and purification fees

On 13 March 2020, a request was received from the AGCM for information pursuant to art. 3, paragraph 2 of the "Regulation on preliminary investigations concerning misleading and comparative advertising, unfair commercial practices, violation of consumer rights in contracts, violation of the prohibition of discrimination and unfair terms", with specific reference to the application of the tariff for purification services in the territory of the municipality of Vicalvi and the other municipalities managed by ACEA Ato5.

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

Specifically, the Authority asked to know:

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

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

On 30 April 2020 the Company responded to the request for information received from the Antitrust Authority regarding the application of the tariff for purification services in the territory of the Municipality of Vicalvi and the other municipalities managed by ACEA Ato5, with note no. 0141201/20.

In particular, with regard to users residing in the municipalities not currently served by purification who are charged for the aforementioned service, equal to 387 users (out of approximately 17,028), the Company replied to the Authority that it would promptly return this charge and exempt the aforementioned users from the purification portion of the tariff. The return has been arranged automatically and regardless of any petition or request by users, and even in the absence of any report about the lack of a purification system available to the users, in accordance with the provisions of the ruling of the Constitutional Court no. 335/2008. Subsequently, the Company acknowledged the numerous initiatives currently under way to ensure the operation of treatment plants located in the municipalities not yet served, also on the basis of specific commitments made with Optimal Territorial Area Authority no. 5 and included in the Works Programme (WP).

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

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



the industrial cost of the water service represented...by the integration of collection, supply, distribution, collection and purification services". At present, there are no updates nor have additional requests been received from the Authority.

With reference to **progress of the procedure for approving the water tariffs for OTAA 5**, at present water tariffs for the 2012-2015 period have been approved by ARERA (Resolution 51/2016/R/Idr of 11 February 2016).

In fact, recall that the water tariffs are established by the governing bodies for the area, or by other competent entities identified in regional law, and then sent to ARERA for approval. In the case of inaction by governing bodies for the area, the Operator may take the initiative.

Regulatory period 2016 - 2019

With Resolution 664/2015/R/Idr of 28 December 2015, ARERA approved the Tariff Method for the second regulatory period "MTI-2", defining the rules for calculating costs included in tariff recognition, as well as identifying the reference macroeconomic parameters and those associated with the division of risk in regulation of the water sector. After publication of MTI-2, the Company continued to provide the Area Authority with information and clarifications useful for preparation of the 2016-2019 tariff. Despite the sending of these documents, the Area Authority did not prepare any tariff proposals for the 2016-2019 period. Therefore, seeing the inaction of the Area Authority, on 30 May 2016 the Company sent to the OTAA 5, via certified email, cc'ing ARERA, the tariff request pursuant to art. 7, para. 7.5 of Resolution 664/2015. With a note ref. no. 19984/P of 13 July 2016, ARERA convened the Area Governing Body and the Operator for a meeting on 19 July 2016. After this meeting, and based on the tariff preparation carried out by the OTAA 5 OTS, the Conference of Mayors was convened for 29 July 2016. This Conference also did not lead to any tariff decision. Responding to the tariff request made by the Operator on 30 May 2016, ARERA sent OTAA 5, on 16 November 2016, a formal warning to take action, within 30 days, to make the tariff decisions for which it was responsible for the second regulatory period 2016 - 2019, noting that, after this deadline the Operator's request would be understood to have been accepted and would be sent to the Authority for evaluation in the subsequent 90 days. After the warning from ARERA, on 13 December 2016 OTAA 5 approved the tariff proposal.

At present, definitive approval by ARERA is awaited.

Two-year update 2018 - 2019

With Resolution 918/2017/R/Idr of 27 December 2018, ARERA created regulations for the two-year update to tariffs for the integrated water service.

Implementing this regulatory framework, on 1 August 2018 the Conference of Mayors of OTAA 5 formalised approval of the tariff multiplier for the years 2018 and 2019 in the maximum amount established under the Tariff Method, 8%, through Resolution no. 7, without prejudice to the study done by ARERA for the change in the theta which determines tariff changes exceeding the limit established in MTI-2. Additionally, with Resolution 8 of 1 August 2018, the Conference of Mayors approved, pursuant to art. 3, para. 1, of Resolution ARERA of 28 September 2017, 665/2017/R/Idr, the new tariff structure (TICSI).

As described in detail below, note that on 21 May 2018, with Resolution DSAI/42/2018/IDE of 21 May 2018, ARERA began a sanctioning procedure relative to the Company, which ended with the application of a fine, in relation to a series of findings relative to tariff adjustment for the integrated water service for the years 2012-2017 (hence also regarding tariffs also approved by the Authority itself, 2012-2015).

In any case, at the time of the 2018-2019 tariff update approved by the OTAA 5 Conference of Mayors on 1 August 2018, the appropriate adjustments were made based on that indicated by the Regulatory Authority in the context of the aforementioned sanctioning procedure.

At present, approval by ARERA is awaited.

It should nonetheless be specified that article 15, para. b) of Resolution ARERA 918/2017/R/Idr of 27 December 2017 establishes that Operators are required to apply, after preparation of the two-year update by the Area Governing Bodies, and until approval by the Authority, the tariff update prepared by the Governing Bodies, in compliance with the price limit pursuant to par. 3.2 of Resolution 664/2015/R/IDR.

Additionally, during October 2019, the Company sent a specific request to the Authority asking for details of the timing of the approval procedures for the 2016-2019 tariffs, as well as the 2018-2019 update.

To that end, below is that clarified by ARERA in its Communication of 5 February 2020, which states: "*With reference to the two-year update proposals for the tariff structure for 2018-2019, sent to the Area Governing Bodies pursuant to Resolutions 917/2017/R/Idr and 918/2017/R/Idr, but not yet involved in specific approvals by the Authority, it is clarified that:*

- *the Authority will complete the investigations intended to ascertain the consistency of the relevant technical and tariff data, in the context of the verifications on the specific regulatory structures proposed for the third regulatory period (2020-2023), in observance of the MTI-3 water tariff method, pursuant to Resolution 580/2019/R/Idr;*
- *for the two-year period 2018-2019 the tariff determinations adopted by the competent entities 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 framework."*

Regulatory period 2020 - 2023

With Resolution 580/2019/R/Idr of 27 December 2019, ARERA approved the Tariff Method for the third regulatory period "MTI-3", defining the rules for calculating costs included in tariff recognition, as well as identifying the reference macroeconomic parameters and those associated with the division of risk in regulation of the water sector. After publication of MTI-3, the Company provided the Area Authority with data, information and clarifications useful for preparation of the 2020-2023 tariff. Despite the sending of these documents, the Area Authority did not prepare the tariff proposals for the 2020-2023 period by the deadline set in the regulations in effect (31 July 2020). Therefore, seeing the inaction of the Area Authority, on 15 December 2020 the Company sent to the OTAA 5 and to ARERA, via certified email, the tariff request pursuant to art. 5, para. 5.5 of Resolution 580/2019.



On 10 March 2021, the OTAA Conference of Mayors approved the proposed tariff for 2020-2023, with resolution 1/2021.

This is in contrast with the tariff adjustment request, prepared by the Operator pursuant to art. 5, para. 5.5 of resolution ARERA 580/2019/R/ldr, containing the regulatory framework for the 2020-2023 third regulatory period and showing significant differences for the 2020-2023 period, with reference to **operating costs** and the **tariff multiplier**.

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

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

- it does not indicate specific invoicing schedules to recover previous adjustments equal to € 101 million, as resulting from OTAA5 resolution no. 6 of 13 December 2016 and no. 7 of 1 August 2018;
- the amount of the adjustments included by OTAA5 in the aforesaid structure (approximately € 51 million represented in Rctot and approximately € 50 million in the Residual Value component is not integrated into the formula that determines the tariff multiplier for the respective years (2023-2024); the residual portion up to 101 million was represented in the Residual Value, preventing in practice immediate invoicing;
- the reduction of operating costs (of € 3,315 thousand for both the years 2018-2019) made on years for which ACEA Ato5 has already incurred the related expense (costs in the 2018 and 2019 financial statements), entails a financial loss of the same amount, as the tariff change that has to be applied - for the respective years - is less than that applied starting from 1 January 2020 (in accordance with the provisions of art. 7.2 letter a of ARERA resolution 580/2019/R/ldr).
- it does not provide for adequate coverage of the operating costs incurred by the Operator;
- it does not apply a congruous indemnity rate for existing receivables.

For other details, please see the Report on Operations (Water Sector paragraph) and the Notes (Information on Services Under Concession).

As a result of the approval of the 2020-2023 tariff provisions, the directors of ACEA Ato5 acknowledged the presence of multiple significant uncertainties that could raise serious doubts about the subsidiary as a going concern, such as, in particular, the greater use of reverse factoring, the favourable outcome of the Technical Panel with the Area Authority intended to define the mutual items and the approval of the appeal against Resolution no. 1/2021 of the Mayors' Conference. In this regard, the Company Directors launched a review of the previously approved 2021 Budget and the related 2020-2024 Plan in order to implement all the appropriate measures to re-establish the financial stability needed to confirm the assumption of the business as a going concern. On this basis, as better described in section "16. Goodwill", on 30 June 2021 the impairment exercise was carried out on the CGU Acea Ato5, which showed a headroom of € 0.5 million.

GORI

The Company manages the Integrated Water Service for the "Sarnese-Vesuvian" District Area of the Campania Region (which comprises 59 Municipalities of the Province of Naples and 17 Municipalities of the Province of Salerno), for a total of 76 Municipalities (however, the Municipalities of Calvanico and Roccapiemonte in the Province of Salerno are managing their water services, not having yet ensured the start of IWS management by the company). The award of the aforesaid IWS management lasting thirty years and starting from 1 October 2002 (and expiring in 2032) was finalised with the signing of a specific agreement with the granting authority Sarnese Vesuvian Area Authority (now replaced by the Campania Water Authority as per Law 15/2015 of the Campania Region) on 30 September 2002.

Established pursuant to regional law 15/2015, the Sarnese-Vesuvian District of the Campania Region covers an area of approximately 900 square kilometres with a population of approximately 1.47 million inhabitants.

A total of 5,197.44 km of water network in the Sarnese-Vesuvian District of the Campania Region is currently managed, consisting of 864.72 km of primary abstraction network and 4,332.72 km of distribution network, and a 2,664.71 km drainage system.

Gori currently manages 13 water sources, 116 wells, 206 tanks, 123 water pumping stations, 191 wastewater pumping stations and 11 waste treatment plants.

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

In October 2018, the Campania Region, the Campania Water Authority and the Company signed an Operating Agreement with which – in order to ensure the complete implementation of the IWS in the Sarnese-Vesuvian District Area and within a framework of economic-financial equilibrium of the management for its entire residual duration – it was established that the operator GORI would be transferred the so-called "Regional Works" (i.e., the infrastructure of the IWS as per Regional Council resolution 243/2016 falling within the territory of the Sarnese-Vesuvian District Area which were still managed by the Region – hereinafter referred to as "Regional Works") and the litigation defined regarding the amounts due by the Company for the regional supplies of "wholesale water" and "wastewater collection and purification" services for the period from 1 January 2013 to the second quarter of 2018, with provision of repayment plans. Furthermore, with said Operating Agreement it was agreed to pursue the following strategic objectives: (i) as a result of GORI's assumption of the management of the Regional Works, to ensure their efficiency, including the redeployment and efficient employment of the relevant personnel engaged in the IWS; (ii) the creation of conditions to facilitate GORI's access to the credit market: in this regard, it is noted that on 18 July 2019, the Company obtained a long-term loan of € 100 million from a pool of Banks (for € 80 million) and from ACEA S.p.A. (through the subsidiary "Sarnese Vesuviano S.r.l.", industrial partner of GORI, for € 20 million), with an availability period of 4 years, a ten-year term and a final maturity for repayment on 31 December 2029); (iii) the commitment of the parties to the extent of their remit to restore/maintain the economic-financial equilibrium of the IWS,



should the need arise. It should also be noted that, as it stands, GORI manages all the Regional Works and that, between 2021 and 2022, the transfer of the “Punta Gradelle” district treatment plant located in Vico Equense (NA) is envisaged; the transfer was postponed by the Region for authorisation matters and testing of a number of parts of the plant.

During 2020, the Covid-19 health emergency led to significant social and economic problems, in the face of which the Italian government and the Campania Regional Council adopted and continue to adopt a series of measures aimed at mitigating the effects. In relation to these critical issues, ARERA adopted a series of measures aimed at strengthening safeguards for users of the IVS, suspending activities regarding collecting receivables and suspension/interruption of the service for users in arrears, and, amongst other measures, offering the option of spreading payments with a series of instalments for a period of at least 12 months. These new safeguards established for ARERA users regarding arrears required updating of procedures and information systems of water-service operators, and resulted in further extension of the times for application of restriction and subsequent suspension of supply according to the regulatory provisions in force adopted by ARERA. The Authority then extended until 31 July 2020 the deadline for definition of the Regulatory Framework pursuant to Resolution 580/2019/R/idr by the Campania Water Authority, thus postponing updating of tariffs in line with the provisions, already applicable from 2020, of the Operational Agreement.

Considering the reduction in ordinary revenue, attributable amongst other factors to closure of numerous manufacturing businesses during 2020 as a result of the health emergency already in progress and postponement of application of the tariff increase planned for 2020, equal to 8%, there was inevitably lower income recorded by operators of water services, including GORI, compared to the pre-Covid-19 situation.

Therefore, in this context, including on the basis of the provisions of the Operating Agreement – according to which the Parties undertake, each within the scope of its own remit, in order to maintain the economic-financial balance of the IVS (currently, on the basis of the current Regulatory Framework approved with resolution no. 39 of 17 July 2018 of the Extraordinary Commissioner of the Sarnese Vesuvian Area Authority, which transferred its right to the Campania Water Authority), to redetermine/redefine payments of sums due by GORI in the manner provided by the agreements made with the Campania Region, and more generally to take any actions necessary or useful to restore/maintain the economic-financial balance, also serving to meet the general requirements of bankability – a Framework Amendment to the Operating Agreement between the Campania Region and GORI was signed in December 2020, postponing the payments of the instalments for € 34.4 million due to expire in the period between December 2020 and December 2021. The effects of this postponement were included in the tariff update request submitted by the Operator for the 2020-2023 regulatory period and, consequently, the forecasts underlying definition of the Economic and Financial Plan were updated, which allowed resolution of the critical issues identified in 2020 and maintenance of economic and financial balance.

As it stands, approval by the Campania Water Authority of the 2020-2023 tariff structure is awaited, pursuant to ARERA resolution 580/2019/R/idr, which is expected to arrive soon, including in consideration of the recent notice sent by the latter Authority with memo no. 26783 of 2 July 2021.

Tariffs

On 18 December 2020, as the Campania Water Authority had not yet sent ARERA the Regulatory Framework for 2020-2023, in compliance with article 5.3 of the resolution ARERA 580/2019/R/idr as amended, GORI presented a request for an update to the Regulatory Framework for the four year period from 2020-2023, in compliance with articles 5.5 and 5.6 of MTI-3 and point 3 of Determination 1/2020, in order to guarantee continuity in the management of the IVS in the Sarnese-Vesuviano District Area and, therefore, maintenance of the relative economic/financial balance and implementation of the projects and activities already defined through the commitments made between the Operator, the Campania Region and the Campania Water Authority with the aim of improving the efficiency of the District’s IVS, as well as improving and protecting service levels. Additionally, the proposed Regulatory Framework guarantees transfer and improved efficiency of the “Regional Works”, that is the water infrastructure falling under the ATO3 still managed by the Campania Region and listed in Regional Council resolution 243/2016, with the continued employment and placement, always with an eye to improving the efficiency of the IVS, of personal assigned to Regional Works, in compliance with the methods established in the agreements made with the unions, based on the aforementioned resolution 243/2016 and the related Framework Agreement of 3 August 2018.



Updating of appeals submitted by certain Municipalities of the Sarnese-Vesuvian District Area, by certain Consumer Associations and by some users for annulment of Resolution of the Assembly of the Sarnese-Vesuvian Area Authority no. 5 of 27/10/2012 and the Resolutions of the Extraordinary Commissioner of the Sarnese-Vesuvian Area Authority no. 17 of 29/04/2013, no. 27 of 31/03/2014, no. 43 of 30/06/2014, no. 46 of 03/07/2014, no. 14 of 29/06/2015 and no. 15 of 30/06/2015.

The Company charged user accounts the 2014 tariff component, referred to as “Recovery of items prior to 2012”, in accordance with the provisions of the Resolution of the Extraordinary Commissioner of the Sarnese-Vesuvian Area Authority no. 43 of 30 June 2014, as amended by Resolution no. 46 of 03 July 2014 (tariff provision in turn adopted pursuant to article 31 of Annex A of AEEGSI Resolution no. 643/2013/R/idr).

Various parties, including Municipalities, associations and user accounts proposed legal action to formally request the annulment, with precautionary suspension, of the resolutions in question, while in a civil context annulment was requested of the invoices containing the adjustment amount. Specifically, it is noted that 7 appeals were filed with the Regional Administrative Court of Campania, in Naples and 4 extraordinary appeals with the Head of State. Furthermore, the Federconsumatori Campania association challenged Resolution no. 14 of 29/06/2015 of the Extraordinary Commissioner of the Sarnese-Vesuvian Area Authority, and the Municipality of Angri and 11 other Municipalities of OTA 3 challenged the Resolution of the Commissioner no. 15 of 30/06/2015 with additional grounds.

Section I of the Regional Administrative Court of Campania - Naples, on 15/10/2015, issued sentences nos 4846/2015, 4848/2015, 4849/2015 and 4850/2015, accepting the appeals presented by the Federconsumatori Campania association and by the Municipalities of Angri, Naples and Nocera Inferiore, declared annulment of commissioner Resolutions no. 43 of 30/06/2014 and no. 46 of 03/07/2014 regarding the determination and approval of tariff adjustments for the period 2003-2011 and the collection methods. Specifically, the Regional Administrative Court maintained that these resolutions were adopted in complete absence of validity, given that the Extraordinary Commissioner, from 21/07/2013 (and, therefore, six months after his appointment on 21/01/2013), would have no longer been in office and, therefore, would no longer held powers from this date. The Regional Administrative Court did not therefore comment on the legitimacy or lack thereof of the tariff adjustments, limiting itself to identifying the lack of power of the Commissioner and consequent annulment of the provisions established after 21/07/2015, on the basis of an interpretation of the regulations which was not shared by the Area Authority and GORI. In any case, with the new regional law no. 15 of 02 December 2015, any doubt regarding interpretation was eliminated, considering that art. 21, paragraph 9 clarified, also for the purposes of correct interpretation of the regulations indicated in the Regional Administrative Court judgement – that: “*the powers of the Commissioners appointed for the liquidation of the abolished Area Authorities and for performance of the functions described in Italian Legislative Decree 152/2006, in compliance with the content of article 1, paragraph 137 of regional law no. 5 of 6 May 2013 (Provisions for the preparation of the 2013 annual financial statements and 2013-2015 statements of the Campania Region – 2013 regional financial law) cease to apply after six months from the date of entry into force of this law*”. Furthermore, paragraph 9-bis of art. 21 established that “*When this law is first implemented, the acts adopted by the Commissioners appointed for the liquidation of the abolished Area Authorities in tariff matters and tariff adjustments in implementation of AEEGSI resolution no. 643/2013 and for which appeals before administrative courts are pending, are ineffective until the definitive decisions adopted by the Campania Water Authority to be constituted, having consulted the competent District Council*”: in other words, having ascertained as a result of paragraph 9 of art. 21 the powers of the Extraordinary Commissioner of the Sarnese Vesuvian Area Authority to have legitimately adopted the measures regarding tariff adjustments, it has nevertheless been provided that for said tariff adjustments the Campania Water Authority, as the new granting/regulatory authority and assignee of the Extraordinary Commissioner, must make new and definitive decisions. As it stands, as a result of the appeal lodged by the Company for the reform of the judgements of the Regional Administrative Court of Campania, site in Naples nos. 4846/2015, 4848/2015, 4849/2015 and 4850/2015, the public hearing for discussion in this regard was set for 21 December 2021.

Updating of the appeal submitted to the Council of State by the Municipalities of Angri (SA), Casalnuovo di Napoli (NA), Roccapiemonte (SA), Roccarainola (NA) and Scisciano (NA), for amendment of the sentence of the Regional Administrative Court of Lombardy, Naples office no. 1619/2018 of 29 June 2018, which rejected the appeal for the annulment of the ARERA resolution 104/2016/R/idr of 10 March 2016 approving the 2012-2015 Regulatory Framework of the Sarnese-Vesuvian District.

The Council of State, accepting partially the appeal of the aforesaid Municipalities, with the recent judgement no. 5309 of 13 July 2021, revised the judgement of the Lombardy R.A.C. Milan office no. 1619/2018, on the premise that ARERA had not carried out a correct enquiry regarding “*the quantification of the tariffs*”, because it had not assessed whether the Area Plan had been effectively implemented after 2009 and, that is, after the proceeding to revise it had been launched; it therefore argued, for the purposes of the aforesaid “*quantification of the tariffs*”, on the verification of effective implementation of the Area Plan “... *taking into account the need to verify the congruity of the costs with respect to the planned objectives also “in relation to the investments planned” (art. 149 Italian Legislative Decree 152/06) ... which implies the need for an enquiry ... on the status of implementation of the [area] plan as a condition for assessing concretely the operating costs and a possible concrete assessment of the situation determined in order to identify the adequate tariffs...*». The Council of State then concluded providing for a temporary reduction of 30% of the tariff increase provided for in resolution no. 104/2016/R/idr “*while awaiting renewal of the enquiry proceeding*” of ARERA in preparation for the assumption of new decisions (also confirming the decisions made with ARERA resolution 104/2026/R/idr) regarding “*quantification of the tariffs*” – “*as in any case the amount of the earlier consolidated tariffs is not in question and as a preponderant weight has to be attributed in any case to the approval of the plan*» – without affecting the fact that “*renewal of the enquiry has no constrained content; it could end obviously in confirmation of the tariff decision cancelled herein only for insufficient enquiry but on the basis of new elements, that is the precise verification of the implementation of the plan and of the presumable justified future modulation of the works planned or on the basis of a more specific different motivation or, on the contrary, if the Authority so decides, it could end in confirmation wholly or in part of the jurisdictional cancellation order (which has only a preliminary conformatory effect while awaiting renewal of the technical assessments). This reduction is ordered, until the new decision of the Authority, which must intervene promptly and expressly and concretely motivate on the effects deriving, for the purposes of covering the costs, from any remaining non-implementation of the plan, unless final adjustments are ordered after the renewal (if the reduction in the increase*



cancelled herein were to be calculated in an amount of less than thirty percent)". In this regard, it is specified that since the Campania Water Authority (i.e., the competent government authority) has not adopted the tariff structure for the 2020-2023 four-year period, ARERA gave notice to the Campania Water Authority on 02 July 2021 to "comply pursuant to paragraph 5.6 of resolution 580/2019/R/IDR and art. 3, paragraph 1(f) of the Prime Ministerial Decree of 20 July 2012" and, therefore, to proceed, within 30 days from receipt of said memo, with the decisions and submissions within its remit with reference to the years 2020-2023, "noting that, after this deadline the operator's request would be understood to have been accepted by the competent authority as the tariff structure, as a result of the provisions of art. 20 of Law no. 241/1990, and would be sent to the Authority for evaluation and approval in the subsequent 90 days.". Following ruling no. 5309/2021 of the Council of State, ARERA gave another notice to the Campania Water Authority (which had communicated that it had "deferred the approval of the 2020-2023 regulatory scheme, as prepared by the offices, in order to verify the impact of the Ruling [of the Council of State] on the Regulatory scheme in question and pending the acquisition of specific clarifications [...] from the Authority regarding the effects of said ruling) and the Operator – each within the scope of its own remit and "[...] pending the said renewal [of the supplementary investigation ordered from it by the Administrative Judge] [...]" – to proceed with adopting the 2020-2023 tariff structure "[...] while guaranteeing the economic and financial balance of the management [...]" and taking account "[...] (also for the purposes of verification of compliance with the price limit set by the regulation in force pro-tempore) of the effects of what was established by the aforementioned ruling [...]", thus in terms of "price limits" of invoicing users.

Currently, the Company must continue to apply the tariffs pursuant to the resolutions of the Extraordinary Commissioner of the Sarnese Vesuviano Area Authority no. 19 of 8 August 2018 and no. 39 of 17 July 2018, adopted on the basis of an autonomous enquiry, in accordance with the Tariff Method in force pro-tempore (ARERA resolution 664/2015/R/idr, as amended by resolution 918/2017/R/idr) and of a new assessment of interests with respect to the decisions taken in relation to the 2012-2015 regulatory period. Therefore, the Company must await the ARERA and the CWA's decisions consequent to the supplementary enquiry ordered from it by the Council of State to comply with the aforementioned judgement no. 5309/2021. Based on the above considerations and the opinion of the legal consultants consulted for this purpose, as it stands there are no economic impacts deriving from this sentence including in light of the fact that it will nevertheless be necessary to wait for any new ARERA resolutions.

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

Based on the above considerations and the opinion of the legal consultants consulted for this purpose, as it stands there are no economic impacts deriving from this sentence including in light of the fact that it will nevertheless be necessary to wait for any new ARERA resolutions.

Gesesa

The Company operates in OTA I Calore Irpino which promotes and develops the initiative for the Management of the Integrated Water Service in Municipalities in the Province of Avellino and Benevento. Currently, the Authority – governed by the Extraordinary Commissioner referred to in DGR no. 813/2012 and merged into the regional EIC at the end of 2018 – has not yet assigned the management of the Integrated Water Service (aqueduct, sewerage and treatment) to a single operator. Gesesa manages the Integrated Water Service in 22 Municipalities in the province of Benevento for a total resident population of 120,922 inhabitants spread over an area of about 710 square kilometres with a water infrastructure of about 1,547 km, a sewerage network of 553 km and about 332 plants managed. The total number of user accounts amounts to 57,247, for which 2021 consumption has been estimated at about 7.8 million cubic metres of water.

The sewerage service is provided to approximately 80% of users while the purification service reaches about 40% of users.

One of the company's objectives was to consolidate, expand and increase the efficiency in particular of the sewerage and treatment service. For these reasons, the investments also focused on the improvement and adaptation of the sewerage systems and the restructuring of the treatment plants and the preliminary design of those not yet present in the territory.

Please note that in May 2020, following a decision of the Public Prosecutor at the Court of Benevento, 12 purification plants of the company were placed under seizure with the appointment of a judicial administrator to manage them. Criminal proceeding 5548/16 R.G.N.R., which involves various Gesesa executives and employees and is currently in the preliminary investigation stage, involves management of the purification system in the Benevento area and a possible connection with pollution of bodies of water in that same area.

Based on that claimed, the accused are alleged to have, in particular, committed fraud in public services, pursuant to article 356 of the Criminal Code and the crime of environmental pollution, pursuant to article 452-bis of the Criminal code which, in the Public Minister's opinion, is a direct consequence of the negligent management of the purification plants.

The Public Prosecutor's Office requested the preventive seizure of 12 purification plants managed by the Company, assigning them to a Judicial Administrator. In the context of its powers, the Judicial Administrator carried out a detailed audit in order to examine the plants and identify solutions and actions to improve the purification results of the same.

The Company indicated its willingness to suffer the costs for the activities indicated in the final report for this audit and, with a provision of 25 January 2021, the examining judge for the Court of Benevento gave the go ahead to execution of these activities, which will be begun shortly by the Judicial Administrator.

After discussions between the Company and the Judicial Administration the decision was arrived at, for reasons of transparency and efficiency, but above all to ensure that the convergent purpose of making the plants as efficient as possible will be fulfilled in a short time, to entrust the procedures necessary for performing the actions described in the report to the Judicial Administrator, using for this purpose the rules and principles on the subject of mandates with representation. The aforesaid decision was transformed into a Draft Agreement; on 2 March 2021 approval was given by the Examining Judge.

On 17 March 2021 the agreement was signed with the Judicial Administrator to launch the works concretely with reference to the 12 plants still under seizure. In consideration of the preliminary phase of the investigations, it is not possible to formulate forecasts on the outcome and the potential risk for the Company deriving from completion of the legal procedure. Therefore, the Directors, also on the basis of the opinion of the defending counsel appointed, believe that the still preliminary stage at which the proceeding



stands does not enable them to make a forecast on the liabilities that could possibly derive for the Company as a result of the evolution of the further stages of the aforementioned proceeding.

Additionally, the Company had a private audit carried out with reference to another 18 purification plants managed and not subject to seizure, so as to identify any actions needed to improve purification results.

With reference to approval of the tariffs, as of today the tariff structures related to the 2018/2019 and 2020/2023 updates have still not been adopted by the Area Governing Body. On 29 December 2020, the Company notified the Campania Water Authority (CWA) with a copy to the National Regulatory Authority the applications for these updates, according to the schemes contained in the orders issued by the Regulator. On 2 July 2021, ARERA gave notice to the CWA to fulfil the obligation to approve the 2020/2023 tariff structure within the term of 30 days. It is to be hoped that the action taken by ARERA will accelerate the tariff approval procedure.

Tuscany - Umbria Area

Acque

The management agreement, which came into force on 1 January 2002 with a 20-year duration (expiry is now in 2031), was signed on 21 December 2001. In accordance with said agreement, the Operator took over the exclusive integrated water service of Ato2, comprising all public water collection, abstraction and distribution services for civil use, sewage systems and the treatment of wastewater. The Area includes 57 Municipalities. In return for award of the concession, Acque pays a fee to all the Municipalities, including accumulated liabilities incurred under previous concessions awarded.

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

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

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

Finally, it is noted that on 24 January 2019, with the submission of the required documentation, with the termination of the previous loan and the related hedging contracts and with the stipulation of the new interest rate hedging contracts, the suspensive conditions were met and, therefore, the new loan agreement became effective. The new loan was established with a pool of banks and envisages two lines of credit: (i) Term Line of € 200.0 million disbursed in a single use and with final single maturity of 29 December 2023 and, (ii) RCF Line equal to € 25.0 million payable in one or more uses within the period of use and final maturity on 29 December 2023. This line must be used exclusively to meet the financial needs of the Company for its ordinary business.

At the same time the new loan agreements were entered into, 6 new interest rate hedging contracts were entered into. These new contracts envisage the Company's semi-annual payment of a fixed rate to the counterparties starting from 24 January 2019 and in correspondence with a payment by the counterparties to Acque of a variable rate. The amount for tariff revenues entered in the 2020 financial statements represent the GRC value recognised to the operator. Included amongst revenues are adjustments for systemic changes recognised in the aforementioned proposal and not booked in previous financial statements: their value totals € 0.7 million.

On 18 December 2020, the Executive Council of the Tuscan Water Authority, with Resolution no. 7, approved the tariff proposal for the years 2020-2023 (according to ARERA Resolution 580/2019/R/idr of 27 December 2019) to be submitted for ARERA approval. As noted, ARERA should fulfil this obligation within 90 days. Nevertheless, the timeframe for this approval depends entirely on ARERA itself. It is held that elements of uncertainty are connected to requests submitted that require approval by ARERA.

Publiacqua

The management agreement, which came into force on 1 January 2002 with a twenty-year duration, was signed on 20 December 2001. In accordance with said agreement, the Operator took over the exclusive integrated water service of OTA 3, comprising all public water collection, abstraction and distribution services for civil use, sewage systems and the treatment of wastewater. The Area includes 49 Municipalities, of which 6 managed via agreements inherited from the previous operator, Fiorentinagas. In return for awarding the concession, the Operator pays a fee to all the Municipalities, including accumulated liabilities incurred prior to the awarding of the related contracts.

Regarding the new tariff structure, with AIT resolution no. 24 of 7 December 2018, the AGB with the approval of the 2018-2019 tariffs also approved at the same time the extension of the Company's concession until 2024. The Company then began a market survey with the main financial institutions, aimed at verifying the availability and economic conditions to proceed with the disbursement of a medium/long-term bank loan aimed in part at extinguishing existing financial exposures and in part at supporting the investments provided for in the new approved Works Programme. On 18 June 2019 the banks were invited to submit a binding offer on the basis of a term sheet. Following the offers received, on 31 July 2019 the Company signed the new loan for € 140.0 million divided among five lending banks. The **Base Line** must be used for the full repayment of the existing Loan stipulated on 30 March 2016 with BNL and Banca Intesa for the payment of the ancillary costs of the new Loan and for the requirements related to the realisation of the investments envisaged in the EFP, while the **Investment Line** will be used to fully cover the requirements for further investments envisaged in the EFP. Among the conditions precedent to the disbursement of the loan, the lending banks have requested ARERA's approval of the new Tariff Plan, including the extension of the concession. On 6 February 2020, ARERA sent a communication on the tariff provisions for the Integrated Water Service for the two-year period 2018-2019 confirming the validity of the tariff determinations adopted (and consequently the approval of Publiacqua's 2018-2024 Economic and Financial Plan), for



which the suspensive condition could be exceeded after the end of the year. It is noted that on 26 June 2020, the AIT approved the tariffs for the third regulatory period (2020-2023) and promptly sent the tariff proposal to ARERA. Substantially, the regulatory Economic and Financial Plan (EFP) highlights a tariff trend, and consequently a Guaranteed Revenue Constraint (GRC), that is constant over time, with application only of annual inflation. On 16 February 2021, with Resolution no. 59/2021/R/idr ARERA approved the specific regulatory scheme containing the tariff provisions for 2020-2023 pursuant to Authority Decision of 27 December 2019, 580/2019/R/IDR and related Annex A, containing "2020-2023 Water Tariff Method MTI-3"; therefore, the tariffs for 2021 were determined in accordance with the aforesaid resolution.

On 31 March 2021, following ARERA resolution 59/2021, the agreement which approved the extension of the concession to 31/12/2024 was signed with the AIT.

Acquedotto del Fiora

Based on the agreement signed on 28 December 2001, the operator (AdF) is to supply integrated water services on an exclusive basis in OTA 6, consisting of public services covering the collection, abstraction and distribution of water for civil use, sewerage and waste water treatment. The term of the Management Agreement is 25 years from 1 January 2002 and in 2020 was extended until 2031.

With regard to the update of the tariffs for the period 2018-2019, on 27 July 2018, based on the actual data collected referring to the years 2016 and 2017 and the Investment Plan, the AIT approved the tariff revision proposal, setting the GRC and the Theta of the years 2018-2019 and also redesigning the entire tariff profile until the end of the IWS concession (Deliberation of the Executive Council of the AIT no.17/2018 of 27 July 2018). Following further analysis of the greater needs for AdF investments related to technical quality, with Resolution no. 10/2019 of 1 July 2019 the Executive Council of the Tuscan Water Authority produced and submitted to ARERA a new tariff proposal with re-modulation of the 2031 deadline, which the Authority finally approved with Resolution no. 465/2019/R/IDR of 12 November 2019, confirming the levels of the original 2018-2019 proposed theta. On 27 November 2020, based on the actual data collected referring to the years 2018 and 2019 and the Investment Plan, the Tuscan Area Governing Body (AIT) approved the tariff revision proposal with the MTI-3 scheme, setting the GRC and the Theta of the years 2020-2023 and also redesigning the entire tariff profile until the end of the IWS concession (Deliberation of the Executive Council of the AIT no. 6/2020 of 27 November 2020). This tariff proposal was then sent to the Tuscan AGM by ARERA and approved by ARERA on 2 March 2021. Total revenues of the period, including adjustments to pass-through items, amounted to € 54.9 million and a share of FoNI equal to € 5.5 million.

Umbra Acque

On 26 November 2007, ACEA was definitively awarded the contract in the context of the tender procedure launched by the Area Authority for OTA I Perugia for selection of the private minority industrial partner of Umbra Acque S.p.A. (expiry of the concession on 31 December 2027). The entry into the capital of the company (with 40% of the shares) took place with effect from 1 January 2008. The company performed its activities in all 38 Municipalities constituting OTAs 1 and 2.

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

As of 30 June 2021, the rate applied to users was determined on the basis of Water Tariff Method 3 (MTI-3) under Resolution no. 36/2021/R/idr of 2 February 2021 with which ARERA approved the preparation of the 2020-2023 tariff update previously approved by the Assembly of Mayors of the AURI with Resolution no. 10 of 30 October 2020, which provide for 2021 a theta of 1.105 and an increase of 4.44% compared to 2020. The average tariff €/mc was € 2.78 at 30 June 2021. The number of users served was approximately 233 thousand, substantially unchanged compared to the previous year. With reference to volumes, on the basis of the estimates made, approximately 13.6 million cubic metres of water were distributed, in line with the previous year. The Assembly of Mayors of the AURI, with Resolution no. 10 of 30 October 2020, approved the proposed MTI-3 tariff for the four-year period 2020-2023 (Tariff Plan or TP), the relative regulatory Economic and Financial Plan (regulatory EFP) and associated Works Programme (WP), providing approval with the same Resolution for extension of the concession to 31 December 2031.

Geal

The Company manages the Integrated Water Service in the Municipality of Lucca in accordance with the Management Agreements with the local authority expiring on 31 December 2025, updated during 2013 to take into account the memorandum of understanding signed with the AIT on 29 November 2011 and in 2016 pursuant to ARERA Resolution no. 656/2015. With regard to tariffs, it should be noted that ARERA approved the plan for the four-year period 2016-2019 with Resolution no. 726 of 26 October 2017 and approved the related update with Resolution no. 387 of 12 July 2018, also incorporating the request made by GEAL for the recognition of the OpexQt component for € 180,000/year. Regarding the four-year period 2020-2023, on the basis of the rules established by ARERA Resolution no. 580 of 27 December 2019, GEAL provided all documentation required for preparation of the new plan in the initial months of 2020, in line with the deadlines set by the AIT. On the basis of this data and the verifications carried out jointly by the Company and ARERA, the tariff provisions for the years 2020-2023 was prepared, and subsequently approved with AIT Resolution no.4 of 28 September 2020. The dynamics of tariff increases planned for the four-year period 2020-2023 are the same as those approved by ARERA in 2018, even though the new rules of the MIT-3 have imposed new limits on operators. We can note that with ARERA resolution no. 265 of 22 June 2021, the tariff structure for 2020-2023 was approved. In particular, this resolution confirmed the increases envisaged by AIT resolution no. 4 of 28 September 2020, equal to 6.2% for each of the 4 years.

Servizio Idrico Integrato Terni Scpa

The Optimal Territorial Area Authority no. 2 Umbria (O.T.A. Umbria n°2), awarded to S.I.I. S.c.p.A. from 1 January 2002, the date on which the Convention was signed, for the duration of thirty years, the management of the Integrated Water Service (water supply, sewerage and treatment, hereinafter IWS) in the 32 municipalities of the Province of Terni (today Sub-area no.4 of the Umbria AURI). The Terni Area covers an area of 1,953 square kilometres, 93% of which is hills and 7% mountains. With the exception of the industrial areas of Terni and Narni, the land is prevalently used for forest and agriculture. The resident population served amounts to approximately 220,000 inhabitants. There are approximately 121 thousand users served.

As mentioned, on 16 November 2020 the Extraordinary Shareholders' Meeting, approving the revision of the by-laws that provided for a change in the industrial governance, enhanced the role of planning, monitoring and control of the public shareholders, and at the same time made effective an corporate reorganisation operation through the sale of 15% of the shares by the shareholder ASM Terni S.p.A. to the shareholder Umbriadue S.c.ar.l. The changes also enabled full consolidation of SII in the ACEA Group financial statements.

Progress of the procedure for approving the tariffs

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

Company	Approval status (up to MTI2 "2016-2019")	Two-year update status (2018-2019)	Approval status MTI-3 2020-2023
ACEA Ato2	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. <u>The ARERA then approved them in Resolution 674/2016/R/IDR, with some changes compared to the AGB's proposal; quality bonus confirmed.</u>	The Conference of Mayors approved the tariff update on 15 October 2018. On 13 November 2018, ARERA approved the 2018-2019 tariff update with Resolution 572/2018/R/Idr. 6/2020. On 10 December 2018, the Conference of Mayors adopted ARERA approved the 2020-2023 tariffs on 12 May 2021 with the provisions of the ARERA Resolution.	On 27 November 2020, the AGB approved the tariff for the 2020-2023 regulatory period with Resolution no. 197/2021/R/IDR
ACEA Ato5	Tariff proposal submitted by the Operator on 30 May 2016, with request for recognition of the Opex _{QC} . ARERA warned the AGB on 16 November 2016 and the EGA approved the tariff proposal on 13 December 2016, rejecting, among others, the request for recognition of the Opex _{QC} . Approval by the ARERA is awaited.	The Conference of Mayors approved the 2018-2019 tariff update on 1 August 2018. ARERA has not yet given its approval.	On 14 December 2020, the Operator submitted a tariff updated request pursuant to article 5, paragraph 5.5 of ARERA Resolution 580/2019/R/IDR MTI-3 of 27 December 2019. On 10 March 2021, the OTAA Conference of Mayors approved the proposed tariff for 2020-2023, with resolution 1/2021. The Operator lodged an appeal against this resolution
GORI	On 1 September 2016, the Extraordinary Commissioner of the AGB approved the tariff with Opex _{QC} as of 2017. Approval by the ARERA is awaited.	On 17 July 2018 the Extraordinary Commissioner of the AGB approved the 2018-2019 tariff update. ARERA has not yet given its approval.	On 18 December 2020, the Operator submitted a tariff updated request pursuant to article 5, paragraph 5.5 of ARERA Resolution 580/2019/R/IDR MTI-3 of 27 December 2019. On 2 July 2021, therefore the ARERA gave notice to the CWA on 2 July 2021, therefore the CWA convened the Executive Council for this past 15 July after which it informed ARERA (this past 16 July) of the decision taken by the Executive Council, that is to defer the tariff approval while awaiting incorporation of the new ARERA decisions with respect to judgement no.05309/2021 published on 13 July 2021.
Acque	On 5 October 2017, the AIT approved the tariff with recognition of the Opex _{QC} . Approved by ARERA on 9 October 2018 (as part of the approval of the 2018-2019 update).	On 22 June 2018 the AIT Executive Council approved the 2018-2019 tariff update and, at the same time, the request to extend the duration of the 5-year contract, that is until no. 7. 31 December 2031. With Resolution 502 of 9 October 2018, the ARERA approved the 2018-2019 tariff update.	On 18 December 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 7. The period for ARERA approval ends March 2021. ARERA has not yet given its approval
Publiacqua	On 5 October 2016, the AIT approved the tariff with recognition of the bonus as per art. 32.1, subsection a) of Resolution 664/2015/R/Idr. <u>On 12 October 2017, with resolution 687/2017/R/IDR ARERA approved the specific regulatory frameworks for the 2016-2019 period proposed by the AIT.</u>	On 7 December 2018 the AIT approved the 2018-2019 tariffs with the extension of the 3-year concession. ARERA approved the 2020-2023 tariff provisions and the 2018-2019 two-year update with Resolution 59/2021 of 16 February 2021.	On 26 June 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 3. ARERA approved the 2020-2023 tariff provisions with Resolution 59/2021 of 16 February 2021.
Acquedotto del Fiora	On 5 October 2016, the AIT approved the tariff with recognition of the Opex _{QC} . <u>On 12 October 2017, with resolution 687/2017/R/Idr. ARERA approved the specific regulatory frameworks for the 2016-2019 period proposed by the AIT.</u>	The AIT Board of Directors approved the 2018-2019 tariff update in the session of 27 July 2018. Pending approval by ARERA, the AIT Board of Directors also approved the no. 6. application to extend the concession to 31 December 2031, ARERA provided approval with resolution 84/2021/R/IDR submitted by the Company in April 2019 and approved by the AIT Executive Council on 1 July 2019. The updated tariff proposal was then presented to extend it to 2031, which in any case confirmed the tariff increase (theta) and the Guaranteed Revenue Constraint (GRC) for the years 2018 and 2019, already approved by the AIT with its Resolution of July 2018. ARERA approved the two-yearly update (with a small correction of the recognised Opex _{QC}) and the extension of the concession with Resolution no. 465 of 12 November 2019.	On 26 November 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 6. ARERA provided approval with resolution 84/2021/R/IDR
Geal	On 22 July 2016, the AIT approved the tariff with recognition of the Opex _{QC} . <u>On 26 October 2017, with resolution 726/2017/R/IDR ARERA approved the specific regulatory frameworks for the 2016-2019 period proposed by the AIT.</u>	On 12 July 2018 ARERA approved the 2018-2019 tariff update proposed by AIT.	On 28 September 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 4, updated with Resolution nos. 13 and 14 of 30 December 2020. ARERA provided approval with resolution 265/2021/R/Idr of 22 June 2021.

Acea Molise	Following Resolution no. 664/2015/R/IDR, both for the Municipality of Campagnano di Roma (RM) and the Municipality of Termoli (CB), Municipalities where Crea Gestioni offers the IWS, neither the Granting Body nor the Area Authority of reference submitted a tariff proposal for the regulatory period 2016-2019, so the Company independently submitted tariff proposals. Currently approval by the ARERA is still pending.	The Company has submitted the data to the competent parties/AGB in order to update the 2018-2019 tariff. For the management of the IWS in the Municipality of Campagnano di Roma (RM), given the inaction of the designated parties the Company filed an application with ARERA in early January 2019 for a tariff adjustment in 2018- with the provisions under art. 5.5 of Resolution 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.	The Municipality of Termoli approved the tariff provisions for 2020-2023 on 4 February 2021. These were sent by the Municipality of EGAM on 4 March 2021. For the Municipality of Campagnano, the Operator sent the tariff provisions to ARERA on 30 March 2021 in accordance with the provisions under art. 5.5 of Resolution 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.
Gesesa	On 29 March 2017 with Resolution no. 8 of the Extraordinary Commissioner the OTAAI approved the tariff provisions for the years 2016-2019. Currently approval by the ARERA is still pending.	The Company submitted the documentation relating to the 2018-2019 tariff review to the Area Authority and the competent AGB (EIC-Campania Water Authority) completed at the end of February 2020. The final approval of the EIC Executive Committee has not yet been given.	On 29 December 2020, the Operator submitted a tariff updated request pursuant to article 5, paragraph 5.5 of the ARERA Resolution 580/2019/R/IDR MTI-3 of 27 December 2019. The CWA convened the Executive Committee for this coming 22 July (minutes on closure of the activities of checking the minutes of 31/7/20) following the notice from ARERA received on 2 July 2021.
Nuove Acque	On 22 June 2018, the AIT Executive Council approved the rates	On 16 October 2018 with Resolution 520 ARERA approved the 2018-2019 tariff update proposed by the AIT.	On 27 November 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 5. ARERA provided approval with resolution 220/2021/R/IDR of 25 May 2021
Umbra Acque	On 30 June 2016, the AGB approved the tariff with recognition of the Opex _{sc} . <u>The ARERA then approved them in Resolution 764/2016/R/Idr dated 15 December 2016.</u>	In its session of 27 July 2018, the AURI Assembly approved the 2018-2019 tariff update. The ARERA approved the 2018-2019 tariffs with Resolution no. 489 of 27 September 2018	AURI approved the 2020-2023 tariff provisions with Resolution no. 10 of 30 October 2020. ARERA approved the same with Resolution 36/2021 of 2 February 2021.
SII Terni S.c.a.p.a.	On 29 April 2016, with Resolution no. 20, AURI approved the tariff multiplier for the 2016-2019 four-year period and with determination no. 57 it approved the adjustment for previous items. ARERA approved the 2016-2019 tariff provisions with resolution 290/2016 of 31 May 2016.	With resolution of the Board of Directors of AURI no. 64 of 28-12-2018, approval was given to the 2018-2019 two-year update. ARERA approved the biennial adjustment 2018-2019 with its resolution of 20 September 2018 464/2018.	AURI approved the 2020-2023 tariff structure with resolution by the Assembly of Mayors 12 of 30 October 2020. ARERA provided approval with resolution 553/2020 of 15 December 2020.

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

Revenues from the Integrated Water Service

The table below indicates for each Company in the Water Segment the amount of revenue in the first half of 2021 valued on the basis of the new MTI-3 Tariff Method. 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 operators to which the Water Tariff Method applies, where the tariff approval process by the Area Authority and/or ARERA has not been completed yet, represents the best estimate based on the elements that are currently available.

Company	Revenue from the IWS (pro quota values in € million)	FONI (pro quota values in € million)
ACEA Ato2	340.2	FNI = 28.1 AMM _{FoNI} = 6.7
ACEA Ato5	40.7	FNI = 2.0 AMM _{FoNI} = 2.6
GORI	104.3	AMM _{FoNI} = 3.2
Acque	35.8	-
Publiacqua	48.9	FNI = 1.4 AMM _{FoNI} = 5.2
AdF	55.0	AMM _{FoNI} = 5.5
Gesesa	6.5	AMM _{FoNI} = 0.1
Geal	4.3	AMM _{FoNI} = 0.5
Acea Molise	2.7	-
SII	18.6	AMM _{FoNI} = 0.5
Umbra Acque	15.3	-

Energy Infrastructure
Operating figures, equity and financial results for the period

Operating data	U.M.	30/06/2021	30/06/2020	Change	% Change
Electricity distributed	GWh	4275	4256	19	0.4 %
No. of Customers	N/1000	1638	1635	3	0.2 %
Km of Network	km	30892	30682	210	0.7 %
2G metering groups	N	153360	0	153360	n.s.

Equity and financial results (€ million)	30/06/2021	30/06/2020	Change	% Change
Revenues	306.2	306.8	(0.6)	(0.2%)
Costs	124.5	124.9	(0.3)	(0.3%)
EBITDA	181.7	182.0	(0.3)	(0.1%)
Operating profit/(loss) (EBIT)	111.8	111.0	4.2	3.9 %
Average workforce	1282	1269	13	1.0 %

Equity and financial results (€ million)	30/06/2021	31/12/2020	Change	Change %	30/06/2020	Change	Change %
Capex	139.5	286.2	(146.7)	(51.3%)	133.6	5.8	4.4 %
Net financial debt	1516.8	1342.5	174.3	13.0 %	1371.9	144.9	10.6 %

EBITDA (€ million)	30/06/2021	30/06/2020	Change	% Change
Energy Infrastructure Segment EBITDA	181.7	182.0	(0.3)	(0.1%)
EBITDA – Group	618.8	568.7	50.1	8.8 %
Percentage weight	29.4 %	32.0 %	(2.6 p.p.)	

The EBITDA for the segment at 30 June 2021 was € 181.7 million, a slight decrease of € 0.3 million compared to 30 June 2020. The decrease recorded is given by the combined effect of higher margins for € 2.8 million due to the effects deriving from energy balancing for € 1.7 million and from the margins deriving from new contracts for € 1.1 million, offset by the lower margins deriving from public lighting as a consequence of the lower revenues for accidental maintenance and minor activities for new constructions (- € 3.1 million). As regards the energy balance, at 30 June 2021 Areti distributed 4,275 GWh to end customers, in line with the amount distributed.

The average number of employees increased slightly compared to the same period in the previous year (+ 13 employees).

The operating result was mainly affected by the increased amortisation, depreciation and write-downs for the period (+ € 1.3 million), in line with the increase in investments.

Investments amounted to € 139.5 million, recording an increase of € 5.8 million compared to the same period in the previous year and 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 as part of the network “Adequacy and Safety” and “Innovation and Digitisation” projects. This was all intended to improve the quality of the service and increase resilience. Intangible investments refer to projects for the re-engineering of information and commercial systems.

Net debt stood at € 1,516.8 million as at 30 June 2021, showing an increase of € 246.2 million compared to 31 December 2020 and of € 144.9 million compared to 30 June 2020, partly attributable to the increasing volume of investments and the operating cash flow dynamics.

Significant and subsequent events in the first half of 2021
GALA

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

At 30 June 2021 the total receivables accrued by the Company amounted to € 68.9 million, including billed interest. Such interest was excluded from the mechanism for the reinstatement of general charges by Resolution 300/2019/R/EEL and subsequently readmitted to the mechanism by Resolution 495/2019/R/EEL.

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

On 27 December 2019 Resolution 568/2019/R/EEL was also issued, which provides for the reimbursement of amounts due not otherwise recoverable relative to network services equivalent to the model for the recognition of uncollected general system charges. This mechanism was confirmed with Resolution 461/2020/R/EEL published on 19/11/2020, which better defined the methods for



access to the reimbursement request. This Resolution included recognition of tariff fees for electricity metering, distribution and transmission services, the UC3 and UC6 tariff components and certain fees for specific services, regarding invoices expired by at least 12 months, net of a 10% deductible.

The Authority set date of 30 June 2021 as the limit for presentation of applications for admission to the mechanism, nevertheless offering DSOs the option, to request a 50% advance of the reimbursement amount due with requests to be sent by 7 December 2020 and payment by 31 December 2020. Areti S.p.A. therefore decided to take advantage of this option, sending a request for participation on 4 December 2020. The total amount for network services for Gala for network tariffs uncollected is approximately € 11.0 million, while the amount paid by CSEA with value date 30 December 2020 as payment of balance was € 5.4 million. On 30 June 2021 the request was completed to settle the shortfall due to the non-collection of the network services tariffs; as established by art. 2.5 of Resolution 461/2020/R/EEL, the CSEA, having approved the application for admission sent by the distribution companies, will determine and pay, by 31 August 2021, the required sum of € 5.2 million.

Currently, also taking into account the changes in the regulatory framework deriving from the approval of the mechanism for reimbursing general expenses accrued over time, the reduction in the value of the Areti receivable from Gala was prudentially determined.

From the regulatory perspective, with the aforementioned Resolution no. 32/2021/R/eel of 2 February 2021 published on 5 February 2021, ARERA made provisions related to the mechanism for recognising, in favour of sellers, the general system charges not collected from end customers and already paid to the distribution companies, with the strategic aim of improving the risk management tools through the implementation of measures intended, on the one hand, to guarantee the system and end customers with respect to the economic consequences of possible sales operator default and, on the other, to ensure the solidity and reliability of the processes involving them, keeping their exposure under control and contained with evolution of the minimum guarantee systems and the recovery mechanisms for unpaid payments of sellers with particular reference to the portions related to general system charges in the electricity sector.

The measure, which concluded the procedure to comply with the rulings of the aforementioned administrative courts, follows the guidelines expressed in the consultation document no. 445/2020/R/eel and establishes a **mechanism for recognising**, in favour of sellers, the general system charges not collected from defaulting end customers and in any case already paid by the sellers to the distribution companies, by providing for their payment by the CSEA. Furthermore, the measure supplemented the rules on guarantees in the transport contracts, regarding their sizing with reference to general system charges.

The Mechanism covers the period between 2016 (entry into force of the Standard Network Code) and any adoption of specific measures, including legislation, aimed at a different management of the collection chain of general system charges and the related system of guarantees.

Parties that benefit from it are therefore users of the transport system provided by the distribution companies, holders of existing or terminated transport contracts which, as sellers, are the only contractual counterparty with the obligation to pay general system charges to the distribution companies (pursuant to article 3, paragraph 11 of Italian Legislative Decree 79/99).

At the same time, the measure continues to require that the distribution companies have the right to request (and the sellers, users of the transport service, must provide): (a) suitable guarantee of payment of the entire fee for the service, including the part related to general system charges, albeit at a conveniently reduced amount so that it represents the best estimate of the amounts normally collected by the sellers from their end customers; (b) payment of the total amount of the fee invoiced and therefore also any portion of the part related to any general system charges not (yet) collected, now without prejudice to the benefit of the reimbursement mechanism envisaged by Resolution 32/2021.

Resolution 32/2021 therefore confirmed:

- the obligation, arising from primary legislation, for the seller to pay in full the system charges invoiced by the distributor, which in turn has the obligation to repay them in full to GSE and CSEA;
- the right of the seller, limited to the charges not collected from end customers but paid to the distributor, to access the offsetting mechanism set out by Resolution no. 32/2021;
- the regulatory framework previously envisaged with Resolution 109/2017, including the obligation for the seller to provide the guarantee in favour of the distributor, according to the parameters indicated herein related to the best estimate of the amounts normally collected from end customers;
- recognition of the right of the distributor to govern contractually with the seller a suitable guarantee clause for compliance with the seller's obligations;
- recognition of the right to access the offsetting mechanism in favour of the seller as of 2016, including in the case of a contract terminated by the distributor due to non-compliance (of said seller);
- the obligation of the seller to collect system charges from the end users and, with the professional due diligence pursuant to art. 1176 of the Italian Civil Code, to recover arrears from end customers, being the only party designated to interact with the latter, in fact and in law.

Finally, it is noted that, with notice sent to Areti as a counterparty on 2 April 2021, **Gala S.p.A.** filed an **appeal** before the Council of State in order to: (i) ascertain and penalise the alleged non-compliance with rulings of the Council of State nos. 5619/2017 and 5620/2017 of 30 November 2017 and, at the same time, (ii) partially annul Resolution 32/2021/R/EEL of 2 February 2021 (on the reimbursement of traders in case of failure to collect the GSCs) due to circumvention of the aforesaid ruling. In summary, Gala considers that the aforesaid rulings of the Council of State – which, by partially annulling the network code, confirmed that system charges apply to end customers (as parties obligated to pay them) and reiterated the absence of the power of the Authority to transfer onto the Traders the obligation to pay the system charges (as deriving from the imposition of guarantees to cover said charges, in addition to the right of the distributors to terminate the contract with the Traders in the event of failure to pay said system charges) – have not been adequately met by Arera with the subsequent administrative measures issued, the last of which is Resolution no. 32 mentioned, which reiterates the technicalities already omitted, thus breaching the aforesaid rulings.



Given the unusual procedural motion – Resolution no. 32/2021 was not appealed by Gala before the Regional Administrative Court before the deadline and the part appealed before the Council of State was not indicative of new elements with respect to the previous resolutions on the matter – a rejection due to lack of grounds is foreseeable; nevertheless, the intention of Gala could be to obtain the *obiter dicta* for use in the pending civil cases.

In this regard, it is useful to specify that, from a survey carried out on the portal of the administrative court, two appeals are still pending for the aforesaid Resolution no. 32/2021, one of which (592/2021) filed by the association of traders and resellers “ARTE”. The appeal was entrusted to the same legal expert of Gala and the request addressed to the administrative judge is the same one formulated in the aforementioned compliance proceedings.

Technological innovation projects

2G digital meter project

In an increasingly advanced technological and energy context, the "2G Digital Meter" project was launched by Areti with the aim of replacing the first-generation electricity meter system with the 2G Smart Metering system in compliance with the requirements of ARERA Resolution 306/2019/R/eel.

Following the selection procedure of the supplier of the field equipment (meters and concentrators) and the related Central Purchasing System (Management Centre) concluded in September 2019 with the publication of the award and subsequent submission to ARERA of the Request for Authorisation to Recognise Investments (RARI), which were followed in 2020 by preliminary activities related among other things to the assessment of the suitable actions to counter the spread of the COVID 19 epidemic, ARERA with resolution no. 293/2020 of 28/7/2020 approved Areti's PMS2, as per the latest revision presented on 14 July 2020 and set the date for initiation of Areti's PMS2 as 1 January 2020, admitting the investments regarding the 2G smart-metering system of Areti to the scheme for specific recognition of capital costs, starting from the same date.

Considering the difficulties linked to Covid-19 and in line with the restrictions and operational limits to contain the spread of the virus, installation continued of the concentrators and 2G meters, launched in the second half of 2020. On 30 June 2021, the number of installations performed was approximately 7,000 concentrators and 210,000 meters, in line with the targets set in the RARI.

A complex change to the Areti application map was required to guarantee compliance of the new metering processes and the function of new technology (concentrators and electronic meters). In particular, in addition to the introduction and integration of a new system for remote management and remote reading of the second-generation field equipment (Beat Suite), it was necessary to make changes to the main applications related to logistics and warehouse processes, field processes (replacement of the concentrator and first generation meter), commercial systems (development and management of the PDFM system), integration systems (middleware) and WFM and mobile systems, in addition to the development of a new metering acquisition, validation and publication system. In May, the new corporate website was published online containing a large section dedicated to the new 2G digital meter.

In particular, progress on the development of the application map made it possible to release all the features planned for wave 6 into production on 21 May, while on the upcoming milestone of 6 August all additional features planned for wave 7 will be released into production.

The activities dedicated to the development of the new operational and managerial reporting continued, as did the adjustment of the existing reporting. At the same time, data are being made available for the analytics systems with a view to monitoring the new processes for measurement and mitigation of risks to the regularity of the metering service.

Areti's single EData Lake

During the first half of 2021, the analysis environment of data for the distribution business was further extended. The calculation infrastructure operates in the Google Cloud environment. Activities run from the definition of a data model to the process of releasing it to an analysis environment, including infrastructure management.

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

- 1G remote management system, both for LANDIS and GME meters
- Company Electric GIS mapping system
- Company IP GIS mapping system
- Integrated Low Voltage Network Survey in all tabular areas
- SAP (IS-U and MDM)
- TESS system (commercial quality).
- RadarMeteo weather data recorded and forecasts.
- SAP PM
- SAP MM
- SAP IS-U PDFM
- Remote management system

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

- 2G Management Centre
- Remote control system: load profiles at 10 minutes

Network diagnostics and monitoring project

The project is divided into three main lines of action:

- Primary station diagnostics
- Substation diagnostics
- Overhead line diagnostics



1. Primary station diagnostics with UGV Drones

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

In the first half of 2021, the construction and testing of the Autonomous drone charging station was completed, where the drone is able to park and charge autonomously at the end of missions.

2. Substation diagnostics (CS-Plus):

The project involves testing an integrated IOT solution for remote monitoring, diagnostics and management services: e.g., environmental parameters, digital access management, etc.

During the first half of 2021 the first PoC was completed, intended to test an access control solution for substations and roadside cabinets and a second PoC was launched to test an alternative solution that could use the I-IoT platform already present in the substation for the implementation of the MV/LV Remote Control and Automation solution.

3. Overhead line diagnostics

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

During 2020, the platform for management of the process was developed and went live and operation of the process itself was launched. The process was found to be highly innovative both by the Politecnico di Milano university Drone observatory and Space Economy observatory. In the first half of 2021 installation of the system continued, as did optimisation of the platform's features. The GIMMI project was also presented by Areti to the final conference of the Drone Observatory at the Utility table alongside Eni and Enel.

Primary station automation project

The objective of the project is to define a new architecture for the Command and Control Protection System of the Primary Station (CP) oriented towards the reduction/simplification of low voltage wiring, the use of standard protocols developed for communication between the equipment in the field and the Command and Control Protection System, as well as towards the Remote Control System. It also aims to define and implement concise remote control and automation commands, as well as the provision of remote access to CP data for maintenance and analysis. The Covid-19 emergency heavily impacted planned activities. Nevertheless, during 2020, courses were held on the new remote-control peripheral apparatus in the Primary Station. At the Collantina site a laboratory was set up to verify communication between the peripheral apparatus and the new Enel unified digital protection devices. Tests did not give satisfactory results and evaluation is underway of alternative methods to achieve the indicated functions.

The project is currently frozen pending review.

Development of Areti telecommunications network

The TLC project involves the creation during 2020-2021 of a high-speed and high-reliability fibre-optic network that will link all primary stations, which constitute the main backbone of the telecommunications network and from which all smart-grid services will be launched, and the linking of around 150 substations via fibre optic. This network will ensure security and reliability in the transmission of information between the centre and the periphery useful to allow the proper operation of Operation Technology systems and network management systems, also the remote control of equipment installed in substations and, where possible, the metering points and other types of sensors in order to convey to the central systems all the information acquired through sensors and field equipment. This network will also allow implementation of advanced automation for substations linked by fibre optic, in order to significantly improve the quality of the electricity service.

Over a three-year period, all primary stations will be linked via fibre optic (owned or IRU) and about a thousand substations will be connected to the main network. This objective will be made possible thanks to the synergy between the optimisation of the electrical grid and the laying of fibre optics, which will substantially reduce the impact on the territory by reducing the inconvenience for the public.

Public Lighting

As at 30 June 2021 extraordinary maintenance and modernisation and safety activities agreed to with Roma Capitale continued regularly, thus creating new lighting points as part of the lighting re-engineering and development projects. Regarding the Public Lighting Service, following the opinion given by the AGCM (Antitrust Authority) in Bulletin no. 49 of 14 December 2020, Roma Capitale began checking the conditions of congruity and economic convenience of the performance terms pursuant to the service contract between the Administration and ACEA S.p.A. (and through it Areti) compared with the terms pursuant to the Consip Luce 3 Convention and, in addition, on the basis of the positions expressed by the AGCM in the said opinion, expressed queries over the legitimacy of the award to ACEA S.p.A.. On 8 February 2021, with a note ref. DG 1585/2021, Roma Capitale communicated the results of the said checks, affirming definitively "the congruity and convenience of the economic terms currently in being with respect to the qualitative and economic parameters of the CONSIP – LUCE 3 convention" and confirming "the correctness of the prices applied for the public lighting service", overcoming definitively all reserves on the congruity of the prices charged in the context of the contractual relationship in being between RC and ACEA S.p.A. In the same note, the Administration therefore ordered the restart of the procedures for payment of ACEA/areti's ascertained receivables in relation to the service contract. We can note that the said communication regards the correctness of the prices charged, without affecting the Administration's intention, already manifested, to terminate the relationship with ACEA to call for tenders and thus make a new award for the service.

Generation
Operating figures, equity and financial results for the period

Operating data	U.M.	30/06/2021	30/06/2020	Change	% Change
Hydro + Thermal Energy	GWh	357	293	64	21.9 %
(Photovoltaic) Energy Produced	GWh	33	29	4	14.5 %
Energy produced (cogeneration)	GWh	24	23	1	1.8 %

Equity and financial results (€ million)	30/06/2021	30/06/2020	Change	% Change
Revenues	55.6	41.5	14.2	34.2 %
Costs	20.2	17.4	2.8	16.4 %
EBITDA	35.4	24.1	11.3	47.0 %
Operating profit/(loss) (EBIT)	21.7	12.3	9.4	76.3 %
Average workforce	88	83	5	6.5 %

Equity and financial results (€ million)	30/06/2021	31/12/2020	Change	Change %	30/06/2020	Change	Change %
Capex	21.7	39.0	(17.3)	(44.3%)	7.7	14.0	183.0
Net financial debt	238.4	224.2	14.2	6.3 %	230.8	7.6	3.3 %

EBITDA (€ million)	30/06/2021	30/06/2020	Change	% Change
EBITDA Generation Segment	35.4	24.1	11.3	47.0 %
EBITDA – Group	618.8	568.7	50.1	8.8 %
Percentage weight	5.7 %	4.2 %	1.5 p.p.	

EBITDA at 30 June 2021 amounted to € 35.4 million and recorded an increase of € 11.3 million compared to 30 June 2020, mainly attributable to **Acea Produzione** (+ € 8.9 million) and **Ecogena** (+ € 0.9 million) caused by the higher margins relating to water contributions and the effect of higher quantities and price (+ € 2.8 million) and by higher incentive revenue from the quantity effect. Finally, EBITDA for the photovoltaic segment, identifiable with the scope of the operating subsidiaries of Acea Sun Capital and Acea Solar, was € 7.4 million, up by € 1.3 million primarily due to the effect of the change in scope.

The average workforce was in line with the previous year. Note that the photovoltaic companies do not have employees.

Investments amounted to € 21.7 million and recorded an increase of € 14.0 million compared to the same period in the previous year, mainly attributable to **Fergas Solar** (+ € 8.1 million), to **ACEA Solar** (+ € 2.5 million) and to **Acea Produzione** (+ € 3.4 million) mainly attributable to the installation of the 3rd motor of Tor di Valle.

Net debt at 30 June 2021 amounted to € 238.4 million, an increase of € 14.2 million compared to 31 December 2020 and of € 7.6 million compared to 30 June 2020. The changes are mainly linked to the dynamics of acquisitions of companies in the photovoltaic segment and operating cash flow.

Significant and subsequent events in the first half of 2021
Production of electricity

The production system of Acea Produzione currently consists of a series of generation plants with total installed capacity of 225.2 MW, composed of five hydroelectric plants (three located in Lazio, one in Umbria and one in Abruzzo), fifty-two photovoltaic plants (with installed capacity of 8.6 MWp), two two “mini hydro” plants, Cecchina and Madonna del Rosario, two thermoelectric power stations, Montemartini and Tor di Valle, the latter consisting of a modern high-efficiency cogeneration plant, replacing the previous combined-cycle plant. The new plant consists of two high-efficiency methane gas powered engines each with an electrical power of 9.5 MW, for a total of 19 MW, as well as three additional boilers and 6 storage tanks. In the current configuration, in addition to selling electricity to the market during the most profitable hours, the plant provides electricity in SEU to the total electricity users of the adjoining Rome South Treatment Plant and the thermal energy necessary for the supply of district heating service in the districts of Torrino Sud, Mostacciano and Mezzocammino in the Municipality of Rome.

In the first half of 2021, the Company generated a volume of 313.9 GWh through the directly owned power plants. During the period, the Company's production was subdivided into hydroelectric plant production of 252.6 GWh, production from mini-hydro plants of 1.5 GWh, thermoelectric production of 54.5 GWh and photovoltaic production of 5.3 GWh. The Company's production mix is mainly from renewable sources with “green” production representing approximately 90% of the total. In addition, about 60% of total production is incentivised following investments in hydroelectric power plants or participation in the “feed-in tariff” scheme for the photovoltaic segment.

With regard to district heating, the Company, through the cogeneration module of the Tor di Valle power plant, supplied heat to the Torrino Sud and Mostacciano districts (located in the south of Rome) for a total of 36.06 GWh, for a total of 3,564 utilities served (259 condominiums and 3,305 real estate units).



Co-generation

The operational management of Ecogena focuses mainly on three areas: (i) consulting in the Esco sector and provision of services related to obligations to increase the energy efficiency of third parties (inside or outside of the ACEA Group); (ii) the supply of energy services through the management of cogeneration (or trigeneration) plants and district heating networks and the sale of energy produced to Customers; and (iii) the coordination of Group companies with regard to energy-efficiency projects.

The Company's production system is made up of a set of cogeneration plants, combined with district heating networks, for a total of 4.0 MW of installed capacity in Umbria and Lazio. The production of thermal and refrigeration energy is decreasing compared to previous years due to a milder winter season than last year and the decrease in the absorption of management customers (especially for the Europarco contract) following the COVID-19 emergency. As at 30 June 2021, Company achieved a production volume of around 5.2 GWh (electricity), 15.3 GWh (thermal) and 2.9 GWh of refrigeration.

With regard to Europarco's trigeneration plant, activities are under way to construct the second 400 kW cogenerator at the site. With regard to the Porta di Roma plant, the repairs on the first cooling unit of the plant have been completed. Activities were also launched to move an additional cooling unit to be recovered from the Cinecittà World trigeneration plant (being decommissioned) with the related cooling tower for the upgrades to the Porta di Roma site.

Works to replace the heat pump for refrigeration energy were also completed at the Saxa Rubra plant.

With regard to the air conditioning system at ACEA's data processing centre (Cedet), checks and fine-tuning were carried out on the new more efficient system. Reporting on the effective energy saving achieved will be sent to the Client by 30 September 2021 (with reference to the year July 2020 - June 2021), which will determine the billing of the shared amount of the saving based on the methods envisaged in the Energy Performance Contract. Currently, the projection of consumption shows an energy saving 20% higher than the previous use of the plant, though this goal is still below expectations. The electric charging infrastructure was completed at the treatment plants in Rome North, South, East, Cobis. The systems at the Department for the rationalisation of spending of the Municipality of Rome were completed and invoiced. As part of the activities performed by Ecogena for Acea Innovation, pertaining to the design project, permit and creation of charging infrastructure for electric vehicles, it is reported that the project is being implemented.

New Photovoltaic acquisitions

In line with the Business Plan, the ACEA Group also continued to acquire companies in the photovoltaic market during the first half of 2021. As at 30 June 2021, 19 companies were acquired for a total installed capacity of approximately 62.0 MW (Acea Sun Capitale 46 MW, Acea Produzione 13 MW and Acea Solar 3 MW). It should also be noted that during the first half of the year 100% of JB Solar S.r.l.'s capital was acquired, which has a total installed capacity of 1.0 MW.

It is also noted that Acea Solar, through its subsidiary Fergas Solar S.p.A., is the owner of a single authorisation for the construction of a 20MW solar power plant in Basilicata, has obtained authorisation for the construction of a 5MW power plant on its own industrial land in Lazio and also has 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.

Engineering and Services
Operating figures, equity and financial results for the period

Operating data	U.M.	30/06/2021	30/06/2020	Change	% Change
Total number of analyses	Number	571391	541174	30217	5.6 %
Total number of samples	Number	18929	16144	2785	17.3 %
Worksite inspections	Number	8460	6488	1972	30.4 %
Safety Coordination	Number	325	127	198	155.9 %

Equity and financial results (€ million)	30/06/2021	30/06/2020	Change	% Change
Revenues	62.3	35.5	26.8	75.6 %
Costs	53.3	30.0	23.3	77.6 %
EBITDA	9.0	5.5	3.5	64.6 %
Operating profit/(loss) (EBIT)	6.2	4.4	1.9	42.5 %
Average workforce	432	403	29	7.1 %

Equity and financial results (€ million)	30/06/2021	31/12/2020	Change	Change %	30/06/2020	Change	Change %
Capex	3.5	6.6	(3.1)	(47.3%)	2.7	0.7	27.2 %
Net financial debt	28.4	31.1	(2.7)	(8.8%)	42.6	(14.2)	(33.4%)

EBITDA (€ million)	30/06/2021	30/06/2020	Change	% Change
EBITDA Engineering and Services Segment	9.0	5.5	3.5	64.6 %
EBITDA – Group	618.8	568.7	50.1	8.8 %
Percentage weight	1.5 %	1.0 %	0.5 p.p.	

The Segment closed the first half of 2021 with EBITDA of € 9.0 million, up on the same period of the previous year by € 3.5 million (+ 64.6%). This increase mainly comes from the change in the scope of consolidation of **SIMAM** acquired in May 2020 (+ € 2.3 million). Apart from **Acea Elabori**, the Segment also includes **Ingegnerie Toscane**, an engineering company consolidated with the equity method 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 € 2.8 million, € 2.0 million, € 0.8 million, respectively.

The average workforce at 30 June 2021 stood at 432 and was up compared to 30 June 2020 (403 employees). This increase is mainly attributable to the entry into the scope of the **SIMAM** Group.

Investments amounted to € 3.5 million, of which € 0.7 million relating to the change in scope, an increase compared to the same period in the previous year (€ 2.7 million).

Net debt at 30 June 2021 was € 28.4 million, an increase of € 2.7 million compared to 31 December 2020 and of € 14.2 million compared to 30 June 2020. This change is directly attributable to **Acea Elabori** for € 14.1 million as a result of the requirements generated by changes in working capital.

Significant and subsequent events in the first half of 2021

No significant events occurred in the period.

Corporate
Operating figures, equity and financial results for the period

Equity and financial results (€ million)	30/06/2021	30/06/2020	Change	% Change
Revenues	64.7	58.9	5.8	9.9 %
Costs	82.8	76.9	5.9	7.7 %
EBITDA	(18.1)	(18.0)	(0.1)	0.3 %
Operating profit/(loss) (EBIT)	(29.6)	(26.4)	(3.2)	12.1 %
Average workforce	704	694	11	1.5 %

Equity and financial results (€ million)	30/06/2021	31/12/2020	Change	Change %	30/06/2020	Change	Change %
Capex	16.3	28.5	(12.2)	(42.7%)	9.4	6.9	72.9 %
Net financial debt	267.1	283.2	(16.1)	(5.7%)	229.4	37.8	16.5 %

EBITDA (€ million)	30/06/2021	30/06/2020	Change	% Change
EBITDA Corporate Segment	(18.1)	(18.0)	(0.1)	0.3 %
EBITDA – Group	618.8	568.7	50.1	8.8 %
Percentage weight	(2.9%)	(3.2%)	0.2 p.p.	

Corporate closed the first half of 2021 with a negative EBITDA of € 18.1 million, substantially in line with the first half of 2020 (+ € 0.1 million compared to 30 June 2020). The change is due to the combined effect of increased re-invoicing to the Group companies partially offset by the increase in consulting and costs linked to the COVID emergency. It should be noted that in the previous year, the company Acea Innovation was included under Corporate; in 2021 it was reclassified to Commercial & Trading.

The average workforce at 30 June 2021 stood at 704, an increase of 11 compared to the first half of 2020 (there were 694 employees).

Investments amounted to € 16.3 million and increased by € 6.9 million, compared to 30 June 2020. The investments relate mainly to software licences, IT and hardware developments, as well as investments in the company offices. The increase includes € 1.6 million (including drafting fees) for the purchase of land previously used for parking by ATAC, adjacent to the Piazzale Ostiense headquarters; the acquisition was made through a competitive procedure.

Net debt at 30 June 2021 amounted to € 267.1 million, an decrease of € 16.1 million compared to the end of 2020. This change comes from Group and ACEA requirements.

Significant and subsequent events in the first half of 2021

No significant events are reported during the period observed.



Significant events during the period and afterwards

ACEA S.p.A. Fitch Ratings confirms ACEA's "BBB+" rating and "stable" outlook

On 14 January Fitch Ratings confirmed its Long-Term Issuer Default Rating (IDR) for ACEA of "BBB+" with "Stable" outlook, and the Short-Term IDR of "F2". The Long-Term Senior Unsecured Rating of "BBB+" was also confirmed.

Confirmation of the rating reflects the focus of the Group's strategy on regulated business, strong operating performance and a good level of available liquidity. These factors offset the increase in debt linked to investment programmes in innovation and sustainability included in the 2020-2024 Business Plan.

ACEA S.p.A. Successful completion of the first Green Bond placement for € 900 million

On 21 January, ACEA S.p.A. successfully completed placement of its first Green Bond issue for a total amount of € 900 million, in two series, in the context of the Green Financing Framework recently published and under the € 4 billion Euro Medium Term Notes (EMTN) programme (the "Bonds"), with the Base Prospectus as last updated on 24 July 2020 and subsequently amended on 15 January 2021. The first series totalled € 300 million, with a rate of 0% and maturity on 28 September 2025 (the "2025 Bonds") and the second series totalled € 600 million, with a rate of 0.25% and expiry on 28 July 2030 (the "2030 Bonds").

Acea enters the business of electric mobility charging services

Acea enters the business of electric mobility charging services across the country by launching the "Acea e-Mobility" App, which makes it possible to charge an electric vehicle at over **10,000 points in Italy**, thanks to the interoperability agreements signed with other sector operators.

The App was developed to provide customers with a useful tool for easy management of all steps in the charging service: it will be possible to locate available active charging columns, book them, charge an electric or plug-in vehicle, monitor the charging status and manage payments with the main channels available (credit/debit card, prepaid cards or Apple Pay). The **Acea e-Mobility Card** will also be available for use with other associated services. Charging points will be free to book through the App until 31 December 2021. Acea Energia also offers three different **wallbox** models that will allow customers to charge their vehicle at their own home.

ACEA S.p.A. The Shareholders' Meeting approves the Financial Statements as at 31 December 2020 and approves the payment of a dividend of € 0.80 per share

On 22 April, the Acea S.p.A. Shareholders' Meeting approved the Financial Statements and presented the Consolidated Financial Statements at 31 December 2020, which showed a net profit, following allocations to third parties, of € 284.9 million. The Consolidated Non-Financial Statement pursuant to Italian Legislative Decree 254/2016 (2020 Sustainability Report) was also presented to the Shareholders.

The Meeting also approved the allocation of profit for the year as proposed by the Board of Directors and the distribution of the dividend. The total dividend (coupon no. 22) of € 170,038,325.60, equal to € 0.80 per share, will be paid starting from 23 June 2021 with coupon detachment on 21 June and record date 22 June.

Acea. Up to 1,000 daily vaccinations at the Autoparco company headquarters

Offering its contribution to speed up the Covid-19 vaccination plan coordinated by the Italian Ministry of Health, Acea has provided support to institutions, starting with the Lazio Region, for the actions implemented by the Italian Government. In particular, the company has provided a vaccination hub where the local population, as well as employees, can be administered up to around 1,000 doses per day. The company "Autoparco" in Piazzale Ostiense has been fitted out as a hub for vaccinations. The area dedicated to administering them will be operational 7 days a week, with 12, 16 and even 24-hour shifts expected.

Acea. Gaia Rating confirms Acea's growth on the sustainability indicators

Acea is one of the companies with the best overall performance in terms of sustainability, as certified by Gaia Rating, the French agency that assesses non-financial results and the effective integration of sustainability policies into corporate governance. Acea came 7th out of a total 512 companies, increasing its overall performance for the third year in a row. The results achieved in the four main sectors of evaluation, Governance, Social, Environmental and External Stakeholders, all stand out for being above the sector average.

Meg and Serplast acquisition agreements

On 27 July, Acea reached an agreement for the acquisition of 70% of Serplast and 60% of Meg, companies operating in plastic recycling, a segment downstream of plastic sorting, where Acea is already present with Demap and Cavallari.



Main risks and uncertainties

Due to the nature of its business, the Group is potentially exposed to various types of risks, mainly from natural events, climatic changes and financial market risks (external risks) and operational and environmental risks specific to each business sector, Information Technology and Human Resources (internal risks). In order to manage these risks, analyses and monitoring are carried out by each company as part of a structured and coordinated process implemented at a Group level through the integration of two complementary approaches (Enterprise Risk Management and continuous risk management), aimed at assessing and treating the risks of the entire organisation in an integrated logic, consistent with its risk appetite, with the aim of providing management with the information needed to make the most appropriate decisions to achieve strategic and business objectives, to safeguard, grow and create value for the company.

This combination is designed to ensure effective control of the entire universe of main risks the Group is exposed to, guaranteeing management of the Group's overall exposure in line with the objectives of the Business Plan and Sustainability.

In order to contain these types of risks, the Group has implemented mitigation and monitoring as summarised below at both a corporate and business sector level.

For Risk Mitigation long ago the ACEA Group introduced the development and adoption of a Group Insurance Plan based on the following pillars:

- Third Party Liability
- Property Damage
- Employee benefits

More specifically, the first two pillars transfer the economic and/or asset risk deriving from civil liability – in all its general, professional, environmental and cyber forms – and from events (accidental, culpable or malicious) affecting the Group's physical and production assets.

The third pillar, on the other hand, aside from transferring economic and financial risk, implements a corporate welfare measure guaranteeing and paying the employees of the ACEA Group significant financial support – both to those directly concerned and to those who may be entitled – in case of serious traumatic events related to both the professional and private spheres.

Still on the subject of *risk mitigation*, most of the companies of the ACEA Group have adopted and maintain an Integrated Quality, Environment, Safety and Energy Management System (hereinafter the "System"), which complies with UNI ISO 9001:2015 (Quality), UNI ISO 14001:2015 (Environment), UNI ISO 45001:2018 (Safety) and UNI ISO 50001:2018 (Energy), certified by an accredited external body, as a tool for the prevention of accidents, diseases and pollution, as well as a measure to promote and support the efficiency and effectiveness of the company's processes, including energy processes, and to achieve continuous improvement in the performance of the System itself and work management.

Note that, on the date of preparation of the current Management Report, we do not expect to be exposed to further risks and uncertainties that may have a significant impact on the results of the ACEA Group's operations, equity or financial position, other than those mentioned in this document.

COVID-19 HEALTH EMERGENCY

The international health emergency caused by COVID-19, commonly referred to as "Coronavirus", has evolved rapidly over the past few months. This has led the Italian government to put in place a series of provisions that are both restrictive and of an emergency economic nature, the duration of which it is still 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

Safety during the Covid-19 pandemic

The ACEA Group implemented prevention and protection measures for management of the risk of Covid-19 infection.

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 activity created the possibility of people coming into contact with others exposed to the virus, a protection strategy was immediately planned aimed at limiting the impact on the organisation based on a risk assessment.

The main measures implemented are as follows:

- dedicated training courses and information materials;
- establishment of a company vaccination hub open to the community;
- internal circulars and guidelines for group companies in order to ensure a coordinated response to the emergency;
- creation of dedicated communication channels for the emergency (intranet section, email address and multimedia signage);
- publication of the Protocol for Management of Covid-19 cases within the company - Communication Flows;
- revision of the Risk Assessment Document and the emergency plans for the COVID-19 health emergency;
- reorganisation of working activity;
- large-scale teleworking those who can work remotely;
- integrated management systems for visitor flows;
- screening initiatives for employees: (serological tests, molecular swabs and influenza vaccination campaign);
- adoption of all measures for prevention and protection from infection;
- integrated management of visitor flows also using mobile-app solutions;



- application of formal procedures for the periodic assessment of the effectiveness of the measures undertaken, through supervision of the actual implementation of anti-contagion measures (monitoring conduct).

ACEA also activated a special insurance policy valid for employees who tested positive for Covid-19. To provide even more support to its employees, safeguarding their health and the health of their loved ones, the insurance policy was also extended to members of the “family units” (spouses or partners and children as per civil status) of employees, understood here as applicable for all contractual types, and all Companies of the ACEA Group.

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 most 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.

The new situation created with the pandemic 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 team spirit, an ability to share objectives, full autonomy and a strong sense of responsibility.

Industrial Relations and Welfare

At the beginning of the health emergency an Advisory Committee was established consisting of the trade unions, Workers' Safety Representatives, Prevention and Protection Service Manager 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.

- Progression of activity aimed at preventing the spread of Coronavirus;
- Any requests for additional information;
- New prevention and protection measures to be adopted.

Numerous Agreements were also signed with the Trade Unions regarding measures to contain and combat Covid-19.

The agreements, confirming the suitability and efficacy of measures adopted in each case by the Group, introduce further organisational initiatives, including distance training, collective closures, use of individual entitlements, flex-time working, governance of teleworking during the emergency, with the aim, on the one hand, of avoiding the use of social shock absorbers in order to limit the economic and social impacts of Covid-19, and on the other of allowing continuation of working activity in safety and optimising organisational flexibility.

In 2020, the Joint Body (Companies and Labour Representatives) initiated dialogue aimed at analysing the processes regarding activities performed remotely, with the goal of improving this method of working in the period after the Covid-19 emergency.

In line with the commitments made in the Group Framework Agreement of 14 February 2018, in on 30 July 2020, ACEA established a new Agreement with Trade Unions regarding welfare for management of personnel turnover connected to retirement, the so-called “Isopensione” scheme, for the four-year period 2021-2024.

This pension bridging scheme is issued by INPS, with a contribution from the company, and is aimed at middle managers, white-collar workers and blue-collar workers who have the prerequisites to receive a standard or early-retirement pension in the four years following termination of their working relationship. The possibility to access the *Isopensione* scheme in 2021 is established at Company level based on the number of applications received in the timeframe defined by the Agreement, subject to an order of priority connected to conditions of health, proximity to pension access and professional category (middle managers and white-collar workers).

Investors

The “health emergency” led to a significant global financial and economic crisis. Stock exchanges all over the world initially saw strong declines, but then partially recovered losses thanks to monetary and fiscal measures taken by central banks and governments. In this context, the Green Deal and the Recovery Fund proposed by the European Commission, will allow the relaunch of investments that represent the key to economic recovery, prioritising environmental considerations and climate change.

ACEA operates in sectors that are sustainable by nature and will be able to make the most of opportunities arising from an acceleration in investments in infrastructure and renewable energy, contributing to the country's economic recovery.

Shareholders and lenders

In view of the fact that the characteristics of the businesses managed by the ACEA Group, approximately 85% of whose EBITDA is generated by regulated activities, and in light of the chronology of events and measures put into place, the regulatory areas governing the ACEA Group's businesses did not change significantly due to the aforementioned health 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

Acea Ambiente

The companies that come under the control and coordination of Acea Ambiente 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 unseparated 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 unseparated waste produced by the infected or quarantined persons in their respective regions (Lazio and Umbria). Almost all regions have issued ordinances halting separated collection for infected and quarantined persons, with impacts on the type and quantity of urban waste entering the Segment's facilities. The amounts have not been very significant, therefore this has not generated significant effects beyond those indicated 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.

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 closure and/or appointment-based access of physical branches in order to ensure social distancing;
- 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) were shared with the Area Governing Bodies of the territories served.

Energy Infrastructure

The health emergency period inevitably affected national electricity needs, providing a measure of the impact of the epidemic on the real economy. The subsequent reopening of businesses mitigated the percentage value of the reduction in electricity demand.

Total electricity fed into the Areti grid (from the national transmission grid, from generation plants connected directly to the Areti grid and from the interconnected E-Distribution grid) decreased during the first half of 2021 by 5.56% compared to energy fed into the grid in the same period of the previous year.

The reduction in electricity consumption, combined with the sharp decline in gas and CO₂ prices, mainly driven by a slowdown in the world economy, also pushed down electricity prices.

With regard to the distribution of electricity around Rome, it should be noted that the legislative interventions related to the COVID-19 emergency led to a significant reduction in the energy distributed through the grid managed by ARETI, essentially in line with what is happening nationally.



Commercial and Trading Department

As well as applying the instructions issued by the Group, Acea Energia, right from the start of the epidemic, advised customers 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.servizioelettricomera.it (Standard-Offer 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.

Acea Energia has used the surveys carried out regarding customer conduct during the lockdown to verify the effectiveness of these tools and the further development of virtual channels and services.

The contact centre always remained active, and for the entire duration of the health emergency it has guaranteed a level of qualitative and quantitative performance in line with the service offered previously.

Local community

Sustainable Development Goals (SDGs)

The COVID-19 pandemic that spread in 2020, 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 pandemic.

In this situation of crisis and uncertainty, utilities demonstrated their resilience, maintaining ordinary operating conditions in the performance and provision of public utility services that allowed hard-hit communities to enjoy a certain level of safety and normality. Numerous initiatives were put in place to protect the broad audience of stakeholders, from company personnel to users and local communities.

Today, having made it through the toughest moment for the country, we start a new phase of reprogramming a new context and a new development model where the pursuit of sustainability objectives remains a central focus. All public institutions, from the European Union to the Italian government, have moved in this direction. The confirmation of the Green Deal and sustainability objectives by the Commission is evidenced by the political programmes and financial instruments currently being defined, aimed at allowing a recovery that is not only a resumption of previous conditions but a leap forward, a transformational resilience.

The ACEA Group is facing this moment fully aligned with these perspectives. It managed the emergency phase with the utmost care for the protection of its stakeholders and is planning to return to a new normal, drawing on the experience and steadfastly confirming its choice of a sustainable and socially responsible management model.

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.

In the last few months, Sponsorships have resumed regularly 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 relaunch the territory it operates in.

Institutions

Granting the requests received from the major institutions – the Presidency of the Republic, the Prime Minister’s Office, the Constitutional Court and Rome City Council – wanting to send a strong signal to Italians and to express a sign of solidarity and hope in the whole emergency period, the ACEA Group illuminated their respective institutional buildings with the Italian colours.

The supply chain

Considering the impact of the ongoing health emergency on the economy and the restrictive measures adopted by the Italian government to contain the contagion, given the need to ensure the continuity of supplies the ACEA Group has carried out an analysis of the supply market, with particular reference to strategic suppliers/contractors that may be in a situation of contingent difficulty in order to adopt any necessary corrective/preventive actions.

COMPETITIVE-REGULATORY RISKS

Regulatory evolution risk

As is well known, the ACEA Group operates mainly in regulated markets and the requirements and obligations that characterise them (as well as changes in the rules of operation of these markets) can significantly affect the results and performance of operations. In particular, several Group companies manage the Integrated Water Service in their respective Territorial Areas, which is known to be a sector receiving an increasing level of attention from lawmakers and the Sector Authority (ARERA). The Group is therefore exposed to the evolution of the relevant legal/regulatory frameworks in the areas served.

In this regard, it should be noted that following the extension of ARERA’s regulatory and control powers to waste management, Companies in the Environment Segment are also exposed to potential risks arising from changes in the regulatory framework.



These risks are mitigated by careful monitoring of regulatory developments, interacting with the relevant bodies and participating in association and institutional meetings carried out by the competent business structures in synergy with the Group's organisational structures. These structures monitor regulatory developments in terms of providing support in the preparation of comments in the response to the Consultation Paper, in line with the interests of Group companies, and guidance for the consistent application of regulations in corporate procedures and within the electricity, gas, water and environment businesses.

Political, social and macroeconomic context risk

In providing services to its customers, the ACEA Group is very attentive to the expectations and choices of its institutional, regional and central counterparts. On the other hand, most of its activities are in any case sensitive to the economic and structural dynamics experienced by the economic and productive fabric of the respective regions.

In this sense, the main factors influencing the Group's performance include changes in the political, social and macroeconomic context of reference. These uncertainties can have an impact on the achievement of economic/financial objectives and investments, as well as on the implementation of major works, whose timing can be influenced by changes in government structures at both a central and local level.

With regard to the development initiatives envisaged in the Business Plan in the Environment Segment (growth through M&A and construction of greenfield plants), there is a risk deriving from the failure of the competent authorities to issue permits.

The Group has historically focused on guaranteeing levels of excellence in the technical and commercial quality of the services provided, including through dialogue models that are increasingly attentive to the needs expressed by its stakeholders in order to put in place virtuous dynamics in relations with its customers, also with regard to payment habits. In this regard, it should be noted that the Group is also subject to the risk of deterioration of its credit positions, particularly in connection with the provision of the Integrated Water Service, with consequences on the exposure of working capital. This risk is managed proactively by the relevant structures of the individual companies, applying specific Group Credit Policies and with the support of the Parent Company's relevant organisational structures.

NATURAL RISKS

Some of the risk that the Group must deal with includes possible impacts deriving from unpredictable natural phenomena (e.g. earthquakes, floods and landslides) and/or from cyclical or permanent climatic changes on the networks and plants managed by ACEA Group companies. The first types of risks are addressed through the implementation of structured tools for the governance of assets, specific to each business area (e.g. Water Safety Plan within the IWS; constant monitoring of the reservoirs, also carried out in collaboration with the competent Ministry, in the field of dam management), as well as with projects, some of national scope, aimed at increasing the resilience of the infrastructure in the various regions (e.g. the project to double the Peschiera-Le Capore aqueduct). The residual portion of risks from natural events is covered by the Group's insurance programme mentioned on the previous pages. For many years now, the ACEA Group has been demonstrating its solid commitment to tackling and mitigating the risks related to climate change, not only through the reporting included in its Sustainability Report, but also by disseminating its strategies and illustrating the actions taken and the initiatives organised through participation in the Carbon Disclosure Project (CDP), confirming its score of A- and inclusion in the Leadership category.

This important result has further stimulated the ACEA Group to progressively align with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), not only in its metrics and targets, but also in its governance and risk and opportunity management, as a useful tool for improving its strategy for mitigating and adapting to future scenarios.

In fact, for the ACEA Group, due to the nature and location of its business lines, the main issues related to climate change could arise in operational, regulatory and legal areas, with potential effects also on finances. As far as the first aspect is concerned, chronic meteorological events like the reduction of rainfall can have negative impacts on both hydroelectric energy production and the reduction of the availability of drinking water to be distributed, with among other things an increase in energy consumption for the withdrawal of water from less favoured sources. On the other hand, extreme phenomena such as storms can lead to the risk of lightning strikes, blackouts or, for the water network, overflow of drains connected to the wastewater systems and turbidity of the water sources. Moreover, from a regulatory and legal point of view, these climatic effects can have an impact on the consequent provision of the service in accordance with the regulations in force, with consequent financial penalties. The implications of regulatory actions on CO₂ emission allowances, renewable sources, taxes and energy efficiency certificates could be very significant, with possible financial impacts.

OPERATIONAL RISKS

Regulatory compliance risk

The nature of the business exposes the ACEA Group to the risk of non-compliance with consumer-protection regulations pursuant to Italian Legislative Decree no. 206/2005, i.e. the risk mainly connected to the commission of consumer offences/unfair commercial practices or misleading advertising (through activities like omission of relevant information, dissemination of untrue information/forms of undue influence, unfair terms in commercial relations with consumers), as well as the risk of non-compliance with regulations for the protection of competition, i.e. the risk associated mainly with the prohibition of companies to establish restrictive agreements and to abuse their dominant position in the market (through activities such as market allocation, manipulation of tender procedures, restrictive agreements and other types of anti-competitive agreements, exchange of commercial/competitive information that potentially constitutes the creation of a cartel).

ACEA adopted a specific Antitrust Compliance Programme and appointed a Holding Antitrust Officer. The main objective of the programme is to strengthen internal controls aimed at preventing the violation of regulations through the implementation of regulatory and organisational instruments, as well as through a more widespread dissemination of the culture of respect for the principles of fair competition and consumer rights. The main Group companies adopted the Antitrust Compliance Programme in line



with the indications of the Holding Company, and set up organisational structures in which Company Antitrust Officers were appointed, given the task of managing the activities to adapt the Programme to the individual companies and supervise its implementation and maintenance.

Regulatory risks also include all non-conformities, with particular regard to the environmental impact of Acea Group (generated for example by the activities of production and / or treatment of urban waste and waste, and of health and safety at work, mitigated through the adoption of certified management systems, respectively UNI EN ISO 14001: 2015 and ISO 45001:2018), which may result in the application of administrative and / or criminal penalties, including those of a disqualifying nature.

Following the introduction of some crimes that expand the catalogue of predicate offences capable of triggering the responsibility of the Bodies pursuant to Italian Legislative Decree 231/2001, the ACEA Group has started the progressive updating of the companies' respective organisational models, starting with that of ACEA SpA. In addition, preparations have begun for updating the Model for the law converting Italian Law Decree no. 124/2019 of 17 December 2019 that came into force on 25 December 2019, which introduced some tax crimes among the predicate offences pursuant to Italian Legislative Decree 231/01, and Italian Legislative Decree 75 of 14 July 2020 transposing the "PIF Directive".

As part of the general Group Whistleblowing Procedure aimed at regulating the system with which anyone can make voluntary and discreet whistleblowing reports, guaranteeing the confidentiality of the identity of the whistleblower and thus protecting him/her from any retaliation, the rules governing Whistleblowing relating to unlawful conduct have been updated, also pursuant to Italian Legislative Decree 231/01 and/or violations of the 231 Model, expanding the possible channels of communication to include a specific IT platform, accessible by everyone (employees, third parties, etc.) on the website of each Group Company, and by employees of the Italian Companies of the Group having access to the company's Intranet.

It should be noted that some consolidated companies (Areti, ACEA Ato2, Acea Elabiori and Acea Ambiente), as more fully illustrated in the related financial statements, are subject to investigations or proceedings that relate to significant cases pursuant to Italian Legislative Decree no. 231/01 concerning safety and/or the environment. There are also complaints for corporate offences relating only to ACEA Ato5, related to investigations and proceedings for significant cases pursuant to Italian Legislative Decree 231/01 concerning the environment and corporate crimes. In particular, with regard to corporate offences, case 2031/16 relates to financial years 2015, 2016 and 2017 and alleges that the crimes of accounting fraud and filing fraudulent financial statements were committed by the Chairpersons of the Company and the representatives of the supervisory body of this company. During 2020, notification was received that the preliminary investigations had been completed, pursuant to art. 415 bis.

On the basis of the information currently available, taking into account the operational autonomy of the companies with respect to the parent company ACEA, any responsibilities that may be ascertained upon the final outcome of the aforementioned proceedings are exclusively attributable to the companies themselves, without any repercussions on the Parent Company or other companies of the Group that are not involved.

Finally, other additional regulatory risks that may potentially be of particular relevance for the ACEA Group include those arising from the Privacy Regulation (EU) 2016/679 GDPR.

The ACEA Group's compliance programme has made it possible to define and implement a Privacy Governance Model that is valid for the Group, taking the Parent Company as a privileged area of observation in its role as the linchpin of the system and supplier of services and/or centralised activities, looking at the Companies with a logic of priority at the core processes of each business area. The online training programme offered using an e-learning platform that was successfully implemented in the previous period for the Parent Company has been extended to the Companies to provide a first layer of compliance with the obligation for Data Controllers to instruct data processing personnel, providing them with training on individual corporate processes as well as a particular focus on cross-cutting procedures (HR, Legal, etc.).

Corporate working groups have been set up to customise the Group Model in the individual companies, with effects on the implementation and/or fine-tuning of processes having a high impact on privacy, and initiatives have also been carried out to test compliance solutions already adopted.

Commercial and Trading Segment

With regard to the Commercial and Trading segment, the main operational risks associated with Acea Energia's activities in the deregulated electric power and natural gas markets are the connected to the risk of possible progressive concentration of operators in these markets, with an impact on the Company's customer base growth plans and its positioning.

Regarding the Electricity Service for the standard-offer market, there is risk connected to development of the relevant regulatory framework, which has a significant impact on the growth of Acea Energia's customer base, due to the disadvantage of the company compared to other operators, as the mix of the Company's power customers, compared to that of its primary competitors, is unbalanced in favour of the Electricity Service for the standard-offer market. This situation carries the risk of Acea Energia being penalised due to: (i) the inability to perform and commercial activity with regard to customer of the standard-offer market; (ii) being conditioned by tariffs regulated by revenues and margins of the Electricity Service for the standard market; (iii) exposure of a significant portion of its customer base to the impacts of policies that were adopted with a view to moving away from the Electricity Service for the standard market from 1 January 2023.

In the context of Acea Energia's operating activities that, as a commercial company it represents the single point of contact for end customers both for the electricity and gas free market and for the Electricity Service for the standard-offer market, there is risk linked to the possibility of inadequate levels of performance on the part of Distributors regarding: (i) identification and prompt communication of measures (with impacts on estimate-based invoicing and limitation); (ii) actions to suspend supply to active customers with arrears (with impacts on credit collection activity); (iii) activities within their remit for satisfaction of commercial requests of customers (with impacts on customer care and complaints).

In order to ensure the success of the development initiatives envisaged in the Business Plan, the Segment companies have launched change management projects, mitigating the risks associated with the non-involvement of all personnel (staff and line personnel, managers and others).

The Segment Companies also have typical business risks deriving from an efficient and effective management of billing and credit collection procedures, where it is affected by the sub-optimal performance of electricity and gas distributors. Information about commodity price risk and the control tools adopted is provided in the financial risks section.

Energy Infrastructure

ARETI, making use also of the support and assistance of the Acea S.p.A. Risk & Compliance Unit in managing the process and of the instruments of the Enterprise Risk Management system implemented in the corporate Group, carries out periodically and in a structured way an activity of identifying and assessing the main risks that can have a significant impact on the achievement of the business objectives deriving from the strategic, industrial, financial and sustainability plans.

For some types of “specific” risks, Acea SpA also performs a second-level control function, through specifically-established organisational structures. The company continues to monitor and manage the risk scenarios identified.

At the end of 2020, the Key Risk Indicators (KRI) identified, that is the objective metrics for monitoring the exposure to risk of the most significant scenarios were refined and applied for the first time. This makes it possible to strengthen the effectiveness in the risk response & monitoring activity and to make objectifiable the evolution of the ERM risk scenarios, in particular of the Top Risks, through their trends.

We can note the risks associated with the following projects with a great impact on the territory:

- Resilience Plan (investments of the network assets);
- Replacement of first-generation electronic meters with those of the second generation

The risks refer generically to all the unknowns and to the possible problems that may arise during implementation of projects that are so articulated and extended over time (some provided for beyond the period of the Plan), also in consideration of the commitments made with ARERA; reference is therefore made to the possible critical issues associated with the work done on network infrastructures (authorisations from third-party bodies, procurement of materials, availability of firms, planning of activities, etc.) which assume greater significance for the number and concentration of the same.

Finally, Areti has adequately mitigated the risk to “typical” business areas like the integrity of its assets, adequate health and safety at work and its exposure to counterparties such as key suppliers and significant debtors and end customers for the technical services rendered.

Generation Area

For the management of operational risks, Acea Produzione has taken steps from the beginning to implement a series of computer and physical security measures for the plants, together with a system for measuring and monitoring benchmarks each day and based on events, the results of which constitute input to the management process of the maintenance and revamping programmes for plants and machinery. The company also participates in the aforementioned Group Insurance Plan, stipulating policies with leading insurance companies to cover any damage. The company places particular importance on training to update its employees, and at the same time on definition of new internal organisational procedures that describe the company activities and procedures of production sites/units, indicating how the relevant responsibilities are assigned, methods for performance of recurring maintenance works, combining technical specifications for operations with safety measures to adopt in performance of activities. This activity is also carried out through voluntary adoption of a Health and Safety Management System in company workplaces pursuant to standard UNI ISO 45001:2018 certified by an accredited external body.

Potential sources of risk related to the electricity production sector derive from fluctuations in the energy markets within the broader macroeconomic context, from regulatory developments – in particular with regard to the award of hydroelectric concessions – and from the risks related to the business *continuity* of operations, with possible consequences in terms of non-production of the plants, as well as from the implementation of the development plans of the 2020-2024 Business Plan (growth in the photovoltaic sector through M&A and the construction of plants).

Acea Ambiente

Waste treatment plants are characterised by a high level of technical complexity, which requires the management by qualified personnel and organisational structures with a high level of expertise. These and their activities are defined based on the specific characteristics of the waste. The failure of incoming material to meet the necessary specifications could lead to concrete operational problems, sufficient to compromise the operational continuity of the plants and give rise to risks of a legal nature. For this reason, specific procedures have been adopted for monitoring and controlling incoming materials via spot checks and the analysis of samples pursuant to legislation in force.

The risk of waste produced not being delivered downstream in the value chain is particularly significant and has an impact on business continuity. Acea Ambiente uses tendering procedures to stimulate the opening of the market. Furthermore, Acea Ambiente’s subsidiaries implement programmes, procedures and controls to ensure adequate HSE compliance monitoring by virtue of the very characteristics of the business managed (CO₂ emissions, exceeding exhaust emission limits, health and safety at work, non-compliance of incoming waste, etc.).

All plants were involved in optimisation and *revamping* projects that present the risks typically related to the construction of complex industrial infrastructure (construction and performance defects). Specifically, the plants of Orvieto, Monterotondo Marittimo and Aprilia were affected by significant recent works for expansion and redevelopment.

With regard to the management phase, the possible discontinuity of the waste-to-energy activities carried out in the Terni and San Vittore del Lazio plants and the waste treatment activities carried out by the other plants, if connected to the subsidised production of electricity and the performance of services of public importance, could lead to limited (and in certain cases significant) negative effects. This, both from an economic point of view and with respect to responsibility towards public and private suppliers. In this context, therefore, where not planned, a plant shutdown creates a concrete risk of failure to achieve the objectives of the industrial activity. The waste-to-energy plants, as well as all other waste treatment plants to a lesser extent, are characterised by a high level of technical complexity, which requires the management of qualified resources and organisational structures with a high level of know-



how. Therefore, there are specific risks with regard to the continuity of technical performance of the plants, as well as connected to the possible exodus of professional skills (not easily available on the market) having specific managerial skills in this area. These risks have been mitigated by implementing specific maintenance and management programmes and protocols, drawn up partly on the basis of the experience acquired in plant management.

Moreover, the plants and the related activities are designed to handle certain types of waste. The failure of incoming material to meet the necessary specifications could lead to concrete operational problems, sufficient to compromise the operational continuity of the plants and give rise to risks of a legal nature.

For this reason, specific procedures have been adopted for monitoring and controlling incoming materials via spot checks and the analysis of samples pursuant to legislation in force, and appropriate Environmental and Occupational Health and Safety Management Systems have been adopted and continually monitored by all subsidiaries.

MARKET RISK

The Group is exposed to various market risks with particular reference to the risk of price/volume oscillations for commodities being bought and sold, interest rate risks and foreign exchange risks to a lesser extent. To reduce exposure to within the defined limits, the Group enters into contracts drawn up on the basis of the typologies offered by the market.

The **Market Risk** is the risk concerning the unexpected effects on the value of the portfolio of assets due to changes to the market conditions.

Commodity Risk

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

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

Through the activities carried out by the Commodity Risk Control Unit of the Finance Unit within the Administration, Finance and Control department, ACEA S.p.A. ensures the analysis and measurement of exposure to market risks, interacting with the Energy Management Unit of Acea Energia S.p.A., verifying compliance with the limits and criteria adopted by the General Risk Management of the Commercial and Trading Sector and by the Administration, Finance and Control Department in line with the ACEA S.p.A.'s "Guidelines for the Internal Control and Risk Management System" and the specific procedures. The analysis and management of risks is carried out according to a second-level control process that involves the execution of activities throughout the year with different frequency by type of limit (annual, monthly and daily), carried out by the Commodity Risk Control Unit and by risk owners.

Specifically:

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

The reports are sent to the Top Management on a daily and monthly basis. When requested by the Internal Control System, Commodity Risk Control prepares the information requested and available to the system in the format appropriate to the procedures in force and sends it to ACEA S.p.A.'s Internal Audit Unit.

The risk limits of the Commercial and Trading Sector are defined in such a way as to:

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

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

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

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

The risk hedging strategy adopted by the Commercial and Trading Industrial Area also aims to minimise the risk associated with the volatility of the Income Statement deriving from the variability of market prices and ensure correct application of the Hedge Accounting (in accordance with current International Accounting Standards) to all derivative financial instruments used for such purpose.

As regards the commitments undertaken by the ACEA Group to stabilise the cash flow from purchases and sales of electricity, it should be noted that all of the ongoing hedging operations are recorded in the accounts using the flow hedge method, as far as the effectiveness of hedging can be demonstrated. The financial instruments used are of the swap and contracts for difference (CFD) type, or other instruments aimed at hedging commodity price risk.

The evaluation of risk exposure involves the following activities:

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



The activity performed by the Commodity Risk Control Unit provides for daily codified checks at "event" on compliance with risk procedures and limits (also for purposes of compliance with Law 262/05) and reports to the Top Management any discrepancies detected during the phases of checks, so that measures can be adopted to be within the established limits.

Interest rate risk

The ACEA Group's approach to managing interest rate risk, which takes the structure of assets and the stability of the ACEA Group's cash flows into account, has essentially been targeted, up to now, at hedging funding costs and stabilising cash flows, in such a way as to safeguard margins and ensure the certainty of cash flows deriving from ordinary activities.

The ACEA Group's approach to managing interest rate risk is, therefore, prudent and the methods used tend to be static in nature. In particular, for static management (to be opposed to the dynamic one) we mean a type of management of interest rate risk that does not provide for daily operations on the markets but an analysis and control of the position carried out periodically on the basis of specific needs. This type of management therefore involves daily activity in the markets, not for trading purposes but in order to hedge the identified exposure in the medium/long term.

ACEA has, up to now, opted to minimise interest rate risk by choosing a mixed range of fixed and floating rate funding instruments. As it is known, fixed rate funding protects a borrower from cash flow risk in that it stabilises the financial outflows in the income statement, whilst heightening exposure to fair value risk in terms of changes in the market value of the debt.

Foreign exchange risk

The Group is not particularly exposed to this type of risk, which is concentrated in the conversion of the financial statements of its overseas subsidiaries.

As regards the 20 billion Yen Private Placement, the exchange rate risk is hedged through a cross currency swap described in the section on interest rate risk.

Information Technology risks

For years now ACEA has followed a development path focused on the use of new technologies as a driving force for the operational efficiency, safety and resilience of its industrial assets. The main business processes are now all supported by the use of advanced information systems, implemented and managed by the Group's centralised departments to support the operations of the various companies. In this sense, the Group is therefore exposed to the risks of the adequacy of the IT infrastructure to the current or future needs of the various businesses, as well as to the risks of unauthorised access to the data processed using IT procedures, with or without intent, and in any case inappropriate or not in compliance with current regulations. ACEA manages these risks with the utmost attention through specific corporate compliance structures coordinated by specialised Group safeguards.

As far as cyber security of systems, infrastructure, networks and other electronic devices is concerned within the scope of the services provided or the respective Group Companies, the current procedural and technological safeguards of the Companies themselves are implementing all the necessary actions to align their cyber security posture with the main national and international industry standards in order to increase their resilience to risks of this nature, possible repercussions in terms of business interruption and regulatory non-compliance. Technological and organisational measures are being implemented with the aim of:

- managing the threats to the organisation's network infrastructure and information systems in order to ensure a level of security appropriate to the existing risk;
- Preventing accidents and minimising their impact on the security of the network and information systems used to provide services, so as to ensure their continuity.

Liquidity risk

The Group *policy* for managing liquidity risk involves the adoption of a financial structure which, coherent with *business* objectives and within the limits defined by the Board of Directors, guarantees a suitable liquidity level that can meet short/medium-term financial requirements, while maintaining an appropriate balance between maturity and composition of debt, also taking into account the challenging objectives set out in the Business Plan in terms of developing new M&A initiatives. The various elements of uncertainty faced by the Group include the potential economic, financial and reputational impacts associated with the closing of or failure to close the aforementioned transactions. The ACEA Group has therefore adopted an articulated and structured assessment process for these risks, carried out in close coordination between the companies and the Parent Company's organisational controls of the individual types of risk.

The liquidity risk management process, which uses financial planning tools for outflows and receipts implemented at the level of the individual companies under the coordination of specific Group oversight, aimed at optimising the management of treasury hedges and to monitor the trend of consolidated financial debt, is carried out both through cash pooling management both through the support and assistance provided to the subsidiaries and associated companies with which there is no centralised finance contract.

Credit risks

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

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

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



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

The dynamic management of recovery strategies is carried out in the billing system for active customers and through a dedicated management system for those discontinued. There has also been a full review of the credit management process both in terms of the application map and the standardisation of activities for all Group companies, with the definition of a new Collection Strategy, fully integrated into the systems. This guides dunning activities both in terms of customer type (public and private) and behaviour of individual customers (score).

The structures of each company responsible for managing credit report functionally to the ACEA Corporate Credit Unit that guarantees end-to-end supervision of the entire process.

The mass management of active and inactive receivables of a limited amount was carried out by the operating companies, leaving to the holding company the activity of disposing of non-performing receivables through disposal operations, as well as the management of inactive customers with significant amounts due.

As a result of these interventions, in recent years the Group significantly improved its collections capacity both in terms of electricity sales and the water supply business, significantly reducing the respective unpaid amounts compared to current turnover.

Following the health emergency, the instructions issued by the government and the competent Authorities were applied, both in terms of occupational safety and business management.

As in previous years, this year the Group has set up non-recourse, revolving and spot transactions, of receivables from private customers and public administrations. This strategy exposes the Group to the risks involved in closing or failing to close these operations, and on the other hand allows the full derecognition of the corresponding assets subject to disposal from the financial statements since all the risks and benefits associated with them have been transferred.

Risks relating to the rating

Access to the capital market and other forms of funding and the related costs, depends amongst other things on the Group's credit rating.

A reduction in the credit rating by rating agencies could represent a limiting factor for access to the capital market and increase collecting costs with the consequent negative effects on the equity, economic and financial standing of the Group.

ACEA's current rating is shown in the following table.

Company	M/L Term	Short Term	Outlook	Date
Fitch	BBB+	F2	Stable	14/01/2021
Moody's	Baa2	Na	Stable	08/08/2019



Operating (and financial) outlook

The results achieved by the Acea Group at 30 June 2021 are slightly higher than forecast; therefore with reference to the guidance already disclosed to the market, we envisage:

- ✓ an increase in EBITDA, up 8% compared to 2020 (previous guidance between 6% and 8%);
- ✓ investments of approximately € 900 million;
- ✓ a net financial debt between € 3.85 and € 3.95 billion.

The Group is determined to make major investments in infrastructure that, while maintaining the solidity of its consolidated financial structure, have a positive impact on the Group's operating and economic performance.

The Group's financial structure is solid for the years to come. At 30 June 2021, 85% of debt is fixed rate in order to ensure protection against any increases in interest rates as well as any financial or credit volatility. At 30 June 2021 the average duration of medium/long-term debt stood at 5.5 years. We can note the reduction of the average cost, which went from 1.74% at 31 December 2020 to 1.43% at 30 June 2021.

With regard to the COVID-19 state of emergency, the Acea Group maintains continuous attention on 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. Thanks to the many measures adopted, Acea achieved the "Biosafety Trust Certification" for the prevention and control of the spread of infection.



2021 Condensed Consolidated Interim Financial Statements of the ACEA Group as at 30 June 2021

Form and Structure

General information

The Consolidated Interim Financial Statements at 30 June 2021 of the ACEA Group were approved by Board of Directors' resolution on 28 July 2021, which also authorised their publication. The Parent Company ACEA is an Italian joint-stock company, with its registered office in Rome, at Piazzale Ostiense 2 and whose shares are traded on the Milan Stock Exchange. The ACEA Group's principal operating segments are described in the Report on Operations.

Compliance with IAS/IFRS

This Consolidated Interim Financial Report, 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 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".

Basis of presentation

This Consolidated Interim Financial Report consists of the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows and the Statement of Changes in Consolidated Shareholders' Equity. The Report also includes notes prepared under the IAS/IFRS currently in effect. The consolidated income statement is classified according to the nature of the costs, the items of the consolidated balance sheet according to the criterion of liquidity, with the items classified as current and non-current, while the consolidated cash flow statement is presented using the indirect method.

The Consolidated Interim Financial Statements are presented in Euro and all amounts are rounded off to the nearest thousand Euro unless otherwise indicated.

The figures in these Consolidated Interim Financial Statements are comparable to those in the previous year.

Alternative performance measures

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

- For the ACEA Group, the 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 the international accounting standards IFRS 10 and IFRS 11 came into force. EBITDA is determined by adding Operating profit/loss (EBIT) to "Amortisation, depreciation, provisions and impairment", insofar as these are the main non-cash items;
- the *net financial position* is an indicator of the financial structure of the ACEA Group and is obtained from the sum of non-current payables and financial liabilities net of non-current financial assets (financial receivables and securities other than equity investments), current financial payables and other current financial liabilities net of current financial assets and cash and cash equivalents;
- *net invested capital* is the sum of "Current assets", "Non-current assets" and Assets and Liabilities held for sale, less "Current liabilities" and "Non-current liabilities", excluding items taken into account when calculating the *net financial position*;
- *net working capital* is the sum of the current receivables, inventories, the net balance of other current assets and liabilities and current debts, excluding the items considered in calculating the *net financial position*.

Use of estimates and assumptions

Drafting of these Consolidated Interim Financial Statements, in application of the IFRS, requires the making of estimates and assumptions that affect the values of revenues (including the estimate of the GRC), costs, assets and liabilities in the financial statements and information on contingent assets and liabilities at the reference date. The main sources of uncertainty that could have an impact on the evaluation processes are also considered in making these estimates.

The actual amounts may differ from such estimates. Estimates are used to determine some sales revenues, provisions for risks and charges, provisions for impairment of receivables and other provisions for depreciation, amortisation, valuation of derivatives, employee benefits and taxes. The original estimates and assumptions are periodically reviewed and the impact of each change is immediately recorded in the Income Statement.

The estimates also took into account assumptions based on the parameters and market and regulatory information available at the time the financial statements were drafted. Current facts and circumstances influencing the assumptions on future development and events may change due to the effect, for example, of changes in market trends or the applicable regulations that are beyond the control of the Company. These changes in assumptions are also reflected in the financial statements when they occur.



In addition, it should be noted that certain estimation processes, particularly the more complex such as the calculation of any impairment of non-current assets, are generally performed in full only when drafting the annual financial statements, unless there are signs of impairment that call for immediate impairment testing. For more information on the methods in question, please refer to the following paragraphs.

Effects of the seasonality of transactions

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

Risks connected to the Coronavirus (Covid-19) emergency

Please see the Report on Operations for a description on the main impacts the Covid-19 emergency had on the Group's activities. Note that at present these impacts have not had significant effects on the income statement, nor has it created uncertainties that would reflect negatively on the presumption of the business as a going concern.

Relative to the recoverability of receivables, no particular risks were identified. From the analysis done with regards to IFRS 9, no need was identified to carry out additional write-downs on the carrying values of receivables due to Covid-19.

Consolidation policies, procedures and scope

Consolidation policies

Subsidiaries

The scope of consolidation includes the Parent Company ACEA and the companies over which it directly or indirectly exercises control or when the Group is exposed or entitled to variable returns deriving from the relationship with the investee and has the capacity to influence its returns through the exercise of its power over the investee. Power is defined as the capacity to manage the significant activities of the subsidiary by virtue of existing substantial rights.

Subsidiaries are consolidated from the date on which control is effectively transferred to the Group and are de-consolidated from the date on which control is transferred out of the Group.

According to accounting standard IFRS 10, control is obtained when the Group is exposed or has the right to variable performance deriving from relations with the subsidiary and is able, through exercising power over the subsidiary, to influence its performance. Power is defined as the capacity to manage the significant activities of the subsidiary by virtue of existing substantial rights.

The existence of control does not depend exclusively on possession of the majority of the voting rights, but on the substantial rights of the investor over the investee. Consequently, the opinion of the management team is required to assess specific situations leading to substantial rights attributing to the Group the power to manage the significant activities of the subsidiary so as to influence its performance.

In order to assess the requirement of control, the management team analyses all facts and circumstances, including agreements with other investors, the rights deriving from other contracts and potential voting rights (call option, warrant, put option assigned to minority stakeholders, etc.). These other facts and circumstances may be particularly significant in the assessment, especially if the Group holds less than the majority of the voting rights or similar rights in the subsidiary.

The Group reviews the existence of control over a subsidiary when the facts and circumstances indicate that there has been a change in one or more elements considered in verifying its existence. Lastly, it must be noted that in assessing the existence of the control requirements, no situations of de facto control were encountered. Changes in the possession quota of equity investments in subsidiaries that do not imply the loss of control are recorded as capital transactions adjusting the quota attributable to the stakeholders of the Parent Company and that of third parties to reflect the change in the quota owned. The eventual difference between the amount received or paid and the corresponding fraction of the shareholders' equity acquired or sold is recorded directly in the consolidated shareholders' equity. When the Group loses control, any residual equity investment in the company previously controlled is re-measured at fair value (with counterpart in the income statement) on the date on which control is lost. Also, the quota of the OCI of the subsidiary over which control is lost is dealt with in the accounts as if the Group has directly disposed of the relevant assets or liabilities. Where there is loss of control of a consolidated company, the Consolidated Financial Statements include the results for the part of the reporting period in which the ACEA Group had control.

Joint ventures

A joint venture is a contractual arrangement in which the Group and other parties jointly undertake a business activity, i.e. a contractually agreed sharing of control whereby the strategic, financial and operating policy decisions can only be adopted with unanimous consent of the parties sharing control. The Consolidated Financial Statements include the Group's share of the income and expenses of jointly controlled entities, accounted for using the equity method.

According to IFRS 11, a joint venture is an arrangement over which one or more parties have joint control. Joint control is held when unanimous consent or that of at least two of the parties to the arrangement is required for decisions concerning the significant activities of the joint venture. A joint agreement can either be a joint venture or a joint operation. A joint venture is a joint control arrangement in which the parties holding joint control have all the rights over the net assets of the arrangement. On the other hand, a joint operation is a joint control arrangement in which the parties holding joint control have rights to the assets and obligations for the liabilities in the arrangement. To determine the existence of joint control and the type of joint arrangement, the opinion of the management team is required, which must assess the rights and obligations deriving from the arrangement. To this end, the management team considers the structure and legal form of the arrangements, the terms agreed between the parties in the contractual agreement and, if significant, other facts and circumstances. The Group reviews the existence of joint control when facts



and circumstances indicate that there has been a change in one or more elements previously considered in verifying the existence of joint control and the type of joint control.

Associates

An associate is a company over which the Group exercises significant influence, but not control or joint control, through its power to participate in the financial and operating policy decisions of the associate. The Consolidated Financial Statements include the Group's share of the results of associates at Net equity, unless they are classified as held for sale, from the date it begins to exert significant influence until the date it ceases to exert such influence.

In determining the existence of significant influence, the opinion of the management team is required, which must assess all facts and circumstances.

The Group reviews the existence of significant influence when facts and circumstances indicate that there has been a change in one or more elements previously considered in verifying the existence of significant influence.

When the Group's share of an associate's losses exceeds the carrying amount of the investment, the interest is reduced to zero and any additional losses must be covered by provisions to the extent that the Group has legal or implicit loss cover obligations to the associate or in any event to make payments on its behalf. Any excess of the cost of the acquisition over the Group's interest in the fair value of the associate's identifiable assets, liabilities and contingent liabilities at the date of the acquisition is recognised as goodwill. Goodwill is included in the carrying amount of the investment and is subject to *impairment* test together with the value of the investment.

Consolidation procedures

General procedure

The financial statements of the Group's subsidiaries, associates and joint ventures are prepared for the same accounting period and using the same accounting standards as those adopted by the Parent Company. Consolidation adjustments are made to align any dissimilar accounting policies applied.

All Intragroup balances and transactions, including any unrealised profits on Intragroup transactions, are eliminated in full. Unrealised losses are eliminated unless costs cannot be subsequently recovered.

The carrying amount of investments in subsidiaries is eliminated against the corresponding share of the shareholders' equity of each subsidiary, including any adjustments to reflect fair values at the acquisition date. Any positive difference is treated as "goodwill", while any negative difference is recognized through profit or loss at the acquisition date.

The minority interest in the net assets of consolidated subsidiaries is shown separately from shareholders' equity attributable to the Group. This interest is calculated on the basis of the percentage interest held in the fair value of assets and liabilities recognised at the original date of acquisition and in any changes in shareholders' equity after that date. Losses attributable to the minority interest in excess of their portion of shareholders' equity are subsequently attributed to shareholders' equity attributable to the Group, unless the minority has a binding obligation to cover losses and is able to invest further in the company to cover the losses.

Business combinations

Acquisitions of subsidiaries are accounted for under the acquisition method. The cost of the acquisition is determined as the sum of the fair value, at the date of exchange, of the assets acquired, the liabilities incurred or acquired, and the financial instruments issued by the Group in exchange for control of the acquired company.

The identifiable assets, liabilities and contingent liabilities of the acquired company that meet the conditions for recognition under IFRS 3 are accounted for at fair value on the date of acquisition, with the exception of non-current assets (or disposal groups), which are classified as held for sale under IFRS 5 and accounted for at fair value net of costs to sell.

If the business combination is achieved in stages, the fair value of the investment previously held has to be re-measured and any resulting gain or loss is recognised in profit or loss.

The purchaser has to recognise any contingent consideration at fair value, on the date of acquisition. The change in fair value of the contingent consideration classified as asset or liability is recognised according to the provisions included in IFRS9, in the income statement or among the other components of the comprehensive income statement.

The costs directly attributable to the acquisition are included in the income statement.

The purchase cost is allocated by recording the identifiable assets, liabilities and contingent liabilities of the acquisition at fair value on the date of acquisition. Any positive excess between the payment transferred, valued at fair value on the date of acquisition, and the amount of any minority interest, with respect to the net value of the amounts of the identifiable assets and liabilities of the acquisition valued at fair value is recorded as goodwill or, if negative, in the Income Statement,.

For every business combination, the purchaser must value any minority stake in the acquired entity at fair value or in proportion to the share of the minority interest in net identifiable assets of the acquired entity.

It is specified that the price allocation process is provisionally allocated to assets and liabilities and definitively accounted for within 12 months from the date of acquisition as required by IFRS 3.

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

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

Consolidation of foreign companies

The financial statements of investee companies operating in currencies other than the Euro, which is the functional currency of the Parent Company ACEA, are converted into Euro by applying the exchange rate at the end of the period to the assets and liabilities, and the average exchange rates for the period to income statement items and to the cash flow statement.

The exchange differences arising from the translation of the financial statements of investee companies operating in currencies other than the Euro are recognised directly in equity and are shown separately in a specific reserve of; this reserve is reversed to the income statement at the time of complete disinvestment or loss of control, joint control or significant influence over the investee company. In the case of partial disposal:

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

Scope of consolidation

The ACEA Group's Consolidated Interim Financial Report 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.

Compared to 30 June 2020 the following changes occurred in the consolidation scope:

- the acquisition by Acea Sun Capital of the photovoltaic companies Euroline3 on 6 May 2020, Energia on 7 May 2020, IFV Energy and PF Power of Future on 7 June 2020 and lastly Belaria on 31 August 2020;
- the 100% consolidation of Fergas Solar, acquired by Acea Solar on 15 April 2020, operating in the field of the development and construction of photovoltaic plants;
- the full consolidation of the companies acquired on 22 April 2020 by Acea Ambiente: 60% of the companies Ferrocarr, Cavallari and Multigreen (the latter then merged into Cavallari as of 1 January 2021); the companies own a total of four plants with a total authorised capacity of over 145 thousand tonnes per year, operate in the provinces of Terni and Ancona, carrying out sorting and recovery of paper, iron, timber, plastics and metals and are also active in the management of the separate collection of production waste and packaging as well as waste disposal;
- 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 Electric Drive Italia, acquired by Acea Innovation on 19 May 2020 to promote the development of electric mobility through advanced IT solutions. It should be noted that the company was merged by incorporation into the parent company Acea Innovation as of 1 January 2021;
- the line by line consolidation of 51% of Alto Sangro Distribuzione Gas, acquired on 31 August 2020, a company operating in the gas distribution sector, and its subsidiary Notaresco;
- the consolidation of Sistemi Idrici Integrati (hereafter S.I.I.) after an amendment to the shareholders' agreements and the acquisition on 16 November 2020 of an additional 15% stake, thereby arriving at a total stake of 40%;
- the establishment on 15 December 2020 of the Consorzio ACEA and the Consorzio ACEA Lima Norte held by Acea Peru (99%) and ACEA Ato2 (1%), the first signed a three-year contract for the management of pumping stations for drinking water in Lima, the second signed a three-year contract for maintenance of the water and sewerage network in the Nord di Lima zone.

We can note that the merger by incorporation of the companies Brindisi Solar, Acquaviva, Compagnia Solare 2, Compagnia Solare 3 and SPES into the company Solaria Real Estate was carried out on 27 July 2020, while the merger by incorporation of the companies Luna Energia, Sisine Energia, Urbe Cerig, Urbe Solar and Bersolar into the company KT4 was carried out on 26 October 2020. Both mergers have accounting and fiscal effects backdated to 1 January 2020. The installed power with reference to the secondary photovoltaic system as of 30 June 2021 was 62 MW.

Lastly, with reference to the 2021 financial year, it should be noted that:

- on 24 February 2021, the deed of merger by incorporation of BioEcologia into Acea Ambiente was signed. As a result of the merger, the share capital has not changed while the by-laws were amended. The full effects of the merger run from the date on which the final registrations required by art. 2504 of the Italian Civil Code take place;
- on 21 March 2021, an additional 35% stake was acquired in the company Solaria Real Estate, thus bringing the stake to 100%;
- finally, Crea S.p.A., placed in liquidation on 8 June 2011, was removed from the Companies Register on 25 March 2021;
- on 19 May 2021, ACEA Sun Capital acquired 100% of the shares of the photovoltaic company JB Solar which has two photovoltaic systems located in the province of Lecce, respectively with power of 891 kWp and 521 kWp, for total installed power of 1.4 MW;



A) Unconsolidated investments

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



Accounting standards and measurement criteria

Measurement criteria

The accounting standards and criteria for reporting and evaluation adopted for the presentation of the Consolidated Interim Financial Report are those adopted to draft the 2020 Consolidated Financial Statements, to which the reader is referred for the description of the most significant ones with the exception of those specified below.

Accounting standards, amendments, interpretations and improvements applied as of 1 January 2021

“Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9”

On 25 June 2020, the IASB published an extension of the temporary exemption on application of IFRS 9, bringing the date to 1 January 2023, offering the possibility of aligning measurement criteria for financial instruments to the new accounting standard IFRS 17 to measure and recognise insurance contracts.

“Amendment to IFRS 16 Leases Covid-19-Related Rent Concessions”

Issued in May 2020, it introduces a practical arrangement aimed at allowing the possibility for the lessee not to consider as amendments to the lease any concessions recognised as a result of COVID-19 (e.g. suspension of rent payments). The lessee may therefore exempt itself from revising numerous contracts and need not redefine the respective lease liabilities by means of a new discount rate since it can treat such changes in a manner that does not involve a lease modification. This arrangement is applicable to lessees, not to lessors.

“Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16: Interest Rate Benchmark Reform – Phase 2”

Issued in August 2020, these supplement the previous amendments issued in 2019 (Interest Rate Benchmark Reform – Phase 1) and address issues that could impact the financial reporting after a reference benchmark has been reformed or replaced with an alternative reference rate due to the reform. The objectives of the Phase 2 amendments are to assist companies in applying the IFRSs when changes are made to the contractual cash flows or to the hedging relationships owing to the reform of the benchmark indices for determining the interest rates and in providing useful information to users of the financial statements. The amendments will require companies to provide additional information on their exposure to the risks deriving from the Reform of Benchmarks for determining the interest rates on the related risk management activities.

The amendments and standards mentioned did not have any significant impact for the Acea Group on the financial statements nor did they require particular disclosures.

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 that establish the criteria for recognition, measurement, presentation and disclosure of insurance contracts, supersede those currently provided for in IFRS 4 “Insurance Contracts” and have as their objective to guarantee to users of the financial statements to assess the effect that these contracts have on the financial position, the results and the cash flows of companies. The standard is to be applied for financial years that begin on 1 January 2023.

“Amendment to IFRS 3 Business Combinations”

Issued in 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. Amendments are effective from the financial years beginning 1 January 2022.

“Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current”

Issued in 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 1 January 2023.

“Amendment to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use”

Issued in June 2020, it does not allow deducting the amount received from the sale of goods produced before the asset was ready for use from the cost of the fixed asset. These sales revenues and related costs are recognised in the income statement. Amendments to IAS 16 are effective from the financial years beginning 1 January 2022.

“Amendments to IAS 37 – Onerous Contracts – Costs of Fulfilling a Contract”

Issued in May 2020. The amendments specify which costs a company includes in the calculation of the cost necessary to fulfil a contract for the purpose of assessing whether the contract is costly. Amendments are effective from the financial years beginning 1 January 2022. Earlier application is permitted.



“Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies”

Issued on 12 February 2021, they require companies to provide relevant information about the accounting standards applied and suggest to avoid or limit unnecessary information. Amendments to IAS 16 are effective from the financial years beginning 1 January 2023.

“Amendments to IAS 8 – Definition of Accounting Estimates”

Issued on 12 February 2021, they clarify, including through a number of examples, the distinction between estimate changes and accounting standard changes. The distinction is relevant since estimate changes are applied prospectively to future transactions and events, while accounting standard changes are generally applied retroactively. Amendments are applicable from the financial years beginning 1 January 2022. Earlier application is permitted.

“Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies”

Issued in February 2021, they aim to support companies in deciding which accounting standards to illustrate in the financial statements. The amendments to IAS 1 require companies to provide information about material accounting standards, rather than significant ones. A guide on how to apply the concept of materiality to information about accounting standards is given by the amendments to IFRS “Practice Statement 2”.

Amendments will be applicable from the financial years beginning 1 January 2023. Earlier application is permitted.

“Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

Issued on 6 May 2021, their purpose is to make uniform the methods with which entities account for deferred taxes on operations such as leasing and the dismantling costs. The main change regards the introduction of an exception to the initial recognition exemption (IRE) of deferred taxation for assets and liabilities provided for in IAS 12. Specifically the exception provides for the non-applicability of the exemption of IAS 12 for initial recognition for all operations that originate equal or offset temporary differences. Limiting the exemption to only initial recognition, the impact will be a gradual improvement and comparability of the information for the benefit of users of the financial statements with reference to the fiscal impacts of leasing operations and to dismantling costs. The amendments are applicable from the financial years beginning 1 January 2023. Earlier application is permitted.

“Annual Improvements 2018-2020”

Issued in June 2020, it includes amendments to:

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

Amendments will be applicable from the financial years beginning 1 January 2022.

“Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”,

Issued in September 2014, they clarify the accounting treatment of sales or transfers of assets between an investor and its associates or joint ventures. The IASB postponed indefinitely the date of first application of the amendments in question. Earlier application is permitted provided that the changes are applied prospectively.

The Acea Group is assessing the amendments and the standards indicated in relation to any impact on the financial statements or reporting.

Financial debt, ESMA statement

The statement pursuant to ESMA Guideline 39 on disclosure obligations of 4 March 2021 is presented below. This regards financial debt with the related reconciliation to the net financial position represented in this document.

	30.06.2021	30.06.2020
A Cash	855,627	465,156
B Cash equivalents	0	
C Other current financial assets	436,513	421,987
D Liquidity (A + B + C)	1,292,139	887,143
E Current financial debt	(253,249)	(211,705)
F Current portion of non-current financial debt	(115,209)	(107,128)
G Current financial debt	(368,458)	(318,833)
H Net current financial debt	923,681	568,310
I Non-current financial debt	(4,856,469)	(4,122,593)
J Debt instruments	0	0
K Trade payables and other non-current payables	0	0
L Non-current financial debt (I + J + K)	(4,856,469)	(4,122,593)
M Total financial debt (pursuant to ESMA)	(3,932,788)	(3,554,283)
Reconciliation		
Long-term financial receivables	19,374	26,809
Net financial position	(3,913,414)	(3,527,473)

Finally we can note that, in continuity with the previous years, the debt:

- at 30 June 2021 (i) is shown gross of € 13.0 million of receivables relating to IFRIC 12 of ACEA S.p.A.; (ii) contains € 199.0 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;
- while the debt at 30 June 2020: (i) is shown gross of € 16.7 million of receivables relating to IFRIC 12 of ACEA S.p.A.; (ii) contains € 155.7 million of payables for dividends approved and not yet distributed to Roma Capitale; (iii) contains € 16.3 million of receivables relating to the request for reimbursement presented to AGCM for repayment of the sum paid in 2019; (iv) is shown gross of € 17.4 million of payables relating to some acquisitions of equity investments in the photovoltaic sector.

Consolidated Income Statement

Ref. Note		30/06/2021	Of which related party transactions	30/06/2020	Of which related party transactions	Change
1	Revenue from sales and services	1,760,127		1,566,861		193,266
2	Other revenue and income	64,478		55,108		9,370
	Consolidated net revenues	1,824,605	50,742	1,621,969	60,931	202,635
3	Personnel costs	143,754		140,335		3,418
4	Costs of materials and overheads	1,073,179		929,354		143,825
	Consolidated Operating Costs	1,216,933	30,894	1,069,690	28,103	147,243
5	Net income/(expenses) from commodity risk management			164		(164)
6	Income/(Expenses) from equity investments of a non-financial nature	11,114		16,228		(5,114)
	EBITDA	618,785	19,848	568,672	32,827	50,113
7	Net write-downs (write-backs) of trade receivables	45,841		40,332		5,509
8	Depreciation, amortisation and provisions	263,176		247,419		15,757
	Operating profit/(loss)	309,767	19,848	280,920	32,827	28,847
9	Financial income	3,871	2,379	2,886	9,583	985
10	Financial costs	(47,230)	0	(49,405)	(68)	2,175
11	Income/(Expenses) from equity investments	2,742		2,578		164
	Profit/(loss) before tax	269,150	22,227	236,979	42,343	32,171
12	Income taxes	80,203		72,324		7,878
	Net profit/(loss)	188,947	22,227	164,654	42,343	24,293
	Net profit/(loss) from discontinued operations			0		
	Net profit/(loss)	188,947	22,227	164,654	42,343	24,293
	Profit/(loss) attributable to non-controlling interests	23,159		20,902		2,256
	Net profit/(loss) attributable to the Group	165,789		143,752		22,037
13	Earnings (loss) per share attributable to Parent Company's shareholders					
	Basic	0.77848		0.67500		0.10341
	Diluted	0.77848		0.67500		0.10341
	Earnings (loss) per share attributable to Parent Company's shareholders, net of Treasury Shares					
	Basic	0.78001		0.67633		0.10362
	Diluted	0.78001		0.67633		0.10362

Amounts in € thousand

Quarterly Consolidated Income Statement

	2nd quarter 2021	2nd quarter 2020	Change	% Change
Revenue from sales and services	859,035	756,524	102,511	13.6 %
Other revenue and income	26,648	31,986	(5,337)	(16.7%)
Consolidated net revenues	885,683	788,510	97,174	12.3 %
Personnel costs	68,937	67,596	1,340	2.0 %
Costs of materials and overheads	523,908	437,819	86,089	19.7 %
Consolidated Operating Costs	592,845	505,415	87,430	17.3 %
Net income/(expenses) from commodity risk management	0	82	(82)	(100.0%)
Income/(Expenses) from equity investments of a non-financial nature	5,535	9,051	(3,516)	(38.8%)
EBITDA	298,373	292,227	6,146	2.1 %
Net write-downs (write-backs) of trade receivables	22,409	23,913	(1,503)	(6.3%)
Depreciation, amortisation, provisions	130,615	127,709	2,906	2.3 %
Operating profit/(loss)	145,349	140,606	4,744	3.4 %
Financial income	3,013	2,327	686	29.5 %
Financial costs	(23,744)	(22,931)	(813)	3.5 %
Income/(Expenses) from equity investments	2,693	2,617	76	2.9 %
Profit/(loss) before tax	127,311	122,618	4,694	3.8 %
Income taxes	40,324	38,015	2,309	6.1 %
Net profit/(loss)	86,987	84,603	2,384	2.8 %
Net profit/(loss) from discontinued operations		0		n.s.
Net profit/(loss)	86,987	84,603	2,384	2.8 %
Profit/(loss) attributable to non-controlling interests	13,173	11,477	1,696	14.8 %
Net profit/(loss) attributable to the Group	73,814	73,126	688	0.9 %

Amounts in € thousand

* Quarterly data not covered by limited auditing related to the half-year as a whole.



Consolidated Statement of Comprehensive Income

	30/06/21	30/06/20	Change
Net income for the period	188,947	164,654	24,293
Gains/Losses on conversion of financial statements expressed in foreign currency	167	(1,274)	1,441
Reserve for exchange differences	6,701	3,936	2,765
Tax reserve for exchange differences	(1,608)	(945)	(664)
Gains/losses from exchange rate difference	5,093	2,992	2,101
Effective portion of gains/(losses) on hedging instruments ("cash flow hedges")	4,710	1,329	3,381
Tax effect of other gains/(losses) on hedging instruments ("cash flow hedges")	(1,447)	(382)	(1,066)
Gains/losses from the effective portion on hedging instruments net of tax effect	3,263	947	2,315
Actuarial gains/(losses) on employee benefits recognised in equity	3,111	(2,138)	5,249
Tax effect on the other actuarial gains/(losses) on staff benefit plans	(903)	621	(1,524)
Actuarial Gains/(Losses) on defined benefit pension plans net of tax effect	2,208	(1,517)	3,725
Total components of other comprehensive income, net of tax effect	10,731	1,148	9,583
Total comprehensive income/loss	199,678	165,802	33,876
Total comprehensive income (loss) attributable to:			
Group	175,452	145,621	29,831
Non-controlling interests	24,226	20,182	4,045

Amounts in € thousand



Quarterly Consolidated Statement of Comprehensive Income

	2nd quarter 2021	2nd quarter 2020	Change
Net income for the period	95,897	84,599	11,298
Gains/Losses on conversion of financial statements expressed in foreign currency	(1,984)	(1,918)	(66)
Reserve for exchange differences	2,209	8,269	(6,060)
Tax reserve for exchange differences	(530)	(1,985)	1,454
Gains/losses from exchange rate difference	1,679	6,285	(4,606)
Effective portion of gains/(losses) on hedging instruments ("cash flow hedges")	6,666	(1,205)	7,871
Tax effect of other gains/(losses) on hedging instruments ("cash flow hedges")	(1,992)	205	(2,197)
Gains/losses from the effective portion on hedging instruments net of tax effect	4,674	(1,000)	5,674
Actuarial gains/(losses) on employee benefits recognised in equity	2,393	(3,713)	6,106
Tax effect on the other actuarial gains/(losses) on staff benefit plans	(644)	942	(1,585)
Actuarial Gains/(Losses) on defined benefit pension plans net of tax effect	1,750	(2,771)	4,521
Total components of other comprehensive income, net of tax effect	6,119	595	5,523
Total comprehensive income/loss	102,016	85,194	16,822
Total comprehensive income (loss) attributable to:			
Group	88,532	74,139	14,393
Non-controlling interests	13,484	11,056	2,428

Amounts in € thousand

* Quarterly data not covered by limited auditing related to the half-year as a whole.

Consolidated Statement of Financial Position

Ref. Note	ASSETS	30/06/2021	of which with related parties	31/12/2020	of which with related parties	Change
14	Property, plant and equipment	2,898,015		2,786,645		111,370
15	Real estate investments	2,343		2,372		(29)
16	Goodwill	209,023		223,713		(14,690)
17	Concessions	2,921,395		2,835,766		85,629
18	Intangible fixed assets	376,065		313,232		62,833
19	Right of use	78,131		73,660		4,470
20	Equity investments in unconsolidated subsidiaries and associates	287,468		276,362		11,106
21	Other equity investments	3,079		3,100		(21)
22	Deferred tax assets	240,546		235,012		5,533
23	Financial assets	32,398	15,993	38,781	21,156	(6,383)
24	Other assets	543,443		522,360		21,083
	NON-CURRENT ASSETS	7,591,905	15,993	7,311,004	21,156	280,901
25.a	Inventories	88,979		91,973		(2,994)
25.b	Trade receivables	1,046,006	87,226	981,509	72,080	64,497
25.c	Other current assets	300,820		257,442		43,378
25.d	Current tax assets	19,987		9,618		10,369
25.e	Current financial assets	436,513	144,150	379,859	143,097	56,654
25.f	Cash and cash equivalents	855,627		642,209		213,418
25	CURRENT ASSETS	2,747,932	231,376	2,362,610	215,177	385,321
	Non-current assets held for sale	0		0		0
	TOTAL ASSETS	10,339,837	247,369	9,673,614	236,333	666,223

Amounts in € thousand

Ref. Note	LIABILITIES	30/06/2021	of which with related parties	31/12/2020	of which with related parties	Change
	Shareholders' Equity					
	Share capital	1,098,899		1,098,899		0
	Legal reserve	138,649		129,761		8,888
	Other reserves	(138,023)		(224,509)		86,486
	Retained earnings/(losses)	699,394		675,731		23,664
	Profit (loss) for the year	165,789		284,948		(119,160)
	Total Group shareholders' equity	1,964,707		1,964,829		(122)
	Equity of non-controlling interests	375,391		358,429		16,962
26	Total Shareholders' Equity	2,340,099		2,323,258		16,840
27	Employee severance indemnity and other defined-benefit plans	113,416		122,047		(8,631)
28	Provisions for risks and charges	236,831		156,951		79,880
29	Borrowings and financial liabilities	4,856,469		4,154,251		702,219
30	Other liabilities	398,575		405,799		(7,224)
	NON-CURRENT LIABILITIES	5,605,291		4,839,048		766,244
31.a	Financial payables	368,458	200,590	419,822	133,714	(51,364)
31.b	Payables to suppliers	1,488,791	53,506	1,627,119	77,230	(138,328)
31.c	Tax payables	19,598		40,217		(20,619)
31.d	Other current liabilities	517,599		424,150		93,450
31	CURRENT LIABILITIES	2,394,447	254,096	2,511,308	210,944	(116,861)
	Liabilities directly associated with assets held for sale	0		0		0
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	10,339,837	254,096	9,673,614	210,944	666,223

Amounts in € thousand

Consolidated Statement of Cash Flows

Ref. Note	€ thousand	30.06.2021	Related parties	30.06.2020	Related parties	Change
	Cash flow from operating activities					
	Profit before tax	269,150		236,979		32,171
8	Depreciation/amortisation and impairment losses	259,851		239,949		19,902
6-7	Write-ups/write-downs	31,986		25,000		6,985
28	Change in provisions for risks	(4,382)		(5,888)		1,506
27	Net change in the provision for employee benefits	(11,784)		(2,930)		(8,854)
	Net financial interest	43,359		43,046		314
12	Income taxes paid	(43,752)		(45,380)		1,628
	Cash flows generated by operating activities before changes	544,429	0	490,776	0	53,653
25	Increase/Decrease in receivables included in current assets	(108,847)	(36,951)	(101,558)	10,329	(7,289)
31	Increase/Decrease in payables included in the working capital	(100,907)	49,769	(57,605)	(12,710)	(43,301)
25	Increase/Decrease in inventories	4,340		(3,565)		7,906
	Change in working capital	(205,414)	12,819	(162,729)	(2,380)	(42,685)
	Change in other assets/liabilities during the period	(752)		(106,368)		105,616
	TOTAL CASH FLOW FROM OPERATING ACTIVITIES	338,263	12,819	221,679	(2,380)	116,584
	Cash flow from investment activities					
	Purchase/sale of property, plant and equipment	(299,602)		(172,982)		(126,619)
	Purchase/sale of intangible fixed assets	(181,934)		(237,624)		55,689
20-21	Equity investments	(10,602)		(76,656)		66,054
	Collections/payments deriving from other financial investments	(50,013)	(8,848)	(115,452)	(1,188)	65,439
	Collected dividends	2,466	2,466	188	188	2,279
	Interest income collected	5,403		9,244		(3,841)
	TOTAL CASH FLOW FROM INVESTMENT ACTIVITIES	(534,281)	(6,382)	(593,281)	(1,001)	59,000
	Cash flow from financing activities					
29	Repayment of mortgages and long-term loans	(192,859)		(455,020)		262,161
29	Provision of mortgages/other debts and medium to long term	902,500		599,910		302,590
29-31	Decrease/Increase in other financial debts	(162,888)	(44,792)	(28,701)	(15,207)	(134,187)
	Interest expense paid	(48,891)		(51,838)		2,947
	Dividends paid	(90,623)	(90,623)	(81,848)	(81,848)	(8,775)
	TOTAL CASH FLOW FROM FINANCING ACTIVITIES	407,238	(135,416)	(17,497)	(97,056)	424,736
	Cash flow for the period	211,221	(141,798)	(389,099)	(100,437)	600,320
	Net opening balance of cash and cash equivalents	642,209		835,693		(193,484)
	Cash availability from acquisition	2,197		18,562		(16,365)
	Net closing balance of cash and cash equivalents	855,627		465,156		390,471

Consolidated Statement of Changes in Shareholders' equity

€ thousand	Share capital	Legal reserve	Other reserves	Profit for the period	Total	Equity of non-controlling interests	Total Shareholders' Equity
Balance as at 1 January 2021	1,098,899	129,761	453,724	282,446	1,964,829	358,429	2,323,258
Income statement profit	0	0	0	165,789	165,789	23,159	188,947
Other comprehensive income (loss)	0	0	0	9,663	9,663	1,068	10,731
Total comprehensive income (loss)	0	0	0	175,452	175,452	24,226	199,678
Allocation of result for 2020	0	8,888	273,558	(282,446)	0	0	0
Distribution of dividends	0	0	(170,038)	0	(170,038)	(8,523)	(178,562)
Change in consolidation scope	0	0	0	0	0	(8,096)	(8,096)
Other changes	0	0	(5,535)	0	(5,535)	9,355	3,820
Balance at 30 June 2021	1,098,899	138,649	551,708	175,452	1,964,707	375,391	2,340,099

€ thousand	Share capital	Legal reserve	Other reserves	Profit for the period	Total	Equity of non-controlling interests	Total Shareholders' Equity
Balance at 1 January 2020	1,098,899	119,336	363,605	272,932	1,854,772	251,938	2,106,710
Income statement profit	0	0	0	143,752	143,752	20,902	164,654
Other comprehensive income (loss)	0	0	0	1,869	1,869	(721)	1,148
Total comprehensive income (loss)	0	0	0	145,621	145,621	20,182	165,802
Allocation of result for 2019	0	10,424	262,507	(272,932)	0	0	0
Distribution of dividends	0	0	(165,788)	0	(165,788)	(6,185)	(171,972)
Change in consolidation scope	0	0	0	0	0	22,607	22,607
Other changes	0	0	(446)	0	(446)	399	(47)
Balance at 30 June 2020	1,098,899	129,761	459,879	145,621	1,834,159	288,941	2,123,100
Income statement profit	0	0	0	141,196	141,196	20,707	161,903
Other comprehensive income (loss)	0	0	0	(4,371)	(4,371)	(323)	(4,694)
Total comprehensive income (loss)	0	0	0	136,825	136,825	20,384	157,210
Allocation of result for 2019	0	0	0	0	0	0	0
Distribution of dividends	0	0	0	0	0	(5,956)	(5,956)
Change in consolidation scope	0	0	0	0	0	55,486	55,486
Other changes	0	0	(6,155)	0	(6,155)	(426)	(6,581)
Balance as at 31 December 2020	1,098,899	129,761	453,724	282,446	1,964,829	358,429	2,323,258

Notes to the Consolidated Income Statement

Consolidated net revenues

At 30 June 2021 these amounted to € 1,824,605 thousand (€ 1,621,969 thousand at 30 June 2020), recording an increase of € 202,635 thousand compared to the previous year:

€ thousand	30/06/2021	30/06/2020	Change	% Change
Revenue from sales and services	1,760,127	1,566,861	193,266	12.3 %
Other revenue and income	64,478	55,108	9,370	17.0 %
Consolidated net revenues	1,824,605	1,621,969	202,635	12.5 %

1. Revenue from sales and services – € 1,760,127 thousand

This item recorded a total increase of € 193,266 thousand (+ 12.3%) compared to the same period of the previous year which closed with € 1,566,861 thousand. The composition of the item is shown below.

We can note that the balance of the comparative figure shows, compared to the figure published at 30 June 2020, a reclassification of €1,377 for the purpose of a clearer presentation and comparison of the data, in line with the figure presented at 30 June 2021. The reclassification for € 2,254 thousand regards the revenues from the sale of water to MIT under the terms of Prime Ministerial Decree 2004 and from composting plants previously classified in the item other revenues and income; this increase was partially offset by revenues or disconnections and reconnections of € 884, reclassified in the item other revenues and income.

€ thousand	30/06/2021	30/06/2020	Change	% Change
Revenue from electricity sales and services	933,181	804,664	128,516	16.0 %
Revenue from gas sales	69,367	54,775	14,592	26.6 %
Revenue from electricity incentives	13,513	14,050	(536)	(3.8%)
Revenue from the Integrated Water Service	562,761	536,855	25,906	4.8 %
Revenue from Overseas Water Services	38,534	33,792	4,742	14.0 %
Revenue from waste disposal and landfill operations	69,438	60,650	8,789	14.5 %
Revenue from customer services	58,876	48,297	10,579	21.9 %
Connection fees	14,242	13,778	464	3.4 %
Revenues from sustainable development	214	0	214	n.s.
Revenue from sales and services	1,760,127	1,566,861	193,266	12.3 %

Revenue from electricity sales and services

These amounted to € 933,181 thousand and are represented as follows:

€ thousand	30/06/2021	30/06/2020	Change	% Change
Electricity and heat generation	5,294	5,266	27	0.5 %
Electricity sales	737,955	612,440	125,515	20.5 %
Transport and metering of energy	186,207	182,809	3,398	1.9 %
Energy sales from WTE	942	1,295	(353)	(27.2%)
Energy from photovoltaic plants	397	770	(373)	(48.5%)
Co-generation	2,387	2,085	302	14.5 %
Revenue from electricity sales and services	933,181	804,664	128,516	16.0 %

The main change regards the sale of electricity (+€ 125,515 thousand) as a consequence of the higher unit prices and in part of the higher quantities. The total sale of electricity in the Greater Protection Service was 955 GWh, a decrease of 5.6% on an annual basis compared to the same period in the previous year; the sale of electricity on the free market amounted to 3,165 GWh, with an increase compared to the same period in the previous year of 34.7 %, primarily related to the B2B segment.

Revenue from gas sales

These amounted to € 69,367 thousand and recorded an increase of € 14,592 thousand compared to 30 June 2020 as a result of the improvement in the Retail sector, due both to an increase in unit margins and to an increase in customers, and in the Business sector, despite the slight reduction in the customer base.

Revenue from electricity incentives

These revenues amounted to € 13,513 thousand and show a decrease of € 536 thousand compared to the same period of the previous year. The item includes revenues from green certificates: **i)** those of Acea Produzione (€ 10,877 thousand) in relation to the energy produced by the Salisano and Orte Station, **ii)** those of Acea Ambiente (€ 2,607 thousand) for revenues from green certificates deriving from an incentive system from renewable sources of the WTE plants in Terni and San Vittore del Lazio.

Revenue from the Integrated Water Service

As mentioned in the section of the Report on Operations to which reference should be made for more detailed explanations, revenue from the Integrated Water Service is almost exclusively generated by the Companies managing the service in Lazio and Campania. These revenues amounted in total to € 562,761 thousand and show an increase of € 25,906 thousand (+ 4.8 %) compared to the same period of the previous year (€ 536,855 thousand).

Details of the breakdown by company are given below.

€ thousand	30/06/2021	30/06/2020	Change	% Change
ACEA ATO2	337,522	333,703	3,818	1.1 %
ACEA ATO5	38,472	39,416	(944)	(2.4%)
ACEA MOLISE SRL	2,713	2,415	298	12.4 %
GESESA	6,514	6,575	(61)	(0.9%)
GORI	103,268	99,473	3,795	3.8 %
ACQUEDOTTO DEL FIORA SPA	54,934	55,272	(338)	(0.6%)
INTEGRATED WATER SERVICE	19,337	0	19,337	n.s.
Revenue from the Integrated Water Service	562,761	536,855	25,906	4.8 %

The increase was due mainly to the change of scope in relation to the full consolidation of SII (+€ 19,337 thousand), while the remaining change is attributable mostly to ACEA Ato2 (+ € 3,818 thousand) and Gori (+€ 3,795 thousand).

The quantification of the revenues deriving from management of the integrated water service is the consequence of the application of the new water tariff method (MTI-3), as approved by the Authority (ARERA) with resolution no. 580/2019/R/idr of 27 December 2019. For the purposes of calculating the revenues accruing to the first half of 2021 we took into account the interpretation regarding the delimitation of the “other water activities” that emerges from the aforementioned Resolution on the 2020-2023 tariff preparation.

Revenue from Overseas Water Services

These revenues amounted to € 38,534 thousand and show an increase of € 4,742 thousand compared to the same period of the previous year (€ 33,792 thousand at 30 June 2020). The change derives from the change in scope, in particular from Consorcio ACEA (+ € 3,668 thousand) and Consorcio Acea Lima Norte (+ € 5,672 thousand) as a consequence of the start of the three-year contracts for management of the drinking water pumping stations of Lima and for maintenance of the water and sewer network of the northern zone of Lima; this effect was only in part offset by the reduction recorded by Acea Perù (- € 5,618 thousand) which in the first half of 2020 managed a six-monthly contract for maintenance in the zone of North Lima in an emergency situation.

Revenue from waste disposal and landfill operations

These revenues amounted to € 69,438 thousand, up € 8,789 thousand compared to the previous year (€ 60,650 thousand). The breakdown by company is provided below:

€ thousand	30/06/2021	30/06/2020	Change	% Change
Acea Ambiente	38,369	35,509	2,860	8.1 %
Ferrocarril	4,150	1,243	2,907	n.s.
Cavallari	8,073	2,032	6,041	n.s.
Aquaser	6,782	7,678	(896)	(11.7%)
Multigreen	0	792	(792)	(100.0%)
Iseco	99	122	(23)	(19.1%)
Acque Industriali	4,735	4,507	228	5.1 %
Bioecologia	0	1,469	(1,469)	(100.0%)
Demap	4,148	4,486	(339)	(7.5%)
Berg	3,083	2,811	273	9.7 %
Revenue from waste disposal and landfill operations	69,438	60,650	8,789	14.5 %

The increase recorded was mainly due to the change in the consolidation scope (+€ 8,156 thousand), as a result of the consolidation of the Cavallari/Ferrocarril Group.

Revenue from customer services

These amounted to € 58,876 thousand (€ 48,297 thousand at 30 June 2020) and increased by € 10,579 thousand. The changes can be represented as follows:

€ thousand	30/06/2021	30/06/2020	Change	% Change
Public Lighting - Rome	13,254	21,259	(8,005)	(37.7%)
Work for third parties	28,988	20,900	8,088	38.7 %
Inter-company services	2,616	2,400	216	9.0 %
Photovoltaic	90	102	(12)	(11.6%)
GIP revenue	3,148	3,066	82	2.7 %
RIB services to the Municipality of Rome	0	0	0	n.s.
Change in inventories	10,779	569	10,210	n.s.
Revenue from customer services	58,876	48,297	10,579	21.9 %

The increase recorded in the item change in inventories and in the item work for third parties is due mainly to the change in the consolidation scope, in particular Simam (€ 8,874 thousand and + € 7,328 thousand). These increases were only in part offset by lower revenues made in relation to the public lighting contract in the City of Rome as a consequence of less accidental maintenance work and less activities for new implementations.

Connection fees

These amounted to € 14,242 thousand, recording a slight increase of € 464 thousand compared to 30 June 2020. The change in the scope contributed to this increase for € 193 thousand.

2. Other revenues and income – € 64,478 thousand

This item increased by € 9,370 thousand (17.0%) compared to 30 June 2020, when the figure was € 55,108 thousand. The following table shows a breakdown of this item:

€ thousand	30/06/2021	30/06/2020	Change	% Change
Contributions from Entities for Energy Efficiency Certificates	12,601	10,011	2,590	25.9 %
Non-recurring gains	9,280	11,129	(1,849)	(16.6%)
Other revenues	11,330	7,504	3,826	51.0 %
Refunds for damages, penalties, collateral	4,534	2,385	2,150	90.1 %
Feed-in tariff	8,911	8,675	236	2.7 %
Regional grants	5,228	4,173	1,055	25.3 %
Income from end users	34	1	33	n.s.
Seconded personnel	206	218	(12)	(5.7%)
Real estate income	843	809	33	4.1 %
IFRIC 12 margin	9,238	8,885	353	4.0 %
Gains on asset disposals	74	60	14	23.8 %
Recharged cost for company officers	360	381	(20)	(5.3%)
Premiums for continuity of service	459	0	459	n.s.
Revenue for disconnections and connections	1,379	877	501	57.1 %
Other revenue and income	64,478	55,108	9,370	17.0 %

The increase is attributable to the following effects:

- recognition of contributions for Energy Efficiency Certificates in Acea Produzione (+ € 2,492 thousand);
- refunds for damages and penalties (+ € 2,150 thousand) mainly attributable to Acea Energia for claims for CMOR indemnities on the free market (+ € 1,277 thousand);
- higher other revenues recorded by Acea Ato2 for costs ancillary to the user related to amicable reminder expenses and revenues for water disconnections and connections suspended in the previous period 2020 as a consequence of the Covid-19 health emergency (+€ 860 thousand) and higher revenues in ARETI for contingent assets and bonuses related to work on increasing the resilience of the electricity distribution service.

Consolidated operating costs

At 30 June 2021 operating costs amounted to € 1,216,933 thousand (€ 1,069,690 thousand at 30 June 2020), recording an increase of € 147,243 thousand (+ 13.8 % compared to the same period of the previous year). The breakdown is as follows:

€ thousand	30/06/2021	30/06/2020	Change	% Change
Personnel costs	143,754	140,335	3,418	2.4 %
Costs of materials and overheads	1,073,179	929,354	143,825	15.5 %
Consolidated operating costs	1,216,933	1,069,690	147,243	13.8 %

3. Personnel costs – € 143,754 thousand

€ thousand	30/06/2021	30/06/2020	Change	% Change
Staff costs including capitalised costs	240,992	220,648	20,345	9.2 %
Costs capitalised	(97,239)	(80,313)	(16,926)	21.1 %
Personnel costs	143,754	140,335	3,418	2.4 %

The increase in personnel costs, including capitalised costs, amounted to € 20,345 thousand and was affected in part by the change in the consolidation scope (+ € 9,870 thousand) and for the remainder mainly by Acea Ato2 (+ € 3,751 thousand) and Gori (+ € 3,176 thousand).

With regard to capitalised costs, there was an increase of € 16,926 thousand primarily driven by the increase in capitalised costs in the Water Segment and to items coming into operation for € 18,105 thousand. The increase stems mainly from the efficiency of company processes to meet the greater commitment required by the management of the service and the need to renew corporate assets.

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

	Average number of employees			
	30/06/2021	30/06/2020	Change	% Change
Environment	590	567	24	4.2 %
Commercial and Trading	428	468	(40)	(8.6%)
Foreign	2,300	1,218	1,082	88.9 %
Water	3,480	3,209	271	8.4 %
Energy Infrastructure	1,282	1,269	13	1.0 %
Generation	88	83	5	6.5 %
Engineering	432	403	29	7.1 %
Corporate	704	694	11	1.5 %
Total	9,304	7,909	1,394	17.6 %

	End-of-period composition			
	30/06/2021	30/06/2020	change	% Change
Environment	597	567	30	5.3 %
Commercial and Trading	421	468	(47)	(10.0%)
Foreign	2,314	861	1,453	168.8 %
Water	3,465	3,233	232	7.2 %
Energy Infrastructure	1,262	1,252	10	0.8 %
Generation	87	84	3	3.6 %
Engineering	437	404	33	8.2 %
Corporate	708	703	5	0.7 %
Total	9,291	7,572	1,719	22.7 %

4. Costs of materials and overheads – € 1,073,179 thousand.

This item shows an overall increase of € 143,825 thousand (+ 15.5%) compared to 30 June 2020.

€ thousand	30/06/2021	30/06/2020	Change	% Change
Electricity, gas and fuel	741,241	641,812	99,429	15.5 %
Materials	55,729	35,954	19,774	55.0 %
Services and contract work	195,924	181,824	14,100	7.8 %
Concession fees	33,374	31,859	1,515	4.8 %
Cost of leased assets	11,383	12,401	(1,018)	(8.2%)
Other operating costs	35,528	25,504	10,024	39.3 %
Costs of materials and overheads	1,073,179	929,354	143,825	15.5 %

Electricity, gas and fuel

€ thousand	30/06/2021	30/06/2020	Change	% Change
Electricity and gas purchases and transportation	728,992	630,151	98,842	15.7 %
White certificates	8,810	9,046	(237)	(2.6%)
Green certificates and Co2 rights	3,439	2,615	824	31.5 %
Electricity, gas and fuel costs	741,241	641,812	99,429	15.5 %

The increase, attributable mainly to Acea Energia, is related to higher costs for purchasing energy on the free market (+ € 123,434 thousand), and on the gradual protection market (+ € 26,660 thousand); this change was offset in part by a decrease in costs for purchasing electricity on the protected market (- € 23,760 thousand) and in purchase costs on the energy management market (- € 16,191 thousand) in keeping with the trend of revenues in these sectors.

Materials

The cost of materials amounted to € 55,729 thousand and represents the cost of materials used net of capital expenditure, as shown in the table below.

€ thousand	30/06/2021	30/06/2020	Change	% Change
Purchase of materials	84,016	69,408	14,608	21.0 %
Change in inventories	10,843	(3,793)	14,636	n.s.
Change in inventories	94,859	65,615	29,243	44.6 %
Costs capitalised	(39,130)	(29,661)	(9,469)	31.9 %
Materials	55,729	35,954	19,774	55.0 %

Purchases of materials net of inventories and capitalised costs recorded an increase of € 19,774 thousand affected mostly by the change in the consolidation scope (+ € 13,137 thousand).

Services and contract work

These amounted to € 195,924 thousand and increased by a total of € 14,100 thousand (the figure was € 181,824 thousand at 30 June 2020). They can be represented as follows:

€ thousand	30/06/2021	30/06/2020	Change	% Change
Technical and Administrative Services (including consulting and collaborations)	29,503	29,998	(495)	(1.6%)
Contract work	27,731	36,572	(8,841)	(24.2%)
Disposal and transport of sludge, slag, ash and waste	37,042	33,697	3,345	9.9 %
Other services	33,079	23,849	9,230	38.7 %
Personnel services	10,429	8,568	1,861	21.7 %
Insurance costs	6,529	5,627	902	16.0 %
Electricity, water and gas consumption	14,824	11,682	3,142	26.9 %
Internal use of electricity	3,458	3,404	54	1.6 %
Intragroup services and otherwise	7,506	4,369	3,137	71.8 %
Telephone and data transmission costs	2,625	2,974	(348)	(11.7%)
Postal expenses	1,614	1,547	68	4.4 %
Maintenance fees	6,780	8,455	(1,675)	(19.8%)
Cleaning, transport and portage costs	3,225	2,787	438	15.7 %
Advertising and sponsorship costs	6,387	3,077	3,310	107.6 %
Corporate bodies	1,961	1,675	287	17.1 %
Meter readings	1,843	1,563	280	17.9 %
Bank charges	1,408	1,367	41	3.0 %
Travel and accommodation expenses	453	433	20	4.6 %
Seconded personnel	(628)	18	(645)	n.s.
Printing expenses	153	164	(11)	(6.4%)
Costs for services	195,924	181,824	14,100	7.8 %

The increase is attributable to the change in scope which accounted for € 16,360 thousand of it.

Concession fees

Concession fees totalled € 33,374 thousand (+ € 1,515 thousand compared to 30 June 2020) and referred to companies that manage Area Authorities under concession in Lazio and Campania. The table below shows the breakdown by Company:

€ thousand	30/06/2021	30/06/2020	Change	% Change
ACEA Ato2	24,874	24,773	102	0.4 %
ACEA Ato5	1,746	1,767	(22)	(1.2%)
Gori	1,220	1,204	15	1.3 %
Pescara Distribuzione Gas	1,239	1,348	(110)	(8.1%)
Gesesa	188	191	(3)	(1.6%)
AdF	2,412	2,416	(4)	(0.2%)
Integrated Water Services	1,294	0	1,294	n.s.
Alto Sangro Distribuzione Gas	174	0	174	n.s.
Notaresco Gas	47	0	47	n.s.
Other	181	159	22	13.5 %
Concession fees	33,374	31,859	1,515	4.8 %

The increase refers mainly to the change in the consolidation scope for € 1,486 thousand. For other information regarding the concessions, reference should be made to the information in the specific section entitled "Service concession report".

Cost of leased assets

The item amounted to € 11,383 thousand and decreased by € 1,018 thousand compared to the same period of the previous year (€ 12,401 thousand at 30 June 2020); the reduction is mainly attributable to the Parent Company. In line with IFRS 16, this item contains costs relating to short-term leases and leases of modest value.

Other operating costs

These amounted to € 35,528 thousand at 30 June 2021, an increase of € 10,024 thousand. The table below provides details of this item by type:

€ thousand	30/06/2021	30/06/2020	Change	% Change
Taxes and duties	6,266	6,546	(280)	(4.3%)
Damages and outlays for legal disputes	3,856	5,805	(1,948)	(33.6%)
Contributions paid and membership fees	2,840	1,905	935	49.1 %
Losses on Receivables	(12)	0	(12)	n.s.
General expenses	7,408	5,417	1,991	36.8 %
Contingent liabilities	15,169	5,832	9,337	160.1 %
Other operating costs	35,528	25,504	10,024	39.3 %

The increase is mainly related to contingent liabilities (+ € 9,337 thousand), of which € 4,622 thousand attributable to Acea Energia following the definitive calculations, communicated on 9 July 2021 by the CSEA, on the closure of the fact-finding enquiry for the regulation of the economic items related to electricity destined for the States included in the Italian territory in accordance with what was provided for by ARERA. This redetermination generated the recognition of a contingent liability referred to the years 2009 – 2018.

The increase in the item contributions paid and membership fees derives mainly from the recognition of the contribution in the form of a donation to the Rome Opera Theatre Foundation. These contributions in 2020 were disbursed only in August as a result of the start of the Pandemic.

5. Net Revenue / (Costs) from commodity risk management - € 0 thousand

At 30 June 2021 the Group has no derivatives entered into to hedge trading transactions, while at 30 June 2020 the net balance was € 164 thousand and regarded entirely ACEA Energia.

6. Income/(Expenses) from equity investments of a non-financial nature - € 11,114 thousand

This item represents the consolidated result according to the *equity method* that is included among the EBITDA components of companies previously consolidated using the proportionate method. The breakdown of this item is detailed below:

€ thousand	30/06/2021	30/06/2020	Change	% Change
EBITDA	61,566	62,697	(1,131)	(1.8%)
Amortisation, depreciation, impairment and provisions	(45,149)	(37,805)	(7,343)	19.4 %
Financial operations	(1,441)	(1,787)	346	(19.4%)
Total profit/(loss) on equity investments	1	(2)	4	(160.0%)
Taxes	(3,864)	(6,872)	3,008	(43.8%)
Income from equity investments of a non-financial nature	11,114	16,228	(5,114)	(31.5%)

The Gross Operating Profit (EBITDA) for these companies fell by € 1,131 thousand, mainly as a result of changes in the consolidation scope due to the full consolidation of SII from 16 November 2020. The companies' assessments are detailed below.

€ thousand	30.06.2021	30.06.2020	Change	% Change
Publiacqua	2,224	6,565	(4,341)	(66.1%)
Acque Group	4,835	6,096	(1,261)	(20.7%)
Umbra Acque	1,067	1,077	(9)	(0.9%)
Nuove Acque and Intesa Aretina	376	672	(296)	(44.1%)
GEAL	231	325	(94)	(28.9%)
Ingegnerie Toscane	2,000	1,130	870	77.0 %
Integrated Water Services	0	315	(315)	n.s.
Belaria/Mithra	158	0	158	n.s.
Energy	223	50	173	n.s.
Total	11,114	16,228	(5,114)	(31.5%)

The decrease is attributable mainly to the higher depreciation and amortisation recorded in the first half of 2021 by the companies Publiacqua and Acque.

7. Net write-downs (write-backs) of trade receivables – € 45,841 thousand

This item recorded an increase of € 5,509 thousand compared to 30 June 2020 attributable mainly to Acea Energia (+ € 3,780 thousand), Acea Ato2 (+ € 1,812 thousand) and Gori (+ € 1,232 thousand). We can note that the comparative figure fell by € 3,474 thousand following a reclassification, for presentation purposes and for better understanding of the figures, in relation to financial items related to the City of Rome. The same reclassification was done in the item "Financial income".

8. Depreciation, amortisation and provisions – € 263,176 thousand

Compared to 30 June 2020 we can note an increase of € 15,757 thousand; the details are presented below:

€ thousand	30/06/2021	30/06/2020	Change	% Change
Amortisation and depreciation	259,851	239,949	19,902	8.3 %
Provision for risks and charges	3,325	7,470	(4,145)	(55.5%)
Total	263,176	247,419	15,757	6.4 %

Amortisation and depreciation

The € 19,902 thousand increase in depreciation, amortisation and impairment, of € 19,902 thousand, breaks down as follows:

€ thousand	30/06/2021	30/06/2020	Change	% Change
Depreciation	77,699	81,014	(3,314)	(4.1%)
Amortisation	181,348	156,797	24,552	15.7 %
Impairment losses	803	2,139	(1,335)	(62.4%)
Depreciation/amortisation	259,851	239,949	19,902	8.3 %

The increase is accounted for by the change in scope for € 8,664 thousand, while the remaining increase derives mainly from investments in the period in all areas of business, mainly Acea Ato2 (+ € 6,718 million). We can note instead the reduction of the depreciation and amortisation of Acea Ambiente (- € 4,926 thousand) as a result of the adjustment of the technical economic lives of assets recognised made in financial year 2020 following assessment of the technological changes in the sector, the dismantling/closure expenses and the recoverable value.

It should be noted that the item relating to intangible amortisation also includes the effect deriving from the application of IFRS 16, which as at 30 June 2020 amounted to € 8,911 thousand.

The impairment losses refer mainly to the write-down booked by ACEA Ato2 in relation to meters decommissioned during the first half of 2021 (€ 367 thousand).

Provisions

As of 30 June 2021, net of sums released, provisions amounted to € 3,325 thousand and are divided by type as follows:

€ thousand	30/06/2021	30/06/2020	Change	% Change
Legal	1,634	1,321	312	23.6 %
Taxes	100	120	(20)	(16.7%)
Regulatory risks	937	930	7	0.8 %
Contributory risks	5	9	(4)	(48.6%)
Procurement and supplies	165	1,007	(841)	(83.6%)
Insurance deductibles	1,319	1,082	237	21.9 %
Other risks and charges	1,026	2,205	(1,179)	(53.5%)
Total Provision for Risks	5,185	6,674	(1,489)	(22.3%)
Early retirements and redundancies	124	20	104	n.s.
Post mortem	14	6	9	156.4 %
Charges towards Others	36	1,756	(1,721)	(98.0%)
Total Provisions	5,360	8,456	(3,096)	(36.6%)
Release of Provisions	(2,035)	(986)	(1,048)	106.3 %
Total	3,325	7,470	(4,145)	(55.5%)

9. Financial income - € 3,871 thousand

€ thousand	30/06/2021	30/06/2020	Change	% Change
Interest on financial receivables	108	207	(99)	(47.8%)
Bank interest income	39	60	(21)	(34.7%)
Interest on trade receivables	2,546	2,629	(82)	(3.1%)
Interest on other receivables	516	427	89	20.8 %
Financial income from discounting to present value	162	208	(46)	(22.2%)
Financial income from measurement of fair value hedges	351	(809)	1,159	(143.4%)
Other income	149	163	(14)	(8.8%)
Financial income	3,871	2,886	985	34.1 %

Financial income, of € 3,871 thousand, recorded a decrease of € 985 thousand compared to the same period of the previous year, mainly attributable to ADF.

10. Financial costs - € 47,230 thousand

€ thousand	30/06/2021	30/06/2020	Change	% Change
Costs (Income) on Interest Rate Swaps	3,054	3,108	(54)	(1.7%)
Interest on bonds	26,852	29,551	(2,700)	(9.1%)
Interest on medium/long-term borrowings	8,392	7,991	401	5.0 %
Interest on short-term debt	1,640	869	771	88.7 %
Default interest and interest on deferred payments	716	731	(15)	(2.0%)
Interest cost net of actuarial gains and losses	231	494	(263)	(53.2%)
Factoring fees	1,796	2,074	(278)	(13.4%)
Discounting charges	1,883	2,000	(117)	(5.8%)
IFRS 16 financial charges	1,248	1,125	123	10.9 %
Other financial charges	1,334	1,614	(279)	(17.3%)
Interest payable to end users	377	510	(133)	(26.1%)
Foreign exchange gains (losses)	(294)	(663)	369	(55.6%)
Financial costs	47,230	49,405	(2,175)	(4.4%)

Financial expenses, of € 47,230 thousand, decreased by € 2,175 thousand compared to 30 June 2020; the change is mainly attributable to the Parent Company. The average overall all-in cost of the ACEA Group's debt at 30 June 2021 stood at 1.43% compared to 1.82% in 2020.

11. Income and costs from Equity Investments – € 2,742 thousand

€ thousand	30/06/2021	30/06/2020	Change	% Change
Income from equity investments in associates	2,742	2,652	90	3.4 %
(Costs) of shares in related companies	0	(74)	74	(100.0%)
(Costs) and revenue from shares	2,742	2,578	164	5.4 %

Revenue from equity investments refers to consolidation according to the net worth method of some Group companies primarily Agua Azul Bogotá. In addition, we can note that the item includes the recognition of income of € 2,554 thousand (bargain) deriving from closure of the Combination related to Consorcio Agua Azul accounted for according to the acquisition method. Please see the paragraph on IFRS3 for more details.

12. Income Tax - € 80,203 thousand

Estimated tax expenses for the period were € 80,203 thousand, compared to € 72,324 thousand in the same period of the previous year. The breakdown is essentially as follows:

- Current taxes: € 96,129 thousand (€ 73,616 thousand at 30 June 2020).
- Net deferred tax liabilities/(assets): € 15,926 thousand (€ 1,291 thousand at 30 June 2020).

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

€ thousand	2021	%	2020	%
Profit before tax from continuing and discontinued operations	269,137		236,979	
Expected tax charge at 24% on profit before tax	64,593	24.0 %	56,875	24.0 %
Net deferred taxes	(15,926)	(5.9%)	(1,291)	(0.5%)
Permanent differences	27,516	10.2 %	152	0.1 %
IRES for the period	76,182	28.3 %	55,736	23.5 %
IRAP (regional income tax)	4,021	1.5 %	16,589	7.0 %
Total taxes	80,203	29.8 %	72,324	30.5 %

The tax rate for the financial year is 29.8% (30.5% at 30 June 2020).

13. Earnings per share

Earnings per share are calculated by dividing profit for the year attributable to ACEA by the weighted average number of ACEA shares outstanding during the year, excluding treasury shares. The weighted average number of shares outstanding was € 212,547,907 at 30 June 2021. Diluted profit per share is calculated dividing profit for the financial year attributable to ACEA by the weighted average number of ACEA shares in circulation during the year, excluding treasury shares, increased by the number of shares which could potentially be put in circulation. At 30 June 2021 there were no shares that could potentially be put into circulation and, accordingly, the weighted average number of shares for the calculation of basic earnings per share coincides with the weighted average number of shares for the calculation of diluted earnings per share.

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

€ thousand	30/06/2021	30/06/2020	Change
Net profit attributable to the Group (€/000)	165,789	143,752	22,024
Net profit attributable to ordinary equity holders of the Group (€/000) (A)	165,789	143,752	22,024
Weighted average number of ordinary shares outstanding for the purpose of determining earnings per share			
- basic (B)	212,547,907	212,547,907	0
- basic (C)	212,547,907	212,547,907	0
Earnings per share (€)			
<i>basic (A/B)</i>	0.78001	0.67633	0.10368
<i>diluted (A/C)</i>	0.78001	0.67633	0.10368

Notes to the Consolidated Statement of Financial Position

Assets

At 30 June 2021 these amounted to € 10,339,837 thousand (€ 9,673,614 thousand at 31 December 2020), recording an increase of € 666,223 thousand or 6.9% from the previous year; they are broken down as follows:

€ thousand	30/06/2021	31/12/2020	Change	% Change
Non-current assets	7,591,905	7,311,004	280,901	3.8 %
Current assets	2,747,932	2,362,610	385,321	16.3 %
Total Assets	10,339,837	9,673,614	666,223	6.9 %

14. Property, plant and equipment - € 2,898,015 thousand

The incidence of the infrastructure used for the distribution and generation of electricity amounts to 81.6% of property, plant and equipment, € 2,363,684 thousand.

The remaining 18.4% refers to:

- facilities belonging to the Environment Segment companies for € 261,819 thousand;
- infrastructures related to the Parent Company for € 98,364 thousand;
- infrastructures related to the Energy Segment for € 122,216 thousand;
- infrastructure related to the Overseas Segment for € 33,545 thousand.
- facilities belonging to the Engineering and Services Area for € 15,045 thousand.

€ thousand	Land and buildings	Plant and machinery	Industrial equipment	Other assets	Investments in progress	Assets to be relinquished	Total property, plant and equipment
Historical Cost 31.12.2020	572,969	3,551,165	961,626	187,000	93,160	9,031	5,374,950
Assets Held for Sale	-	-	-	-	-	-	-
Investments / Acquisitions	6,712	85,703	48,206	7,263	33,707	344	181,934
Disinvestments	(440)	(6,313)	(296)	(1,322)	(362)	-	(8,734)
Changes in consolidation scope	31	2,746	(0)	10	(4)	-	2,782
Other changes	647	28,067	24,844	1,304	(34,321)	769	21,309
Historical Cost 30.06.2021	579,918	3,661,368	1,034,379	194,254	92,180	10,144	5,572,242
Accumulated Depreciation 31.12.2020	(164,071)	(1,926,917)	(349,893)	(141,916)	-	(5,508)	(2,588,305)
Assets Held for Sale	-	-	-	-	-	-	-
Depreciation/amortisation and impairment losses	(5,834)	(43,156)	(23,175)	(5,216)	-	(289)	(77,670)
Disinvestments	36	159	25	385	-	-	605
Change in consolidation scope	-	50	1	1	-	-	52
Other changes	1,013	(4,405)	(5,159)	(357)	-	(0)	(8,908)
Accumulated Depreciation 30.06.2021	(168,855)	(1,974,270)	(378,202)	(147,102)	-	(5,798)	(2,674,227)
Net Value 30.06.2021	411,063	1,687,098	656,177	47,151	92,180	4,346	2,898,015

Investments increased compared to the same period of the previous year (€ 147,692 thousand at 30 June 2020) and amounted to € 181,934 thousand. They refer mainly to those made by:

- areti for € 123,030 thousand for the renewal and upgrading of the HV, MV and LV grids, work on the primary stations, secondary substations and meters, metering groups and remote control equipment;
- Acea Ambiente for € 9,900 thousand for investments related to work done in the Orvieto plant for the construction of a compost storage building for the revamping of the treatment line and in the San Vittore and Aprilia plants;
- Acea Produzione for € 6,954 thousand, mainly for the extraordinary maintenance work at the Tor di Valle and Montemartini thermal power stations, for the requalification work on the substations of the S. Angelo, Salisano and Orte Power Stations and for the extension and restoration of the district heating network in the territory of Mezzocammino in the south of Rome;
- Fergas Solar for € 8,055 thousand related mainly to the Primary Photovoltaic projects (in particular for the Ferrandina plant);
- Acea for € 4,275 thousand for the extraordinary maintenance work at the sites used for business activities and the purchase of the land adjacent to the head office used as a bus park by ATAC.

The change in the consolidation scope increased property, plant and equipment by € 2,782 thousand and refers mainly to the acquisition of JB Solar in May which consists of two photovoltaic systems located in the province of Lecce.

Other changes refer to reclassifications due to the commissioning of assets under construction and disposals and disinvestments of assets.

15. Real estate investments – € 2,343 thousand

Real estate Investments primarily include land and buildings not used in operations and held for rental. The decrease of € 29 thousand compared to last year derives from depreciation.

16. Goodwill - € 209,023 thousand

At 30 June 2021 goodwill amounted to € 209,023 thousand (€ 223,713 thousand at 31 December 2020). The change compared to 31 December 2020 refers mainly to the definitive allocation of the price paid for the Business Combinations; for more details please see the specific section. Goodwill is attributed to CGUs that benefit from the synergies deriving from the acquisition. The table below shows the goodwill per CGU aggregated according to the *main activity* of the companies.

€ thousand	31.12.2020	Definitive Allocation	Exchange Delta	Scope change	Other changes	30.06.2020
Integrated Water Service management	2,751	0	0	0	0	2,751
Network Management	7,939	0	0	0	0	7,939
Sale of Electricity and Gas	48,414	(674)	0	0	(1)	47,740
Intercompany Services	94	0	0	0	0	94
Renewable energy plants	94,767	(1,656)	0	959	(85)	93,984
Waste-to-energy and Composting plants	11,138	0	0	0	0	11,138
Liquid Waste Treatment and Sludge Disposal	4,724	0	0	0	0	4,724
Overseas	5,556	(1,150)	(221)	0	0	4,185
Plastic and paper recycling services	30,998	(10,128)	0	0	0	20,870
Engineering services	17,331	(1,733)	0	0	0	15,597
Goodwill	223,713	(15,341)	(221)	959	(87)	209,023

In order to check the maintenance of the book value of the CGUs, on the basis of what is provided for in IAS 36, an asset must be subjected to an impairment test every time it is believed that its carrying amount may be more than its recoverable value.

As laid down in the standards of reference and in the regulations on the subject, and as provided for in the Group procedure approved in February 2021 in relation to impairment tests on assets, the company must assess at each reporting date whether there is some “indication” that suggests that an asset may have suffered an impairment loss. If there is any sign of this, the company must estimate the recoverable value of the asset.

Irrespective of the existence or non-existence of such an indication, a company must in any case:

- calculate at least annually the recoverable value of an intangible asset with indefinite useful life or of an intangible asset not yet ready for use (at any moment of the year provided that it is always the same date);
- check at least annually the Goodwill acquired following a business combination.

The annual check on Goodwill is performed on the occasion of the end of the fiscal year, if there are no indications of impairment prior to this date.

From the analyses carried out no indicators of impairment emerged with reference to the CGUs, with the exception of ACEA Ato5, for which, on 10 March 2021, the Conference of Mayors for Optimal Territorial Area Authority no. 5 - Southern Lazio (hereafter, OTAA 5), approved the Tariff Structure for the regulatory period 2020-2023 with resolution 1/2021. This is in contrast with the tariff adjustment request, prepared by the Operator pursuant to art. 5, para. 5.5 of resolution ARERA 580/2019/R/idr, containing the regulatory framework for the 2020-2023 third regulatory period and showing significant differences for the 2020-2023 period, with reference to operating costs and the tariff multiplier.

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

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

- it does not indicate specific invoicing schedules to recover previous adjustments equal to € 101 million, as resulting from OTAA resolution no. 6 of 13 December 2016 and no. 7 of 1 August 2018;
- the amount of the adjustments included by OTAA 5 in the aforesaid structure (approximately € 51 million represented in Rctot and approximately € 50 million in the Residual Value component) is not integrated into the formula that determines the tariff multiplier for the respective years (2023-2024); the residual portion up to 101 million was represented in the Residual Value, preventing in practice immediate invoicing;
- the reduction of operating costs (of € 3,315 thousand for both the years 2018-2019) made on years for which ACEA Ato5 has already incurred the related expense (costs in the 2018 and 2019 financial statements), entails a financial loss of the same amount, as the tariff change that has to be applied - for the respective years - is less than that applied starting from 1 January 2020 (in accordance with the provisions of art. 7.2 letter a of ARERA resolution 580/2019/R/idr).
- it does not provide for adequate coverage of the operating costs incurred by the Operator;

- it does not apply a congruous indemnity rate for existing receivables.

As a result of the approval of the 2020-2023 tariff provisions, the directors of ACEA Ato5 acknowledged a financial discrepancy significant enough to raise serious doubts about the subsidiary as a going concern.

In this regard, the Company Directors launched a review of the previously approved 2021 Budget and the related 2020-2024 Plan in order to implement all the appropriate measures to re-establish the financial stability needed to confirm the assumption of the business as a going concern. The objectives of these actions include, among other things:

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

In the light of what is stated above, the consolidated net assets related to the CGU ACEA Ato5 were the subject of an impairment test for the purposes of the Group's consolidated interim report, in methodological continuity with what was done at 31 December 2020, that is by determining the Value in Use using the Unlevered Discounted Cash Flow ("UDCF") method which sees in the ability to produce cash flows the fundamental element for the purposes of measuring the CGU of reference. For the purpose of discounting operating cash flows, the weighted average cost of regulatory post-tax capital is calculated.

The main assumptions which determined the cash flows, terminal value and test results were the following:

- the development of revenues for regulated businesses was drawn up on the basis of tariff trends resulting from national regulation and/or agreements with the regulatory authorities;
- the dynamics of the prices of electricity and gas sold and purchased on the free market were developed on the basis of business considerations consistent with the energy scenario developed in the business plan;
- the natural evolution of the Group's costs over the course of the plan was developed by formulating forward looking hypotheses based on the combination.

In addition, the terminal value was calculated as the present value of the RAB and of Net Working Capital on expiry of the concession. The flows, and the terminal value determined as above were finally discounted to the regulatory WACC, which is in line with that used for the previous impairment test.

In the light of what is stated above, from the comparison between the carrying amount and the value in use a headroom of € 0.5 million emerged.

Given the various variables which affect the ACEA Ato5 economic financial plan, sensitivity analysis was done based on whether or not the efficiency objectives are achieved, as established in the subsidiary's new business plan, and on whether or not the economic financial rebalancing request is granted (this is based on the tariff proposal submitted by the company, but not recognised by OTAA 5). Below are the results of the sensitivity analysis, noting that the "base case" for the impairment test coincides with the upper left section of the table, which foresees 100% achievement of *cost savings* objectives and no benefit deriving from the actions the Company intends to undertake to obtain a tariff adjustment. This scenario was prudentially used as the base case for the *impairment test* considering only the elements of improvement which are under the company's control (*cost savings*) and not those which ultimately depend upon decisions and factors external to the company (tariff adjustment). Note that this structure does not in any reflect an assessment of the likelihood of a tariff adjustment being recognised, which is however deemed probable in consideration of the incompatibility of the financial imbalance caused to the Operator by the new tariff structure with respect to the current legal and regulatory framework, but is only functional to the execution of the impairment test in compliance with that established under IAS 36:

		Raggiungimento Target Efficienze (100% = 3,3M€)						
		100%	80%	60%	48%	40%	20%	0%
Target su Revisione Tariffaria (100% = 55M€)	0%	0,50	-2,70	-5,91	-7,76	-9,12	-12,32	-15,53
	20%	6,00	2,80	-0,41	-2,26	-3,62	-6,82	-10,03
	28%	8,26	5,05	1,85	0,00	-1,36	-4,57	-7,77
	40%	11,50	8,30	5,09	3,24	1,88	-1,32	-4,53
	60%	17,00	13,80	10,59	8,75	7,39	4,18	0,97
	80%	22,50	19,30	16,09	14,25	12,89	9,68	6,47
	100%	28,00	24,80	21,59	19,75	18,39	15,18	11,97

17. Concessions and Rights on Infrastructure – € 2,921,395 thousand

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

- the values of concessions received from the Municipalities (€ 173,317 thousand);
- the overall amount of all tangible infrastructures for the management of water services (€ 2,642,451 thousand), in accordance with IFRIC 12.

Concessions refer for € 91,514 thousand to the thirty-year concession from Roma Capitale on the assets consisting of water and sewage treatment facilities, and to the right arising from taking over the management of the integrated water service in the Municipality of Formello. Rights are amortised on the basis, respectively, of the remaining term of the concession signed between ACEA and Roma Capitale and the term of the Management Agreement signed by the Mayors in Ato2. The balance is completed by the thirty-year concession for the management of the integrated water service of the city of San Pedro Sula in Honduras for a total amount of € 6,865 thousand and the Consorcio Agua Azul for € 13,134 thousand.

Capital expenditure for the period relating to **Infrastructure rights** amounted to € 231,848 thousand and mainly refers to:

- ACEA Ato2 for € 178,020 thousand for the modernisation, expansion and reclamation of the water and sewerage pipes of the various municipalities; to the extraordinary maintenance of the water centres of the treatment plants and to the actions aimed at reducing water leaks;
- ACEA Ato5 for € 14,610 thousand for the replacement, maintenance and expansion of water supplies and sewerage pipes and of water treatment plants;
- Gori for € 22,667 thousand, for the replacement of the water pipelines as well as for the extraordinary maintenance of the works for the water and sewerage service;
- AdF for € 9,570 thousand mainly due to extraordinary maintenance and optimisation of networks/plants and to new works;
- SII for € 4,823 thousand mainly for modernisation and expansion of the infrastructures, and for reordering and improvement of the waste collection and treatment system. We can also note the construction of the new treatment plant in the Municipality of Alviano.

The item **Other changes** mainly comprises reclassifications for the commissioning of assets previously in preparation.

18. Other intangible fixed assets - € 376,065 thousand

The item has a net book value as at 30 June 2021 of € 376,065 thousand and can be represented as follows:

€ thousand	Patent rights	Other intangible fixed assets	Investments in progress	Total Intangible fixed assets
31.12.2020	171,309	100,978	40,945	313,232
Amortisation and impairment	(33,119)	(13,927)	(62)	(47,109)
Investments / Acquisitions	34,335	19,264	14,155	67,754
Disinvestments	(1,850)	(2,022)	150	(3,722)
Changes in consolidation scope	39	1,026	(950)	114
Other changes	22,942	29,843	(6,989)	45,795
Net value 30.06.2021	193,655	135,161	47,249	376,065

The increase over the previous year, amounting to € 62,833 thousand, arises from capital expenditure incurred during the period (€ 67,754 thousand), net of amortisation and reductions in value (€ 47,109 thousand) and reclassifications.

Investments for the period are mainly attributable to:

- areti for € 13,997 thousand for charges incurred for the re-engineering of the information and commercial distribution systems and for the harmonisation of systems to support measurement activities;
- Acea Energia for € 32,973 thousand in relation to the cost of acquiring new customers under the terms of IFRS15 (€ 16,838 thousand), and to IT implementation projects (€ 16,135 thousand);
- The Parent Company for € 12,029 thousand for the purchase and implementation of software to support the development of IT platform management systems, corporate security and administrative management.

19. Right of use - € 78,131 thousand

This item includes rights to use the assets of others which are recognised as leased assets and amortised over the duration of the contracts in line with the IFRS 16 international standard. As at 30 June 2021 the net book value of these assets is € 78,131 thousand and the nature of these assets can be represented as follows:

€ thousand	30.06.2021	31.12.2020	Change	% Change
Land and buildings	60,660	57,362	3,299	5.75 %
Cars and motor vehicles	6,320	4,215	2,105	49.93 %
Machinery and equipment	9,089	9,898	(809)	(8.17%)
Distribution cabins	1,929	1,999	(70)	(3.51%)
Other	132	186	(54)	(28.94%)
Total	78,131	73,660	4,470	6.07 %

The book value of the assets consisting of the right of use at 30 June 2021 for each class of underlying asset and the related changes in the period are shown below:

€ thousand	Land and buildings	Cars and motor vehicles	Machinery and equipment	Distribution cabins	Other	Total
Opening balances	57,362	4,215	9,898	1,999	186	73,660
Acquisitions	974	0	0	0	0	974
New contracts	2,067	5,116	0	25	0	7,208
Remeasurement	5,999	751	203	(2)	0	6,952
Derecognition	(551)	(1,203)	0	0	0	(1,754)
Depreciation	(5,191)	(2,560)	(1,012)	(94)	(54)	(8,911)
Total	60,660	6,320	9,089	1,929	132	78,131

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

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

20. Equity investments in unconsolidated subsidiaries and associates – € 287,468 thousand

Company name	31.12.2020	Changes in consolidation scope	Gains/losses from valuation of shareholders' equity	Decrease for dividends	Currency translation differences	Changes with direct effect on shareholders' equity	OCI	Other changes/reclassifications	30.06.2021
Acque	90,545	0	7,361	(2,615)	0	0	314	(65)	95,540
Acque servizi	5,110	0	154	0	0	0	(5)	0	5,258
GEAL	7,812	0	253	(22)	0	0	6	0	8,048
Nuove acque and Intesa Aretina	12,858	0	565	0	0	(452)	0	(189)	12,782
Publiacqua	111,371	0	3,513	(1,183)	0	0	61	(106)	113,656
Umbra Acque	19,334	0	1,325	(158)	0	0	17	(99)	20,419
Ingegnerie Toscane	13,357	0	2,000	0	0	0	13	0	15,370
Energy	12,869	0	364	0	0	0	0	(141)	13,092
Belaria	0	0	1,038	(1,078)	0	0	0	0	(40)
Mithra	0	3	198	0	0	0	0	0	201
Other equity investments	3,106	0	0	0	0	0	0	36	3,142
Total Equity Investments	276,362	3	16,770	(5,055)	0	(452)	406	(566)	287,468

The changes that occurred during the period refer primarily to the valuations of the companies consolidated using the equity method, which have a positive impact on the Income Statement for a total of € 11,263 thousand. These valuations are mainly reflected in the item "Income/(Expenses) from equity investments of a non-financial nature" and the rest in the item "Income/Expenses from equity investments".

€ thousand 30/06/2021	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenues	Valuation of companies using the equity method	NFP
ACQUE	231,962	40,899	(125,351)	(46,294)	(38,109)	4,681	(94,912)
INTESA ARETINA	12,232	279	0	(59)	0	(180)	205
BELARIA	4,152	598	(3,685)	(35)	0	(40)	(3,128)
ECOMED	3	373	(20)	(419)	0	(0)	163
ENERGY	5,132	1,465	0	(397)	(730)	223	1,020
GEAL	21,021	4,792	(10,546)	(6,706)	(4,632)	231	(5,357)
INGEGNERIE TOSCANE	1,548	14,329	(620)	(9,257)	(6,000)	2,000	(3,171)
MITHRA	1,752	428	0	(433)	(311)	198	132
NUOVE ACQUE	17,577	6,277	(8,773)	(2,422)	(4,747)	556	(3,607)
PUBLIACQUA	228,466	54,544	(102,871)	(69,871)	(51,574)	2,224	(66,712)
ACQUE SERVIZI	923	9,245	(852)	(5,645)	(5,341)	154	(1,692)
UMBRA ACQUE	66,258	13,663	(22,664)	(38,029)	(16,596)	1,067	(21,516)
Total	591,027	146,892	(275,382)	(179,568)	(128,040)	11,114	(198,574)

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

21. Other equity investments - € 3,079 thousand

These total € 3,079 thousand (they were € 3,100 thousand at 31 December 2020) and are composed of investments in shareholder securities that do not represent control, association or joint control.

22. Deferred tax assets - € 240,546 thousand

At 30 June 2021, deferred tax assets, net of deferred tax liabilities, amounted to € 240,546 thousand (€ 235,012 thousand at 31 December 2020).

Deferred tax assets are mainly made up of the following kinds: (i) € 32,712 thousand for the provision for tax risks (€ 28,654 thousand as at 31 December 2020); (ii) € 126,268 thousand to the amortisation/depreciation of tangible and intangible assets (€ 135,217 thousand as at 31 December 2020); (iii) € 83,558 thousand for the impairment of receivables (€ 83,339 thousand as at 31 December 2020); (iv) € 12,534 thousand to defined benefit and defined contribution plans (€ 12,362 thousand as at 31 December 2020); (v) € 7,891 thousand to fair value of commodities and other financial instruments (€ 9,923 thousand as at 31 December 2020).

Provisions for deferred taxes include in particular the deferred taxes tied to differences existing between the economic-technical amortisation rates applied to depreciable assets and tax portions. Uses in the period totalling € 4,587 thousand and allocations amounting to € 20,142 thousand contributed to this item.

The following table details the changes in this item.

€ thousand	31/12/2020	Changes in 2021						30/06/2021
	Balance	Changes in consolidation scope	Adjustments/Reclassifications	Changes in shareholders' equity	Uses	Rate adjustment	IRES/IRAP provisions	Balance
Prepaid taxes								
Tax losses	401	0	0	0	0	0	4,729	5,131
Remuneration of BoD members	42	0	0	0	(3)	0	15	55
Provisions for risks and charges	28,654	0	3,077	1,494	(1,630)	0	1,116	32,712
Impairments of receivables and equity investments	83,339	0	(10)	0	0	0	229	83,558
Depreciation/amortisation	135,217	0	(15,353)	0	(3,939)	0	10,343	126,268
Defined benefit and defined contribution plans	12,362	0	(9)	40	20	0	121	12,534
Tax assets on consolidation adjustments	9	0	(4)	0	0	0	0	5
Fair value commodities and other financial instruments	9,923	0	0	(2,001)	(31)	0	0	7,891
Others	58,558	0	(1,010)	1,171	(3,612)	0	6,604	61,711
Total	328,505	0	(13,308)	704	(9,194)	0	23,157	329,865
Deferred taxes								
Depreciation/amortisation	61,000	0	(15,331)	9,584	(3,117)	0	2,746	54,882
Defined benefit and defined contribution plans	174	0	10	518	(622)	0	105	185
Fair value commodities and other financial instruments	4,133	0	0	0	(98)	0	30	4,065
Others	28,186	0	1,027	1,611	(770)	0	134	30,188
Total	93,493	0	(14,294)	11,713	(4,608)	0	3,015	89,319
Net	235,012	0	986	(11,009)	(4,587)	0	20,142	240,546

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

23. Non-current financial assets - € 32,398 thousand

These amounted to € 32,398 thousand (€ 38,781 thousand at 31 December 2020) and recorded a decrease of € 6,383 thousand attributable to ACEA Sun Capital and related to the loan in being with Belaria, a company consolidated with the equity method (-€ 3,427 thousand); the remaining change is mainly attributable to the Parent Company and regards receivables due from Roma Capitale which relate to investments for the Public Lighting service, namely the re-qualification of systems, energy saving, legislative compliance and technological innovation, which will be paid to ACEA, of an amount equal to the fiscal amortisation, beyond the first half of 2021, in accordance with what is agreed in the Supplementary Agreement to the service contract signed on 15 March 2011.

24. Other non-current assets - € 543,443 thousand

Other non-current assets at 30 June 2021 are composed as follows:

€ thousand	30/06/2021	31/12/2020	Change	% Change
Receivables due from the State	20	0	20	n.s.
Advances and deposits	1,761	1,672	89	5.4 %
Other Receivables, Receivables from Subsidiaries	1,719	1,809	(90)	(5.0%)
Long-term receivables for tariff adjustments, Non-Current Provisions for doubtful accounts	386,495	387,803	(1,308)	(0.3%)
Long-term receivables for <i>Regulatory Lag</i>	139,302	117,108	22,194	19.0 %
Accrued income and prepayments	14,145	13,968	177	1.3 %
Other non-current assets	543,443	522,360	21,083	4.0 %

This item also includes long-term receivables for tariff adjustments for € 386,495 thousand (€ 387,803 thousand at 31 December 2020) of the water companies while € 139,302 thousand (€ 117,108 thousand at 31 December 2020) is the long-term portion of the receivables registered in Areti for regulatory lag.

25. Current assets - € 2,747,932 thousand

€ thousand	30/06/2021	31/12/2020	Change	% Change
Inventories	88,979	91,973	(2,994)	(3.3%)
Trade receivables				
Receivables from customers	982,152	934,174	47,977	5.1 %
Receivables from Parent Company	53,803	38,718	15,085	39.0 %
Receivables from subsidiaries and associates	10,051	8,617	1,434	16.6 %
TOTAL TRADE RECEIVABLES	1,046,006	981,509	64,497	6.6 %
Other current receivables and assets	300,820	257,442	43,378	16.8 %
Current financial assets	436,513	379,859	56,654	14.9 %
Tax credits	19,987	9,618	10,369	107.8 %
Cash and cash equivalents	855,627	642,209	213,418	33.2 %
Current assets	2,747,932	2,362,610	385,321	16.3 %

25.a - Inventories

The item inventories amounted to € 88,979 thousand (€ 91,973 thousand at 31 December 2020) and shows a decrease of € 2,994 thousand, attributable mainly to ARETI (- € 7,554 thousand) in part offset by the change in the scope (+ € 2,570), mainly due to SIMAM, and by the increase recorded by TWVS (+ € 706 thousand).

25.b - Trade receivables

These amounted to € 1,046,006 thousand, recording an increase of € 64,497 thousand compared to 31 December 2020, when the figure was € 981,509 thousand.

€ thousand	30/06/2021	31/12/2020	Change	% Change
Trade receivables	982,152	934,174	47,977	5.1 %
Receivables from the parent company	53,803	38,718	15,085	39.0 %
Receivables from Subsidiaries and Associates	10,051	8,617	1,434	16.6 %
Total trade receivables	1,046,006	981,509	64,497	6.6 %

Trade receivables

These amounted to € 982,152 thousand, recording an increase of € 47,997 thousand compared to 31 December 2020.

€ thousand	30/06/2021	31/12/2020	Change	% Change
Receivables due from end users for bills issued	387,333	382,956	4,377	1.1 %
Receivables due from end users for bills to be issued	447,596	411,623	35,973	8.7 %
Total receivables due from end users	834,928	794,578	40,350	5.1 %
Receivables from other customers	147,163	139,536	7,627	5.5 %
Other current receivables and assets	60	60	0	n.s.
Total receivables	982,152	934,174	47,977	5.1 %

Receivables are shown net of the Provision for doubtful receivables, which at 30 June 2021 amounted to € 608,157 thousand and decreased by € 31,840 thousand compared to the previous year, mainly due to the effect of uses for the period and lower provisions due also to the effects of the sale of *non-performing* receivables, which amounted to € 63,814 thousand at 30 June 2021.

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

€ million	30/06/2021			31/12/20			Change		
	Gross receivables	Provision for write-downs	Net receivables	Gross receivables	Provision for write-downs	Net receivables	Gross receivables	Provision for write-downs	Net receivables
	(a)	(b)		(c)	(d)		(a)-(c)	(b)-(d)	
Environment	64,041	(2,987)	61,053	59,713	(3,111)	56,601	4,328	124	4,452
Commercial and Trading	391,027	(193,501)	197,527	413,104	(222,102)	191,002	(22,077)	28,601	6,525
Water	840,132	(300,352)	539,781	826,276	(301,195)	525,081	13,857	843	14,700
Overseas	27,740	(17,983)	9,757	23,666	(15,846)	7,820	4,074	(2,137)	1,937
Energy Infrastructure	222,874	(84,475)	138,399	204,286	(88,627)	115,660	18,588	4,152	22,739
Generation	34,198	(5,654)	28,544	36,180	(5,924)	30,255	(1,982)	270	(1,711)
Engineering and Services	6,917	(1,081)	5,836	7,925	(1,068)	6,857	(1,008)	(13)	(1,021)
Parent Company	3,379	(2,124)	1,255	3,022	(2,124)	898	357	0	357
Total	1,590,308	(608,157)	982,152	1,574,171	(639,997)	934,174	16,137	31,840	47,977

Environment

These totalled € 61,053 thousand, up by € 4,452 thousand compared to 31 December 2020. The increase refers mainly to the receivables of ACEA Ambiente, Aquaser and Cavallari which increased respectively by € 1,409 thousand, € 1,794 thousand and € 993 thousand.

Commercial and Trading

Receivables in this segment amounted to € 197,527 thousand and are primarily generated by the sale of electricity to the protected and free markets and by gas sales. The increase compared to 31 December 2020 was € 6,525 thousand, mainly attributable to Acea Energia (+ € 12,823 thousand) partially offset by the reduction in receivables recognised by Umbria Energy (reduction of € 5,964 thousand).

During the first half of 2021, Acea Energia's receivables were assigned without recourse for a total amount of € 215,378 thousand.

Overseas

These totalled € 9,757 thousand and increased compared to 31 December 2020 by € 1,937 thousand, mainly due to the consolidation of the new Consorcio Agua Azul (+ € 1,262 thousand) and for Consorcio Acea (+ € 821 thousand).

Water

These totalled € 539,781 thousand, recording an increase of € 14,700 thousand compared to 31 December 2020. The increase is attributable to ACEA Ato2 for € 28,040 thousand offset by decreases of GORI for € 11,821 thousand and those of SII for € 9,276 thousand. These decreases are attributable to the effects of the transactions to dispose of non-performing receivables carried out during the first half of 2021.

During the period, ACEA Ato2 receivables were assigned without recourse for a total of € 187,691 thousand, of which € 4,466 thousand due from the public administration, ACEA Ato5 receivables for € 1,287 thousand due from the Public Administration, SII receivables for € 11,010 thousand and GORI receivables for € 6,906 thousand.

Energy Infrastructure

These came out at € 138,399 thousand with an increase of € 22,739 thousand compared to 31 December 2020, mainly attributable to Areti.

During the first half of 2021 areti receivables totalling € 295,923 thousand were transferred without recourse, € 93,109 thousand from the Public Administration.

Generation

These amounted to a total of € 28,544 thousand and decreased compared to the previous year by € 1,711 thousand. We can note a reduction in the receivables of Solaria Real Estate of € 4,142 thousand offset by an increase in the receivables of Acea Produzione of € 3,099 thousand.

Engineering and Services

These amounted to a total of € 5,836 thousand with a decrease compared to 31 December 2020 of € 1,021 thousand attributable mainly to the better performance recorded by TWS (- € 893 thousand).

Parent Company

These totalled € 1,255 thousand, recording an increase of € 357 thousand compared to 31 December 2020.

Receivables from the Parent Company Roma Capitale

As regards **relations with Roma Capitale**, the net balance at 30 June 2021 was € 61,220 thousand payable by the Group, compared to the previous balance of € 28,586 thousand at 31 December 2020.

The change in receivables and payables is due to the accrual of the period and especially the effects of the operations shown below:

- 4 January 2021 payment by ACEA Ato2 of the balance of the concession fee for 2017 of € 8,376 thousand and the concession fee for 2019 of € 25,054 thousand;
- In March 2021, offsetting of receivables for € 18,623 thousand relating to the Public Lighting service for January - November 2020 fees, offsetting ACEA's share dividends for 2018;
- In June 2021, offsetting of receivables for € 8,905 thousand relating to receivables from water utility for the period November - December 2020, offsetting the share dividends for the years 2018 and 2019, and the portion of the 2020 concession fee.

During the period the company Acea Produzione received approximately € 305 thousand from Roma Capitale referring to district heating users.

During the period the stock of trade receivables recorded an increase of € 15,085 thousand due mainly to the accrual of invoices to water users of the period (+ € 23,700 thousand) and the offsetting of receivables for water users for - € 8,905 thousand.

Financial receivables decreased by € 2,954 thousand compared to the previous period, to be attributed to the combined effect of i) the offsetting of financial receivables in March (as detailed above); ii) the accrual of receivables related to the public lighting service agreement, to the modernisation of security, to extraordinary maintenance, to the Led Plan agreement and to the works relating to the Public Lighting service.

As regards payables, in the period there was an increase of € 44,766 thousand. The main changes are listed below:

- (+) recognition of share dividends accrued for 2020 by Acea amounting to € 86,889 thousand, as resolved by the Shareholders' Meeting of April 2021);
- (+) registration of the portion accrued in the period for the concession fee of Acea Ato2 of € 13,168 thousand;
- (+) recognition of Acea Ato2 share dividends accrued for 2020 amounting to € 2,230 thousand, as resolved by the Shareholders' Meeting of April 2021;
- (+) recognition of the portion accrued for the COSAP payable (fee for occupation of public spaces and areas) of € 1,619 thousand;
- (-) decrease due to payment by ACEA Ato2 of the balance of the concession fee for 2017 and 2019 for a total of € 33,430 thousand;
- (-) decrease due to the payment by Acea Ato2 of the 2020 concession fee for € 4,598 thousand due to the June offsetting;
- (-) decrease in the payable for Acea's share dividends for 2018 of € 18,623 thousand following the payment made through offsetting in March;
- (-) decrease in ACEA Ato2 share dividends referring to 2018 and 2019, due to the offsetting in June for € 4,307 thousand.

As part of the activities required for the first consolidation of the ACEA Group in the 2018 Financial Statements of Roma Capitale, a round table was launched to reconcile the Roma Capitale Receivables and Payables. After several meetings and communications, on 22 February 2019 the Technical Department of the Municipality (SIMU) in charge of the management of the contracts with the ACEA Group communicated several objections relating to the supply of both works and services for the period 2008-2018. These objections were completely rejected by the Group.

In order to arrive at a complete resolution of the differences during 2019 a specific Joint Technical Committee was set up with the ACEA Group.

Following several meetings, on 18 October 2019, the Joint Technical Committee drew up a report on the closure of the work, highlighting the results that emerged and proposing a favourable restart of the ordinary execution of the mutual obligations between the ACEA Group and Roma Capitale.

As a first step after the completion of the work, the parties took steps to implement the results that emerged from the discussions, restarting the payment of their respective receivables and payables.

Please note that in December 2020 the Consolidated Financial Statements of Roma Capitale at 31/12/2019 were approved.

For the Public Lighting contract at the end of 2020 the AGCM made its position clear regarding the legitimacy of the existing contract, to this day a source of audits, works and joint investigation. Among other things, the measure also gave rise to audits on the congruity of the prices applied. In February 2021, following the aforesaid feedback and works, Roma Capitale confirmed the absolute congruity and convenience of the current economic terms with respect to the CONSIP parameters.

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 due from Roma Capitale	30/06/21	31/12/20	Change
	A)	B)	A) - B)
Utility receivables	56,525	42,036	14,489
Provisions for impairment	(9,187)	(9,348)	161
Total receivables from users	47,338	32,688	14,650
Receivables for water works and services	2,320	2,320	0
Receivables for water works and services to be invoiced	2,048	1,818	230

Provisions for impairment	(1,897)	(1,897)	0
Receivables for electrical works and services	4,300	4,073	227
Receivables works and services - to be billed	20	43	(23)
Provisions for impairment	(326)	(326)	0
Total receivables for works	6,465	6,030	435
Total trade receivables	53,803	38,718	15,085
Financial receivables for Public Lighting services billed	162,118	129,336	32,782
Provisions for impairment	(30,152)	(30,152)	0
Financial receivables for Public Lighting services to be billed	34,048	65,033	(30,985)
Provisions for impairment	(24,976)	(21,960)	(3,015)
M/L term financial receivables for Public Lighting services	10,021	11,756	(1,735)
Total Public Lighting receivables	151,058	154,012	(2,954)
Total Receivables	204,861	192,729	12,132

Payables due to Roma Capitale	30/06/21	31/12/20	
Electricity surtax payable	(15,249)	(15,249)	1
Concession fees payable	(37,343)	(62,202)	24,859
Other payables	(14,449)	(11,013)	(3,436)
Dividend payables	(199,040)	(132,851)	(66,189)
Total payables	(266,081)	(221,316)	(44,766)
Net balance receivables payables	(61,220)	(28,586)	(32,634)

Trade receivables from associates and joint ventures

€ thousand	30/06/2021	31/12/2020	Change	% Change
Receivables from Associates	1,559	1,517	42	2.8 %
Receivables from jointly controlled entities	8,492	7,100	1,392	19.6 %
Total	10,051	8,617	1,434	16.6 %

Trade receivables from jointly-controlled companies mainly refer to receivables from companies consolidated using the equity method. These receivables amounted to a total of € 10,051 thousand (+ € 1,434 thousand), and the increase derives from higher receivables claimed by ACEA from its subsidiaries following recognition of receivables for allocation of costs incurred for the Acea2.0 programme, representing allocation of the investment in the joint venture.

25.c - Other current assets

€ thousand	30/06/2021	31/12/2020	Change	% Change
Receivables from others	262,335	235,791	26,544	11.3 %
Accrued income and prepaid expenses	28,458	19,606	8,852	45.2 %
Payables arising from commodity derivatives	10,027	2,045	7,982	n.s.
Total	300,820	257,442	43,378	16.8 %

Receivables from others

These amounted to a total of € 262,335 thousand and were made up as follows:

€ thousand	30/06/2021	31/12/2020	Change	% Change
Receivables due from the Equalisation Fund	55,157	37,504	17,652	47.1 %
Receivables from Equalisation Fund for Tariff Contribution from cancellation	8,723	1,261	7,462	n.s.
Other receivables from Equalisation Fund	12,207	7,757	4,450	57.4 %
Regional grants receivable	227	227	0	n.s.
Receivables from Equitalia	136	232	(96)	(41.4%)
Security deposits	3,997	6,527	(2,530)	(38.8%)
Receivables from social security institutions	1,735	3,242	(1,506)	(46.5%)
Receivables from individual transfers	2,382	2,352	30	1.3 %
Suppliers' advances	6,825	5,158	1,668	32.3 %
Receivables due from Municipalities	10,796	10,784	12	0.1 %
Receivables from Factor from the sale	(215)	288	(504)	(174.8%)
Receivables for accrued Green Certificates	10,802	5,596	5,206	93.0 %
Receivables from OTAA's	18,407	16,029	2,378	14.8 %
Receivables from staff	29	29	1	1.9 %
Receivables due to the transferee Area Laurentina	6,446	6,446	0	n.s.
Receivables for advances to employees	356	569	(213)	(37.5%)
Other Tax Receivables	23,054	30,469	(7,415)	(24.3%)
Other receivables	101,272	101,323	(51)	(0.1%)
Total	262,335	235,791	26,544	11.3 %

The increase derives mainly **i)** from receivables due from the Energy Equalisation Fund (+ € 17,652 thousand) mainly attributable to Acea Energia (+ € 13,205 thousand) as a result of the redetermination of the amounts payable, for the purposes of equalisation for the years 2014-2021; **ii)** from receivables for accrued green certificates (+ € 5,206 thousand) attributable to higher receivables for incentive tariffs of ACEA Produzione (+ € 2,055 thousand); **iii)** from higher receivables of Acea Ambiente due from GSE for Green incentives and green certificates (+ € 3,151 thousand); **iv)** and from receivables due from the Terni OTAA (+ € 2,378 thousand) attributable to the consolidation of SII.

Accrued income and prepaid expenses

These amounted to € 28,458 thousand (€ 19,606 thousand at 31 December 2020) and refer mainly to rent on public land, lease payments and insurance. The change was a positive € 8,852 thousand.

25.d - Current tax assets

These amounted to € 19,987 thousand (€ 9,618 thousand at 31 December 2020) and include IRAP and IRES receivables.

25.e - Current financial assets

€ thousand	30/06/2021	31/12/2020	Change	% Change
Financial receivables from the Parent Company Roma Capitale	141,037	142,256	(1,218)	(0.9%)
Financial receivables from subsidiaries and associates	5,595	2,509	3,086	123.0 %
Financial receivables from third parties	289,880	235,094	54,786	23.3 %
Total	436,513	379,859	56,654	14.9 %

Financial receivables from the Parent Company Roma Capitale

These totalled € 141,037 thousand, recording a decrease of € 1,218 thousand compared to 31 December 2020. They represent the unconditional right to receive cash flows in line with the methods and timing envisaged in the service agreement for public lighting management. Further details are provided in the note *Receivables due from the Parent Company Roma Capitale*.

Financial receivables from associates and joint ventures

These amounted to € 5,595 thousand and increased by 3,086 thousand compared to 31 December 2020, owing mainly to the recognition in Acque Blu Fiorentine of the receivable for dividends distributed by Publicacqua (€ 2,200 thousand).

Financial receivables from third parties

These amounted to € 289,880 thousand (€ 235,094 thousand at 31 December 2020) and are essentially made up of short-term deposit lines of the Parent Company (€ 280,000 thousand).

25.f - Cash and cash equivalents

The balance at 30 June 2021 of bank current accounts and postal accounts, opened with the various banks and Post Offices by the consolidated companies amounted to € 855,627 thousand. A breakdown and changes in this item by operating segment are shown in the table below:

€ thousand	30/06/2021	31/12/2020	Change	Change %
Bank and postal deposits	850,186	637,730	212,456	33.3 %
Cheques	2,818	2,096	722	34.5 %
Cash and similar items of value on hand	2,623	2,383	239	10.0 %
Total	855,627	642,209	213,418	33.2 %

Liabilities

At 30 June 2021 these amounted to € 10,339,837 thousand (€ 9,673,614 thousand at 31 December 2020), recording an increase of € 666,223 thousand (6.9%) over the previous year, and can be broken down as follows:

€ thousand	30/06/2021	31/12/20	Change	% Change
Shareholders' equity	2,340,099	2,323,258	16,840	0.7 %
Non-current liabilities	5,605,291	4,839,048	766,244	15.8 %
Current liabilities	2,394,447	2,511,308	(116,861)	(4.7%)
Liabilities directly associated with assets held for sale	0	0	0	n.s.
Total Liabilities	10,339,837	9,673,614	666,223	6.9 %

26. Shareholders' equity - € 2,340,099 thousand

At 30 June 2021, shareholders' equity amounted to € 2,340,099 thousand (€ 2,323,258 thousand at 31 December 2020). Changes in shareholders' equity during the period are shown in the specific statement.

Share capital

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

- ✚ **Roma Capitale: 108,611,150** ordinary shares for a total par value of € 560,434 thousand;
- ✚ **Market: 103,936,757** shares for a total par value of € 536,314 thousand;
- ✚ **Treasury shares: 416,993** for a total par value of € 2,151 thousand.

Legal reserve

The legal reserve includes 5% of the profits from previous years, in accordance with article 2430 of the Italian Civil Code, and it refers to the legal reserve of the parent company amounting to € 138,649 thousand.

Other reserves and retained earnings

At 30 June 2021 these amounted to € 561,371 thousand against € 451,222 thousand at 31 December 2020.

In addition to the allocation of the previous year's result, the change of € 110,149 thousand derives mainly from: **i)** distribution of dividends of the parent company for € 170,038 thousand and **ii)** increase in cash flow hedges of financial instruments and commodities for € 3,263 thousand **iii)** decrease of € 2,208 thousand in actuarial gains and losses reserves; **iv)** increase in the exchange rate reserve for € 167 thousand.

At 30 June 2021 ACEA held 416,993 treasury shares to be used for future medium/long-term incentive schemes. At this time there are no medium/long-term share-based payment schemes planned.

Equity of non-controlling interests

This amounted to € 375,391 thousand, an increase of € 16,962 thousand. The change between the two periods compared, in addition to the change in the portion of profits pertaining to minority interests, is mainly due to the change in the scope of consolidation (+ € 8,096 thousand), for the acquisition of 35% of the shares of Solaria Real Estate (effect including the allocation of Goodwill), as well as the allocation to non-controlling interests of goodwill arising during evaluation (+ € 8,964 thousand), about which more information can be found in the relevant section of the notes.

27. Employee severance indemnity and other defined benefit plans - € 113,416 thousand

At 30 June 2021, this item amounted to € 113,416 thousand (€ 122,047 thousand as at 31 December 2020) and represents termination and other benefits payable to employees on retirement or termination of employment.

The following table shows the change in actuarial liabilities during the period.

€ thousand	30/06/2021	31/12/2020	Change	% Change
Benefits due at the time of termination of employment				
- Employee severance indemnity	63,782	67,029	(3,248)	(4.8%)
- Extra months	10,218	10,150	68	0.7 %
- Long-Term Incentive Plans (LTIP)	546	1,600	(1,054)	(65.9%)
Post-employment benefits				
- Tariff subsidies	24,975	26,033	(1,058)	(4.1%)
- Isopensione (early retirement)	13,895	17,235	(3,339)	(19.4%)
Total	113,416	122,047	(8,631)	(7.1%)

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

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

	June 2021	December 2020
Discount Rate	0.8 %	0.35 %
Revenue growth rate (average)	1.59 %	1.59 %
Long-term inflation	1.00 %	1.00 %

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

Type of plan	+0.5 %	-0.5 %
	€ million	€ million
Employee severance indemnities (TFR)	-3.5	+3.7
Tariff subsidies	-0.3	+0.3
Extra months	-0.1	+0.1

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

Type of plan	-1 year of age
	€ million
Employee severance indemnities (TFR)	+0.7
Tariff subsidies	-1.5
Extra months	+0.4

28. Provisions for risks and charges - € 236,831 thousand

At 30 June 2021, the provision for risks and charges amounted to € 236,831 thousand (€ 156,951 thousand at 31 December 2020) and is allocated to hedge among other things probable liabilities that may derive from ongoing legal disputes, on the basis of what is stated by internal and external lawyers, without considering those that could be successful and those that could be lost being assessed exclusively as possible.

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

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

€ million	31/12/2020	Uses	Provisions	Release for Excess	Reclassifications /Other changes	30/06/2021
Legal	16,173	(788)	1,634	(191)	(85)	16,742
Taxes	9,171	(183)	100	(1,253)	(30)	7,805
Regulatory risks	27,432	(46)	937	0	(386)	27,936
Investees	10,308	0	0	0	360	10,668
Contributory risks	1,107	0	5	0	(1)	1,111
Insurance deductibles	10,980	(768)	1,319	50	(69)	11,511
Other risks and charges	23,690	(2,044)	1,191	(640)	183	22,380
Total Provision for Risks	98,860	(3,830)	5,185	(2,035)	(28)	98,154
Early retirements and	31,762	(3,035)	124	0	(31)	28,820
Post mortem	17,591	0	14	0	242	17,847
Provision for Expenses payable	8,738	(1,106)	36	0	80	7,748
Provisions for Interim Taxes	0	0	84,083	0	179	84,262
Total Provisions for Expenses	58,090	(4,140)	84,257	0	470	138,677
Total Provisions for Risks and Charges	156,951	(7,970)	89,442	(2,035)	442	236,831

ACEA considers that the settlement of ongoing disputes and other potential disputes should not create any additional charges for Group companies, with respect to the amounts set aside, which represent the best estimate possible on the basis of elements available as of today. The main change is due to the recognition of taxes for the period which are set aside, as provided for in the international accounting standards, in specific "Provisions for interim taxes".

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

29. Non-current borrowings and financial liabilities - € 4,856,469 thousand

€ thousand	30/06/2021	31/12/2020	Change	% Change
Bonds	4,143,171	3,253,444	889,727	27.3 %
Medium/long-term borrowings	651,034	841,464	(190,430)	(22.6%)
IFRS 16 financial payables	62,264	59,343	2,922	4.9 %
Total	4,856,469	4,154,251	702,219	9.6 %

The figures in the table include the *fair value*, at 30 June 2021, of hedging instruments entered into and certain Group companies which are shown separately from the hedged instrument in the table below.

€ thousand	Hedged instrument	Derivative fair value	30.06.2021	Hedged instrument	Derivative fair value	31.12.2020
Bonds	4,115,684	27,487	4,143,171	3,230,695	22,749	3,253,444
Medium/long-term borrowings	646,431	4,603	651,034	834,790	6,673	841,464
Non-current borrowings and financial liabilities	4,762,115	32,090	4,794,205	4,065,486	29,422	4,094,908

Bonds

On 21 January 2021, Acea S.p.A. completed placement of a Green Bond for a total amount of € 900 million, with maturity 6 April 2029 divided into in two series, the Green Financing Framework recently published and under the € 4 billion Euro Medium Term Notes (EMTN) programme (the “Bonds”), with the Base Prospectus as last updated on 24 July 2020 and subsequently amended on 15 January 2021. The first series totalled € 300 million, with a rate of 0% and maturity on 28 September 2025 (the “2025 Bonds”) and the second series totalled € 600 million, with a rate of 0.25% and maturity on 28 July 2030 (the “2030 Bonds”). The bonds are governed by English law. Starting from 28 January 2021, the bonds are listed on the regulated market of the Luxembourg Stock Exchange, where the prospectus was filed.

The bonds amounted to € 4,143,171 thousand at 30 June 2021 (€ 3,253,444 thousand at 31 December 2020) and refer to the following:

- **€ 598,119 thousand** (including the long-term portion of the contract related costs) relating to the 10-year fixed-rate bond issued by ACEA in July 2014, as part of the Euro Medium Term Notes (EMTN) programme of € 1.5 billion. The bonds, which have a minimum denomination of € 100,000 and mature on 15 July 2024, pay an annual gross coupon of 2.625% and were placed at an issue price of 99.195%. The effective gross yield at maturity is equal to 2.718%, corresponding to a yield of 128 basis points above the 10-year midswap rate. The bonds are governed by English law. The settlement date was 15 July 2014. Interest accrued during the period amounted to € 7,810 thousand;
- **€ 495,331 thousand** (including the long-term portion of the costs attached to the contract) relating to the bond issued by ACEA in October 2016 for the EMTN programme for a total amount of € 500,000 with a 10-year fixed-rate duration. The bonds, which have a minimum denomination of € 100,000 and expire on 24 October 2026, pay an annual gross coupon of 1% and were placed at an issue price of 98.377%. The bonds are governed by English law. The settlement date was 24 October 2016. Interest accrued during the period amounted to € 2,479 thousand;
- € 151,749 thousand relating to the Private Placement which, net of the Fair Value of the hedge, a negative € 27,487 thousand, amounted to **€ 179,236 thousand**. This fair value is allocated to a specific equity reserve. A specific exchange reserve includes the exchange rate difference, a negative € 13,350 thousand, of the hedged instrument calculated on 30 June 2021. The exchange rate at 30 June 2021 amounted to € 131.75 against € 126.18 at 31 December 2020. Interest accrued during the period amounted to € 1,878 thousand. This is a private bond (Private Placement) for an amount of 20 billion Japanese Yen with a maturity of 15 years (2025). The Private Placement was underwritten entirely by a single investor (AFLAC). Coupons are paid on a semi-annual basis every 3 March and 3 September applying a fixed rate in Yen of 2.5%. At the same time, a cross currency transaction was carried out to transform the Yen currency into Euro and the Yen rate applied into a fixed rate in Euro. The cross-currency transaction requires the bank to pay ACEA, with a deferred semi-annual maturity, 2.5% out of 20 billion Japanese Yen, while ACEA must pay the bank the coupons on a quarterly postponed basis at a fixed rate of 5.025%. The loan agreement and the hedging contract contain an option, respectively, for the investor and the agent bank, connected to the trigger rating: the debt and its derivative can be recalled in their entirety in the event that ACEA's rating falls below the level of investment grade or in the event that the debt instrument loses its rating. At the end of the year the conditions for the possible exercise of the option did not occur;
- **€ 299,856 thousand** (including the long-term portion of the costs associated with the conclusion) relating to the bond loan issued by ACEA on 1 February 2018 with a maturity of 5 years at a variable rate (Euribor 3 months +0.37%) under the EMTN programme. Interest accrued during the period amounted to zero;
- **€ 691,427 thousand** (including the long-term portion of the costs associated with the conclusion) relating to the bond loan issued by ACEA on 1 February 2018, with a fixed rate of 1.5% for the duration of 9.5 years under the EMTN programme. Interest accrued during the period amounted to € 5,207 thousand.
- **€ 494,098 thousand** (including the long-term portion of costs associated with the conclusion) relating to the bond loan issued by ACEA on 23 May 2019, with a fixed rate of 1.75% for the duration of 9 years under the EMTN programme. Interest accrued during the period amounted to € 4,339 thousand;
- **€ 495,643 thousand** (including the long-term portion of costs associated with the conclusion) relating to the bond loan issued by ACEA on 29 January 2020, with a rate of 0.50% for the duration of 9 years under the EMTN programme. Interest accrued during the period amounted to € 1,240 thousand;
- **€ 299,572 thousand** (including the long-term portion of costs associated with the conclusion) related to the newly-issued Green Bond with maturity 28 September 2025 and rate of 0%;

- **€ 589,396 thousand** (including the long-term portion of costs associated with the conclusion) related to the newly-issued Green Bond with maturity 28 July 2030 and rate of 0.25%; Interest accrued during the period amounted to € 633 thousand.

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

€ thousand	Gross Payables ^(*)	FV hedging instrument	Interest accrued ^(**)	Total
Bonds:				
Issued in 2014	597,212	0	15,146	612,358
Private Placement issued in 2014	151,731	27,487	632	179,850
Issued in 2016	494,306	0	3,425	497,730
Issued in 2018	989,405	0	662	990,067
Issued in 2019	493,743	0	935	494,678
Issued in 2020	494,997	0	589	495,586
Issued in 2021	887,553	0	633	888,186
Total	4,108,946	27,487	22,022	4,158,455

^(*) including amortised cost

^(**) including deferrals on hedging instruments

Medium/long-term borrowings (including short-term portions)

These amounted to € 750,959 thousand (€ 953,558 thousand at 31 December 2020) and can be broken down as follows: (i) payables related to principal outstanding falling due beyond 12 months totalling € 651,034 thousand (€ 587,411 thousand at 31 December 2020), (ii) the portions of the same borrowings falling due in the 12 months thereafter, totalling € 99,925 thousand (€ 112,094 thousand at 31 December 2020); these amounts include the fair value portion totalling € 4,603 thousand (€ 6,673 thousand at 31 December 2020) of derivative instruments intended to hedge interest rate risks.

The decrease, which refers to the Parent Company for € 202,599 thousand, is related to early repayment of the loan taken out in 2020 for an amount of € 100,000 thousand and to early repayment of the principal of € 52,778 of a part of the EIB loan entered into in 2014.

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

Loans:	Total Residual Debt	By 30.06.2022	Due from 30.06.2022 to 30.06.2026	After 30.06.2026
fixed rate	200,559	30,151	122,252	48,156
floating rate	366,750	55,199	165,838	145,714
floating rate cash flow hedge	183,650	14,575	67,133	101,942
Total	750,959	99,925	355,223	295,811

The fair value of hedging derivatives totalled € 4,603 thousand and consisted of € 102 thousand related to the Parent Company, € 3,766 thousand to AdF and € 684 thousand to GORI.

The Group's main medium/long-term borrowings are subject to covenants to be complied with by the borrowing companies in accordance with normal international practices.

In particular, the loan taken out by areti is subject to a financial covenant expressed in the current agreement as a two decimal places ratio of 0.65 between net financial debt and the sum of net financial debt and shareholders' equity, which must not be exceeded at the end of each reporting period. This ratio must be complied with by both the borrowing company and the ACEA Group. The ratio, calculated with the same criteria as the aforementioned agreement, has been complied with in 2020.

The loan agreements entered into by the Parent Company envisage:

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

During the year there was no evidence that any of the covenants had not been complied with.

Information on the fair value of the above borrowings is provided in the section "Additional disclosures on financial instruments and risk management policies".

The table below shows the fair value of borrowings broken down by type of loan and interest rate as at 30 June 2020. The fair value of medium and long-term debt is calculated on the basis of the risk-free and the risk-adjusted interest rate curves. As regards the type of hedge for which the fair value is calculated and with reference to the hierarchies required by the IASB, given that they are composite instruments, they are categorised as level 2 in the fair value hierarchy.

Loans:	Amortised cost	RISK-LESS FV	Delta	RISK ADJUSTED FV	Delta
	(A)	(B)	(A)-(B)	(C)	(A)-(C)
Bonds	4,158,455	4,480,881	(322,427)	4,385,640	(227,185)

fixed rate	200,559	239,739	(39,180)	237,295	(36,736)
floating rate	366,750	372,884	(6,134)	366,915	(164)
floating rate cash flow hedge	183,650	207,165	(23,516)	203,334	(19,684)
Total	4,909,414	5,300,669	(391,256)	5,193,183	(283,770)

IFRS 16 financial payables

This item includes the long-term portion of the financial payable deriving from the impact of IFRS 16 amounting to € 62,264 thousand, of which the short-term portion amounts to € 15,353 thousand. The cash flows the Group is potentially exposed to are shown below, broken down by maturity date:

	Within 12 months	Within 24 months	Within 5 years	Residual Debt
IFRS 16 liabilities	15,353	28,793	52,340	77,617

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

30. Other non-current liabilities - €398,575 thousand

€ thousand	30/06/2021	31/12/2020	Change	% Change
Advances received	168,363	175,209	(6,846)	(3.9%)
Water and electrical connection fees	43,056	43,218	(162)	(0.4%)
Capital grants	147,001	147,379	(378)	(0.3%)
Accrued expenses and deferred income	40,155	39,993	162	0.4 %
Total other liabilities	398,575	405,799	(7,224)	(1.8%)

Advances from end users and customers

The item Advances includes: (i) the amount of the security deposits and consumption advances of the water companies and (ii) the amount of the deposits concerning the liabilities for advances on electricity consumption paid by the customers of the standard market and interest-bearing under the conditions envisaged by the rules of the ARERA (resolution no. 204/99). The following table provides the breakdown by operating segments:

€ thousand	30/06/2021	31/12/2020	Change	% Change
Advances from users	10,731	16,652	(5,921)	(35.6%)
User guarantee deposits	150,159	151,571	(1,412)	(0.9%)
Advances from other customers	7,473	6,987	487	7.0 %
Total	168,363	175,209	(6,846)	(3.9%)

The decrease is attributable mainly to Acea Solar (- € 6,344 thousand).

Capital grants and water connection fees

Water connection contributions amounted to €43,056 thousand (€ 43,218 thousand at 31 December 2020), while plant contributions amounted to € 147,001 thousand (€ 147,379 thousand at 31 December 2020).

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

31. Current liabilities - € 2,394,447 thousand

€ thousand	30/06/2021	31/12/2020	Change	% Change
Financial payables	368,458	419,822	(51,364)	(12.2%)
Trade payables	1,488,791	1,627,119	(138,328)	(8.5%)
Tax payables	19,598	40,217	(20,619)	(51.3%)
Other current liabilities	517,599	424,150	93,450	22.0 %
Current liabilities	2,394,447	2,511,308	(116,861)	(4.7%)

Financial payables

€ thousand	30/06/2021	31/12/2020	Change	% Change
Payables to banks for short-term credit lines	4,289	95,142	(90,854)	(95.5%)
Payables to banks for loans	99,925	112,094	(12,169)	(10.9%)
Short-term bonds	15,284	16,813	(1,529)	(9.1%)
Payables to the controlling shareholder Municipality of Rome	200,552	133,683	66,869	50.0 %
Payables to subsidiaries and associates	12	26	(14)	(54.2%)
Payables to third parties	33,044	47,765	(14,721)	(30.8%)
IFRS 16 financial payables within one year	15,353	14,300	1,053	7.4 %
Total	368,458	419,822	(51,364)	(12.2%)

Payables to banks for short-term credit lines

These amounted to € 4,289 thousand (€ 95,142 thousand at 31 December 2020), showing a decrease of € 90,854 thousand, mainly attributable to the Parent Company in relation to repayment of the three disbursements during 2020 for a total of € 90,000 thousand.

Payables to banks for loans

These amounted to € 99,925 thousand (€ 112,094 thousand at 31 December 2020), and refer to the current portion of bank loans falling due within twelve months. The change is attributable to the Parent Company (- € 9,870 thousand) and is related to the reduction of the short-term portion of the EIB loan entered into in 2014 and repaid in part in advance during the first half of 2021 and to the reduction of the short-term portion of the loan falling due at the end of the year.

Short-term bonds

These amounted to € 15,284 thousand (€ 16,813 thousand at 31 December 2020). The decrease in short-term bonds is attributable to the measurement of the portion of amortised cost related to the newly-issued bond loans.

Payables to the Parent Company Roma Capitale

These amounted to € 200,552 thousand (€ 133,683 thousand at 31 December 2020) and recorded an increase resulting from the combined effect of the resolution of the Parent Company's dividends, offset by the payment of dividends during the period.

Payables to subsidiaries and associates

These amounted to € 12 thousand and fell slightly, by € 14 thousand, compared to 31 December 2020.

Payables to third parties

These amounted to € 33,044 thousand (€ 47,765 thousand at 31 December 2020). The item can be represented as follows:

€ thousand	30/06/2021	31/12/2020	Change	% Change
Dividends payable to shareholders	3,570	922	2,649	n.s.
Financial payables due to factors	12,579	39,675	(27,096)	(68.3%)
Other financial payables	16,895	7,168	9,727	135.7 %
Total	33,044	47,765	(14,721)	(30.8%)

IFRS 16 financial payables within one year

These payables, totalling € 15,353 thousand, represent the short-term portion of the financial debt at 30 June 2021 recorded following application of the IFRS 16 international standard. For additional information refer to note 29.

Payables to suppliers

€ thousand	30/06/2021	31/12/2020	Change	% Change
Payables to suppliers	1,417,773	1,535,067	(117,294)	(7.6%)
Payables to the parent company	65,530	87,634	(22,105)	(25.2%)
Payables to subsidiaries and associates	5,488	4,417	1,071	24.2 %
Trade payables	1,488,791	1,627,119	(138,328)	(8.5%)

Payables to third-party suppliers

Payables to suppliers amounted to € 1,417,773 thousand. The decrease, of € 117,294 thousand, is attributable mainly to ARETI (+ € 98,655 thousand) due mainly to resolution 231/2021/R/eel with which Arera transferred collection of the ASOS tariff component (including A3), paid by the distributors, from the GSE to the CSEA. The latter, in accordance with what was already provided for by the Authority with Resolution 231, with Circular no. 23/2021/ELT established that all distributors must make payment of the ASOS component starting from what is invoiced in May 2021. The resolution entailed a reallocation of the payable, which was previously recognised in payables to suppliers, to other current liabilities.

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

If the payment has been deferred, a quantitative analysis is performed aimed at verifying whether the change of contractual terms is material; this is made through a quantitative test in accordance with the provisions of IAS 39 AG62. In this context, the relationships

for which the primary obligation with the supplier is maintained and the deferral of the payment deadline, if granted, does not involve a substantial change in payment terms, retain their nature and are therefore classified as trade payables.

Trade payables due to the Parent Company Roma Capitale

These amounted to € 65,530 thousand and are commented on with the trade receivables in paragraph 25b of these notes.

Trade payables due to subsidiaries and associates

Trade payables to subsidiaries and associated companies amounted to € 5,488 thousand and include payables to companies consolidated using the equity method.

31.c Tax payables

These amounted to € 19,598 thousand (€ 40,217 thousand at 31 December 2020) and include the IRAP and IRES tax payable. The decrease of € 20,619 thousand is attributable to the payments made during the first half of 2021.

31.d Other current liabilities

These are equal to € 517,599 thousand and are represented as follows:

€ thousand	30/06/2021	31/12/2020	Change	% Change
Payables to social security institutions	29,472	25,211	4,261	16.9 %
Accrued expenses and deferred income	59,201	56,120	3,081	5.5 %
Other current liabilities	428,926	342,818	86,108	25.1 %
Total	517,599	424,150	93,450	22.0 %

Payables to social security institutions

These amounted to € 29,472 thousand and increased by € 4,261 thousand compared to 31 December 2020, mainly attributable to ACEA Ato2 (+ € 1,740 thousand) and Acea Elabori (+ € 1,128 thousand).

Accrued expenses and deferred income

This item amounted to € 59,201 thousand (€ 56,120 thousand at 31 December 2020). The increase is attributable mainly to Acea Energia (+ € 1,544 thousand) and areti (+€ 1,093 thousand).

Other current liabilities

These amounted to € 428,926 thousand, an increase of € 86,108 thousand compared to 31 December 2020. The entry is made up as follows:

€ thousand	30/06/2021	31/12/2020	Change	% Change
Payables to Equalisation Fund	127,796	53,183	74,613	140.3 %
Payables to Municipalities for concession fees	61,967	61,407	560	0.9 %
Payables for collections subject to verification	20,486	20,024	462	2.3 %
Payables due to personnel	42,401	48,885	(6,485)	(13.3%)
Other payables to Municipalities	28,106	34,910	(6,804)	(19.5%)
Payables to Equitalia	2,096	2,096	0	0.0 %
Welfare contribution payables	1,561	1,877	(316)	(16.8%)
Payables for environmental premium art. 10 of AT14 agreement of 13/08/2007	392	634	(242)	(38.2%)
Payables to end users for refund of Tariff Component as per referendum outcome	14	14	0	0.0 %
Other tax payables	82,600	61,895	20,705	33.5 %
Other payables	61,509	57,894	3,615	6.2 %
Other current liabilities	428,926	342,818	86,108	25.1 %

The increase of € 86,108 thousand, refers mainly to payables to the Equalisation Fund following the reallocation of the payable previously classified among trade payables; please see the relevant paragraph for further details.

The increase in the item tax payables, refers mainly to higher payables for surcharges (+ € 18.0 million), while the item other payables includes commitments connected with the acquisitions of a number of companies in the photovoltaic and environmental sectors.



Commitments and contingencies

Endorsements, sureties and guarantees

At 30 June 2021 these totalled € 426,453 thousand (€ 478,806 thousand at 31 December 2020), recording a reduction of € 52,353 thousand.

The balance is made up of:

- € 83,111 thousand for guarantees in the interest of Acea Energia mainly for Terna, Eni Trading & Shipping, ERG Power Generation, ENGIE (EX EDF) and ASM Terni relating to the contract for the electricity transport and dispatching service;
- € 20,000 thousand for the Sole Purchaser and in the interests of Acea Energia as a back-to-back guarantee relating to the electricity sale agreement signed between the parties;
- € 8,800 thousand for the bank guarantee issued in favour of ATERSIR for participation in the tender to assign the Emilia Romagna integrated water service;
- € 53,666 thousand in the form of a guarantee issued by ACEA to Cassa Depositi e Prestiti (the Deposit and Loans Account) in relation to refinancing of the loan issued to areti. This is a sole guarantee giving the lender first claim and covering all obligations linked to the original loan (€ 493 million). The sum of € 53,666 thousand refers to the guaranteed portion exceeding the loan originally disbursed (€ 439 million);
- € 29,436 thousand issued by insurance companies on behalf of Acea Ambiente in relation to waste collection plants (€ 7,138 thousand), waste collection plants with electricity production (€ 3,933 thousand) and to the Umbria region for the management of operational and post-operative activities of the landfill (€ 16,715 thousand);
- the guarantee of € 40,000 thousand in favour of Enel Trading in the interests of Acea Energia as a back-to-back guarantee on electrical energy trading transactions;
- the guarantee of € 25,000 thousand for Enel Trade in the interest of Acea Energia as a back-to-back guarantee on electricity and gas trading transactions;
- € 16,286 thousand for the guarantees issued for areti in favour of Terna relative to the electricity transmission service contract;
- € 2,701 thousand for the bank guarantee issued in favour of Roma Capitale in relation to the "Progetto Tecnologico" contract for the construction of the new multi-service pipe network of Via Tiburtina and adjacent streets, in the interest of areti;
- € 4,040 thousand relating to the bank guarantee issued for Roma Natura in connection with works to upgrade the network in the Marcigliana Reserve;
- € 5,028 thousand for the guarantee issued in favour of Italgas S.p.A. in the interest of Acea Energia, increased in January 2020;
- € 1,295 thousand relating to the bank guarantee issued by Banco Bilbao Vizcaya Argentaria in favour of the GSE for the correct fulfilment of the obligation for Acea Ambiente to make the reimbursement to the GSE;
- € 6,887 thousand relative to ACEA Ato5 and in particular the obligatory surety required under article 31 of the Technical Specifications, issued by UNICREDIT to AATO, calculated on 10% of the three-year average of the Financial-Tariff Plan of the AATO Area Plan, which during 2019 was extended until 28 February 2023 with the amount adjusted through a new issue for the difference;
- € 17,412 thousand for the issue of three guarantees to Belenergia and Casamassima on behalf of Acea Sun Capital for the purchase of the Special Purpose Vehicle;
- € 38,500 thousand for the issuing of a back to back guarantee in favour of a pool of banks providing financing for the Acquedotto del Fiora;
- € 2,565 thousand for a surety to the Area Authority to guarantee the obligations deriving from the management of the Integrated Water Service of the subsidiary Gori S.p.A.;
- € 21,810 thousand for bank sureties issued in favour of INPS as part of the Isopensione programme;
- € 7,940 thousand for two bank sureties issued in favour of SEDAPAL to manage pumping stations in the city of Lima and for maintenance of the water and sewerage network in the Nord zone;
- € 7,485 thousand for back to back guarantees issued to bank institutions after the acquisition of Trinovolt, Marche Solar and Euroline 3.

Business Combination

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

Acquisition of control over Consorcio Agua Azul

Through Acea International, the Group holds a stake in Consorcio Agua Azul, with a 25.5% stake as at 31 December 2019. On 13 January 2020, the Group acquired an additional shareholding of 18.5%, thus increasing its shareholding to 44%. In addition, a shareholders' agreement was signed with the shareholder Inversiones (which holds 27% of the shares), which resulted in a change of control according to IFRS 10, and therefore the Company was consolidated on a line-by-line basis as from 13 January 2020. The operation was recognised to comply with the Purchase Price Allocation required by the IFRS 3 international accounting standard.

€ thousand	AZUL		
	IAS/IFRS Financial Statements	ADJ fair value	Fair value
Net Assets Acquired			
Property, plant and equipment	322	0	322
Intangible fixed assets	14,965	16,156	31,121
Equity investments	0	0	0
Warehouse inventories	240	0	240
Deferred taxes	2,177	(4,766)	(2,589)
Trade receivables	1,055	0	1,055
Other receivables	76	0	76
Financial receivables	3,514	0	3,514
Cash and cash equivalents	7,011	0	7,011
Employee severance indemnity and other defined benefit plans	0	0	0
Provisions for risks and charges	(307)	0	(307)
Current tax assets/liabilities	(172)	0	(172)
Trade payables	(159)	0	(159)
Other payables	(358)	0	(358)
Other financial liabilities	(790)	0	(790)
Payables to banks	(2,723)	0	(2,723)
Allocated goodwill	0	0	0
NET BALANCE	24,849	11,391	36,240
of which attributable to third parties	0	0	(20,294)
Goodwill	0	0	4,406
Net value acquired	24,849	11,391	20,352
Net cash outflow for the acquisition			(20,352)
Cash and cash equivalents acquired			7,011
Repayment of financial payables			
Payables to banks			(2,723)
Net cash flow			(16,064)

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

Acquisition of Cavallari and Ferrocart Group

On 22 April 2020, through ACEA Ambiente the Group acquired 60% of the companies Ferrocart and Cavallari, which in turn owns 100% of Multigreen (a company later merged into Cavallari in 2021 with effectiveness from 1 January 2021). The companies own a total of four plants with a total authorised capacity of over 145 thousand tonnes per year, operate in the provinces of Terni and Ancona, carrying out sorting and recovery of paper, iron, timber, plastics and metals and are also active in the management of the separate collection of production waste and packaging as well as waste disposal. Note that the put options to acquire an additional 20% stake in Ferrocart and Cavallari were respectively measured at € 2,300 thousand and € 2,800 thousand. The operations were recognised in accordance with the Purchase Price Allocation required by the international accounting standard IFRS 3.

€ thousand	Cavallari/ Multigreen			Ferrocart		
	IAS/IFRS Financial Statements	ADJ fair value	Fair value	IAS/IFRS Financial Statements	ADJ fair value	Fair value
Net Assets Acquired						
Property, plant and equipment	5,126	2,326	7,452	1,570	238	1,808
Intangible fixed assets	1,393	11,978	13,371	1,537	9,168	10,705
Equity investments	6	0	6	0	0	0
Warehouse inventories	66	0	66	95	0	95
Deferred taxes	51	(4,120)	(4,069)	22	(2,711)	(2,688)
Trade receivables	4,335	0	4,335	2,867	0	2,867
Other receivables	404	0	404	190	0	190
Financial receivables	157	0	157	2,600	0	2,600
Cash and cash equivalents	2,716	0	2,716	3,867	0	3,867
Employee severance indemnity and other defined benefit plans	(889)	0	(889)	(281)	0	(281)
Provisions for risks and charges	0	0	0	(820)	0	(820)
Current tax assets/liabilities	225	0	225	(144)	0	(144)
Trade payables	(2,144)	0	(2,144)	(899)	0	(899)
Other payables	(1,209)	0	(1,209)	(331)	0	(331)
Other financial liabilities	(1,089)	0	(1,089)	(1,147)	0	(1,147)
Payables to banks	(4,885)	0	(4,885)	(3,120)	0	(3,120)
Allocated goodwill	0	0	0	0	0	0
NET BALANCE	4,262	10,184	14,447	6,008	6,695	12,703
of which attributable to third parties			(5,779)			(5,081)
Goodwill			2,072			2,096
Net value acquired			10,740			9,718
Net cash outflow for the acquisition			(10,740)			(9,718)
Cash and cash equivalents acquired			2,716			3,867
Repayment of financial payables			0			0
Payables to banks			(4,885)			(3,120)
Net cash flow			(12,909)			(8,972)

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

Acquisition of photovoltaic companies

During the first half of 2020, through Acea Sun Capital, the Group acquired the following companies: Fergas, Euroline3, IFV Energy and PF Power for Future. The operations were recognised in accordance with the Purchase Price Allocation required by the international accounting standard IFRS 3.

€ thousand	Fergas			EUR3		
	IAS/IFRS Financial Statements	ADJ fair value	Fair value	IAS/IFRS Financial Statements	ADJ fair value	Fair value
Net Assets Acquired						
Property, plant and equipment	754	0	754	140	0	140
Intangible fixed assets	201	1,313	1,514	1,450	127	1,577
Equity investments	0	0	0	0	0	0
Warehouse inventories	0	0	0	0	0	0
Deferred taxes	0	(366)	(366)	0	(35)	(35)
Trade receivables	0	0	0	4	0	4
Other receivables	65	0	65	629	0	629
Financial receivables	0	0	0	0	0	0
Cash and cash equivalents	0	0	0	255	0	255
Employee severance indemnity and other defined benefit plans	0	0	0	0	0	0
Provisions for risks and charges	0	0	0	0	0	0
Current tax assets/liabilities	(30)	0	(30)	8	0	8
Trade payables	0	0	0	0	0	0
Other payables	0	0	0	(423)	0	(423)
Other financial liabilities	(1,113)	0	(1,113)	(2,007)	0	(2,007)
Payables to banks	0	0	0	0	0	0
Allocated goodwill	0	0	0	0	0	0
NET BALANCE	(123)	947	823	55	91	147
of which attributable to third parties			0			0
Goodwill			24			(54)
Net value acquired			848			92
Net cash outflow for the acquisition			(848)			(92)
Cash and cash equivalents acquired			0			255
Repayment of financial payables			0			0
Payables to banks			0			0
Net cash flow			(847)			163

€ thousand	IFVE			PFPP		
	Fair value	ADJ fair value	Fair value	Fair value	ADJ fair value	Fair value
Net Assets Acquired						
Property, plant and equipment	0	0	0	0	0	0
Intangible fixed assets	2,562	882	3,444	5,217	759	5,976
Equity investments	0	0	0	0	0	0
Warehouse inventories	0	0	0	0	0	0
Deferred taxes	0	(254)	(254)	0	(219)	(219)
Trade receivables	88	0	88	124	0	124
Other receivables	1,251	0	1,251	2,019	0	2,019
Financial receivables	0	0	0	0	0	0
Cash and cash equivalents	295	0	295	264	0	264
Employee severance indemnity and other defined benefit plans	0	0	0	0	0	0
Provisions for risks and charges	0	0	0	0	0	0
Current tax assets/liabilities	(5)	0	(5)	(2)	0	(2)
Trade payables	(94)	0	(94)	(67)	0	(67)
Other payables	(406)	0	(406)	(5,014)	0	(5,014)
Other financial liabilities	(2,906)	0	(2,906)	(2,417)	0	(2,417)
Payables to banks	0	0	0	0	0	0
Allocated goodwill	0	0	0	0	0	0
NET BALANCE	786	628	1,414	125	540	665
of which attributable to third parties			0			0
Goodwill			3			(13)
Net value acquired			1,417			652
Net cash outflow for the acquisition			(1,417)			(652)
Cash and cash equivalents acquired			295			264
Repayment of financial payables			0			0
Payables to banks			0			0
Net cash flow			(1,121)			(388)

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

Acquisition of Simam

On 7 May 2020 the Group acquired 70% of Simam, a leader in the design, construction and management of water and waste treatment plants and in environmental interventions and remediation, with integrated solutions of high technological content. Note that the operation calls for a put option, but at present this has not yet been measured, given the lack of certainty that the objectives for exercising it will be achieved.

€ thousand	Simam		
	Fair value	ADJ fair value	Fair value
Net Assets Acquired			
Property, plant and equipment	8,351	0	8,351
Intangible fixed assets	233	3,500	3,733
Equity investments	42	0	42
Warehouse inventories	5,861	0	5,861
Deferred taxes	272	(1,024)	(751)
Trade receivables	3,985	0	3,985
Other receivables	1,737	0	1,737
Financial receivables	0	0	0
Cash and cash equivalents	4,426	0	4,426
Employee severance indemnity and other defined benefit plans	(1,530)	0	(1,530)
Provisions for risks and charges	(579)	0	(579)
Current tax assets/liabilities	0	0	0
Trade payables	(2,922)	0	(2,922)
Other payables	(6,660)	0	(6,660)
Other financial liabilities	(6,746)	0	(6,746)
Payables to banks	0	0	0
Allocated goodwill	0	0	0
NET BALANCE	6,469	2,476	8,946
of which attributable to third parties			(2,684)
Goodwill			15,597
Net value acquired			21,859
Net cash outflow for the acquisition			(21,859)
Cash and cash equivalents acquired			4,426
Repayment of financial payables			0
Payables to banks			0
Net cash flow			(17,434)

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

Acquisition of Electric Drive Italia

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

€ thousand	EDI		
	Fair value	ADJ fair value	Fair value
Net Assets Acquired			
Property, plant and equipment	40	0	40
Intangible fixed assets	63	946	1,009
Equity investments	0	0	0
Warehouse inventories	0	0	0
Deferred taxes	2	(272)	(270)
Trade receivables	111	0	111
Other receivables	24	0	24
Financial receivables	0	0	0
Cash and cash equivalents	186	0	186
Employee severance indemnity and other defined benefit plans	(0)	0	(0)
Provisions for risks and charges	0	0	0
Current tax assets/liabilities	(13)	0	(13)
Trade payables	(18)	0	(18)
Other payables	(73)	0	(73)
Other financial liabilities	(215)	0	(215)
Payables to banks	0	0	0
Allocated goodwill	0	0	0
NET BALANCE	108	674	782
of which attributable to third parties			0
Goodwill			759
Net value acquired			1,541
Net cash outflow for the acquisition			(1,541)
Cash and cash equivalents acquired			186
Repayment of financial payables			0
Payables to banks			0
Net cash flow			(1,355)

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

Acquisition of Energia S.p.A.

On 13 May 2020, through Acea Sun Capital, the Group acquired a 49.9% non-controlling stake in the company Energia S.p.A. This company operates in the design, construction, management and maintenance of plants for the production of electricity, including from renewable sources. Additionally, as of the acquisition date, the company owns two subsidised photovoltaic plants (IV Energy Grant), with net power of around 7.6 MW, installed in Nepi and Spoleto. The operation was recognised to comply with the *Purchase Price Allocation* required by the international accounting standard IFRS 3.

€ thousand	Energy		
	Fair value	ADJ fair value	Fair value
Net Assets Acquired			
Property, plant and equipment	10,282	0	10,282
Intangible fixed assets	0	7,948	7,948
Equity investments	0	0	0
Warehouse inventories	0	0	0
Deferred taxes	0	(2,291)	(2,291)
Trade receivables	649	0	649
Other receivables	975	0	975
Financial receivables	0	0	0
Cash and cash equivalents	189	0	189
Employee severance indemnity and other defined benefit plans	0	0	0
Provisions for risks and charges	0	0	0
Current tax assets/liabilities	0	0	0
Trade payables	(99)	0	(99)
Other payables	(130)	0	(130)
Other financial liabilities	(1,380)	0	(1,380)
Payables to banks	0	0	0
Allocated goodwill	0	0	0
NET BALANCE	10,486	5,657	16,143
of which attributable to third parties			(8,088)
Goodwill			4,499
Net value acquired			12,555
Net cash outflow for the acquisition			(12,555)
Cash and cash equivalents acquired			189
Repayment of financial payables			0
Payables to banks			0
Net cash flow			(12,365)

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

Business Combination – Provisional Accounting (IFRS 3 – par.45)
Alto Sangro Distribuzione Gas Acquisition

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

€ thousand	
Net balance	24,385
of which attributable to third parties	(11,949)
Goodwill/(Badwill)	7,296
Net value acquired	19,732
	0
Net cash outflow for the acquisition	(19,732)
Cash and cash equivalents acquired	987
Loan Disbursement	0
Payables to banks	(857)
Net cash flow	(19,602)

Acquisition of control over SII

The Parent Company holds a 99.2% stake in Umbriadue, which in turn holds a 25.5% stake in SII, which is a joint stock consortium which was awarded, through the signing of the Agreement, management of the Integrated Water Service for AURI Umbria subsection 4 for 30 years, that is from 31 December 2001 through 31 December 2031. On 16 November 2020, the Group acquired an additional shareholding of 15.5%, thus increasing its shareholding to 40%. In addition, a shareholders' agreement was signed which resulted in a change of control on the basis of IFRS 10, and therefore the Company was consolidated on a line-by-line basis as from 17 November 2020. The transaction is currently being analysed in order to comply with the Purchase Price Allocation required by the IFRS 3



international accounting standard. It should be noted that badwill of € 3 million has been provisionally recognised among provisions for risks and charges.

€ thousand

Net balance	35,015
of which attributable to third parties	(21,009)
Goodwill/(Badwill)	(3,012)
Net value acquired	10,994
Net cash outflow for the acquisition	(6,110)
Cash and cash equivalents acquired	1,993
Loan Disbursement	(10,000)
Payables to banks	(10,365)
Net cash flow	(24,482)

Belaria Acquisition

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



Service Concession Arrangements

The ACEA Group operates water, environmental and public lighting services under concession. It also manages the selection, treatment and disposal of urban waste produced in Municipalities in Ato 4 Ternano–Orvieto through Acea Ambiente.

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

- Lazio, where ACEA Ato2 S.p.A. and ACEA Ato5 S.p.A. provide services in the provinces of Rome and Frosinone, respectively,
- Campania, where Gori S.p.A. provides services in the area of the Sorrento Peninsula and Capri island, the Vesuvio area, the Monti Lattari Area, as well as in the hydrographic basin of the Sarno river,
- Tuscany, where the ACEA Group operates in the province of Pisa, through Acque S.p.A., in the province of Florence, through Publicacqua S.p.A., in the provinces of Siena and Grosseto, through AdF S.p.A. in the province of Arezzo through Nuove Acque S.p.A. and in the province of Lucca and periphery through GEAL S.p.A.,
- Umbria, where the Group operates in the province of Perugia through Umbra Acque S.p.A., and Terni through S.I.I. ScpA.

The Group is also in charge of several former CIPE services in the province of Benevento with GESESA S.p.A. and in the municipalities of Termoli and Campagnano with Acea Molise S.p.A.

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

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

Public Lighting - Rome

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

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

Furthermore, the investments required for the service may be (i) applied for and funded by the Municipality or (ii) financed by ACEA. In the former case, such works will be paid based on a price list agreed by the parties (and subject to review every two years) and will result in a percentage decrease in the ordinary fee. In the latter case, the Municipality is not bound to pay a surcharge; however, ACEA will be awarded all or part of the savings expected in both energy and economic terms according to pre-established methods. Upon natural or early expiry – also due to cases envisaged under Decree Law no. 138/2011 – ACEA will be awarded an allowance corresponding to the residual carrying amount, that will be paid by the Municipality or the incoming operator if this obligation is expressly set out in the call for tenders for the selection of the new operator.

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

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

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

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

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

We can inform you finally that, as regards the Public Lighting Service, following the opinion given by the AGCM (Antitrust Authority) in Bulletin no. 49 of 14 December 2020, Roma Capitale began checking the conditions of congruity and economic convenience of the performance terms pursuant to the service contract between the Administration and ACEA S.p.A. (and through it areti) compared with the terms pursuant to the Consip Luce 3 Convention and, in addition, on the basis of the positions expressed by the AGCM in the said opinion, expressed queries over the legitimacy of the award to ACEA S.p.A. On 8 February 2021, with a note ref. DG 1585/2021, Roma Capitale communicated the results of the said checks, affirming definitively “the congruity and convenience of the economic terms currently in being with respect to the qualitative and economic parameters of the CONSIP – LUCE 3 convention” and confirming “the correctness of the prices applied for the public lighting service”, overcoming definitively all reserves on the congruity of the prices charged in the context of the contractual relationship in being between Roma Capitale and ACEA S.p.A. In the same note, the Administration therefore ordered the restart of the procedures for payment of ACEA’s ascertained receivables in relation to the service contract. We can note that the said communication regards the correctness of the prices charged, without affecting the Administration’s intention, already manifested, to terminate the relationship with ACEA to call for tenders and thus make a new award for the Public Lighting Service.



Integrated Water Service

Lazio – ACEA Ato2 S.p.A. (Ato2 - Central Lazio - Rome)

ACEA Ato2 provides integrated water services on the basis of a thirty-year agreement signed on 6 August 2002 by the company and Rome Provincial Authority (representing the Authority for the Ato comprising 112 Municipalities, including Roma Capitale). In return for award of the concession, ACEA Ato2 pays a fee to all the Municipalities based on the date the related services are effectively acquired, which is expected to occur gradually: to date, the survey work (including that for Municipalities already taken over) has been completed for 96 Municipalities out of 112, equivalent to around 3,869,179 residents (source ISTAT 2011).

On 31 December 2020 the territory managed has not undergone changes compared to 31 December 2019.

While awaiting definition of the tariff related to the third regulatory period (four years 2020-2023) under the terms of ARERA Resolution 580/2019/R/IDR (MTI-3), ACEA Ato2 as provided for applied, starting from 1 January 2020, the tariff of the previous year adjusted as per paragraph 7.2 lett. a) of the said resolution on the basis of the tariff multiplier resulting from the Economic-Financial Plan already approved at the moment of the 2018-2019 tariff update. As of March 2020, the application of the new tariff structure approved by resolution no. 4/2019 by the Conference of Mayors at its meeting of 11 November 2019 pursuant to ARERA resolution no. 665/2017/R/IDR (TICSI - Integrated Text for Water Services Charges) was initiated with effect from 1 January 2019. The application of the new tariff structure began in March 2020 to enable the activity of counting the number of components of each resident domestic user account of the OTA 2.

The most significant changes in the TICSI concern residential households, for which the number of residents in the household is introduced as a key factor in the calculation of expenditures. The service fee (fixed and variable portions) is calculated on the basis of the number of residents who make up the household as communicated by the customer. The application of the tariff based on the effective number of components is backdated to 1 January 2019 for users that made this information available by the end of February 2020, while the data acquired later will take effect from the communication date and up to that date, in accordance with the provisions of the regulation at the national level, the standard per-capita criterion is applied, that is considering a standard resident domestic user of three components.

In relation to the tariff update for the four years 2020-2023, the Mayors' Conference of the OTA 2 Central Lazio – Rome after a first adjournment resolved at the session on 4 November, on 27 November approved the tariff proposal prepared by its Operational Technical Secretariat (OTS) in agreement with ACEA Ato2, supplemented with the amendment voted unanimously during the same session. This amendment provides for an increase in the Supplementary Water Bonus, which will be maintained alongside the national bonus, increasing it from the € 8 million already provided for to € 17 million over the four years, also in consideration of the emergency situation determined by the pandemic; the amount may be increased further if it is found to be insufficient, while in the case of excess this can be allocated to reduce the future tariff adjustments in order to contain the tariff increases. Again in consideration of the emergency situation, up to 31/12/2021 unless extended, users admissible at the moment of the request for the contribution with ISEE (Equivalent Economic Situation Indicator) within the limits set by ARERA will be able to access, exclusively to covers earlier arrears, a further one-off amount up to three times the ordinary value. The amendment provides also for an expansion of activities connected with network reclamations, in order to protect water resources and limit losses, The documents accompanying the tariff application (among the main ones action programme with evidence of the Strategic Work Plan, Economic and Financial Plan, economic and technical data required by the Authority, resolutions on tariff arrangement) are currently being assessed by the Authority.

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

With reference to the other significant issues that emerged, it should be noted that the appeals against Resolution 585/2012 and subsequent resolutions were partially accepted by the Lombardy regional administrative court, a ruling against which both the Company and ARERA filed an appeal. After a series of public hearings and postponements due to the Covid-19 emergency, the new public hearing was set for 10 December 2020, inviting the parties to: 1) file documents by 19 November 2020; 2) file briefs by 24 November 2020; 3) file replies by 28 November 2020.

As of the date of this report, in addition to the appeal to the Council of State mentioned above, the other appeals filed by ACEA Ato2 before the Lombardy Regional Administrative Court against Resolution no. 643/2013/R/IDR (MTI) and Resolution no. 664/2015/R/IDR (MTI-2) are still pending.

With regard to Resolution 643/2013, it should be noted that on 8 May 2014 additional grounds were presented for the cancellation of ARERA decisions no. 2 and no. 3. On 9 December 2014 additional grounds were presented for the cancellation of Resolution 463/2014/R/IDR. Pending the scheduling of the hearing, in April 2019 the notice of the hearing was received (the administrative process was cancelled due to the inactivity of the party). Following this communication, on 20 June 2019 ACEA Ato2 presented the request for the scheduling of the hearing together with the new power of attorney signed by the Chairperson. In application of article 84 of Italian Decree Law 18/2020 (suspension of procedural deadlines for COVID-19) the procedural deadlines have been suspended.

With regard to Resolution no. 664/2015, it should be noted that in February 2018 ACEA Ato2 extended the appeal originally proposed, submitting additional grounds of appeal against ARERA Resolution no. 918/2017/R/IDR (biennial update of the tariff arrangements for the integrated water service) and against Annex A of Resolution no. 664/2015, as amended by the aforementioned Resolution no. 918/2017. As of today we are waiting for the hearing on the merits to be scheduled. In application of article 84 of Italian Decree Law 18/2020 (suspension of procedural deadlines for COVID-19) the procedural deadlines have been suspended.

Please note that the revenues for the first half of 2021 totalled € 340.3 million and that this valuation was carried out in accordance with the criteria of ARERA Resolution 580/2019/R/idr in line with the tariff approved by ARERA on 11 May 2021 related to the third



regulatory period (2020-2023 four-year period), adopted by the Mayors' Conference of ATO 2 Central Lazio - Rome with Resolution 6/20 at the meeting of 27 November 2020.

Lazio – ACEA Ato5 S.p.A. (OTA 5 - Southern Lazio - Frosinone)

ACEA Ato5 provides integrated water services on the basis of a 30-year agreement signed on 27 June 2003 by the Company and Frosinone Provincial Authority (representing the Authority for the Ato comprising 86 Municipalities). In return for being awarded the concession, ACEA Ato5 pays a fee to all the municipalities based on the date the related services are effectively acquired.

The management of the integrated water service in the territory of Ato5 - Southern Lazio-Frosinone involves a total of 86 Municipalities for a total population of around 490,000 inhabitants, about 469,836 inhabitants supplied and a number of end users equal to around 199,823.

To date the completion of said process has not occurred for the Municipalities of Paliano. Below is a description of the main events during the period.

With reference to the **Municipality of Paliano** in November 2018 the Council of State finally decided on the appeal filed by the Municipality of Paliano against the decision of the Regional Administrative Court no. 6/2018 – which upheld the appeal filed by the Company against the Municipality of Paliano, in order to obtain the annulment of the measure by which the Municipality opposed its refusal to transfer the service – with decision no. 6635/2018 rejected the appeal filed by the Municipality of Paliano and consequently upheld the decision handed down by the Regional Administrative Court of Latina, reaffirming that the safeguard regime granted to AMEA was “limited to a period of three years from the date of signing of the Management Agreement between AATO 5 and ACEA Ato5; this deadline therefore expired in 2006, so that, after that date, AMEA’s management was to be considered without title”.

Since ACEA Ato5 has so far failed to initiate compliance proceedings with a view to verifying the voluntary compliance of the Municipality, which is suitable for preventing the possible appointment of an acting commissioner as has already happened in similar cases, a series of meetings have taken place at the Operational Technical Secretariat of AATO 5 Lazio Meridionale - Frosinone aimed at seeking an amicable settlement of the dispute and at initiating the preparatory activities for the transfer to ACEA Ato5 of the management of the IWS in the Municipality of Paliano. In this perspective, the Parties – with minutes of 26 November 2018 and 29 November 2018 – performed the update of the previous survey of networks and existing plants in the Municipality of Paliano, necessary for the management of the IWS.

To date, the parties are sharing the IWS handover report, which should also result in the waiver of pending litigation between them.

With reference to **Tariffs**, on 10 March 2021, the Conference of Mayors for Optimal Territorial Area Authority no. 5 - Southern Lazio (hereafter, “OTAA 5”), approved the Tariff Structure for the regulatory period 2020-2023 with resolution 1/2021.

This could be in contrast with the tariff adjustment request, prepared pursuant to art. 5, para. 5.5 of resolution ARERA 580/2019/R/idr, containing the regulatory framework for the 2020-2023 third regulatory period, sent by ACEA Ato5 to ARERA on 15 December 2020, given the continuing inertia coming from OTAA 5.

In fact, note that:

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

Notably, the Tariff Structure approved by the Conference of Mayors on 10 March 2021 shows, for 2020-2023, significant differences in reference to operating costs and the tariff multiplier.

Revenues for the integrated water service are determined on the basis of the new water tariff method (MTI-3), as approved by the Authority (ARERA) with its resolution 580/2019/R/idr of 27 December 2019 and amount to € 40.6 million, including the estimate of adjustments for pass through items and the FoNI component of € 4.6 million.

Tariff adjustments amount to € 96.9 million based on the recalculation carried out as a result of the credit adjustment for bills to be issued to users after the audit carried out by ARERA for the years 2012-2017 and the subsequent tariff update of 1 August 2018 by the AGB.

As a result of the approval of the 2020-2023 tariff provisions, the directors of ACEA Ato5 acknowledged the presence of multiple significant uncertainties that could raise serious doubts about the subsidiary as a going concern, such as, in particular, the greater use of reverse factoring, the favourable outcome of the Technical Panel with the Area Authority intended to define the mutual items and the approval of the appeal against Resolution no. 1/2021 of the Mayors' Conference. In this regard, the Company Directors launched a review of the previously approved 2021 Budget and the related 2020-2024 Plan in order to implement all the appropriate measures to re-establish the financial stability needed to confirm the assumption of the business as a going concern. On this basis, as better described in section “16. Goodwill”, on 30 June 2021 the impairment exercise was carried out on the CGU Acea Ato5, which showed a headroom of € 0.5 million.

With regard to **Relations with AATO 5**, the Company has tried to reach a settlement of the various disputes pending against the Area Authority, convinced of the need to put an end to a very long season of clear conflict between the Granting Body and the Licensee Company, culminating with the resolution passed by the Conference of Mayors of ATO5 aimed at the termination of the Management Agreement that forced the Company to appeal to the Latina Regional Administrative Court that annulled the above resolution.

In this context, in recent years and especially during 2018 an enormous effort has been made – including organisational efforts – to reconstruct the relations between the Company, the Area Authority and the individual Municipal Administrations of Ato5.

Similarly, the possibility of establishing a Conciliation Board with the Area Authority has therefore become concrete, with the aim of settling the main issues still in dispute by the parties.

In this regard, on 11 September 2018 AATO 5 and the Company signed report no. 1 in which the parties expressed their mutual willingness to open a Conciliation Board on:

- judgement pending with the Court of Frosinone, docket number 1598/2012, relative to concession fees from 2006-2011. - the Board proposes recognition of the amount due from the Operator in the amount requested, € 1,750,000;
- quantification of the concession fee relative to the period 2012-2017, and the linked destination of any economies for a total of € 12,798,930.00 - the Board proposes, also taking into account the regulatory guidelines provided by ARERA, that these be taken out of the tariff adjustments in favour of the Operator;
- recognition of the amount owed by the Operator (€ 10,700,00.00) - the Board proposes recognition of this credit in favour of the Operator; - compensation of damages suffered by Acea ATO 5 against delayed delivery of services by the Municipalities of Cassino, Atina and Paliano - the Board holds the Operator's claim to be founded but, in consideration of the difficulty in quantifying the damage suffered and with an eye to amicable settlement, proposes that the Operator renounces this claim with regard to the Area Authority;
- compensation of damages for the lack of handover of the ASI and Cosilam plants, assessed in the amount of € 2,855,000.00 - the Board holds that the requirements to dispute a deed which is now final are not met; nonetheless, the Operator will renounce the claim against recognition of the receivable for € 10,700,000.00;
- recognition of penalties totalling € 10,900,000.00 applied by OTAA 5 against the Operator and annulled by the Latina Regional Administrative Court with judgement no. 638/2017; Although the Operator has substantially renounced the application of the said penalties related to the period 2014-2015, the Board proposes partial acceptance of the Area Authority's claim for a total amount of € 4,500,000. In relation to this point, the Conciliation Proposal provides for an irrevocable commitment to make investments, in the territory of the OTA 5, of an amount corresponding to the quantification made by the Conciliation Board, with no tariff recognition and therefore at the total expense of the Operator;
- recognition of interest on the delayed payment of concession fees on the part of Acea ATO 5, assessed in the amount of € 650,000.00 - the Board proposes recognition of this claim;
- request for an Operator repayment plan in relation to the Area Authority for debt positions relating to the concession fee for 2013/2018 which, at 30 June 2019, amount to around € 10,167,000.00 - the Board proposes offsetting this debt by the recognition of a credit of € 10,700,000.00;
- discounting of the Adjustments 2006/2011, and for 2014, 2015, 2016 and 2017, assessed in the amount of € 1,040,000.00 - the Board proposes recognition of this credit in favour of the Operator;
- non-invoicing of adjustments 2006/2011, due to the adjustment of 2012 volumes, assessed in the amount of € 1,155,000 - the Board proposes recognition of this claim in favour of the Operator.

The "Conciliation Proposal" and the draft "Conciliation Deed" were approved by the Acea Ato5 BoD at a meeting held on 19.12.2019. On 4.2.2020, the Company informed the OTS of OTAA 5, with note no. 53150/20, that on 19.12.2019 the BoD had approved the Conciliation Proposal formulated by the Conciliation Board and the draft of the Conciliation Deed between OTAA 5 and Acea Ato5 and that, moreover, the Chairperson had been given a mandate to sign the Conciliation Deed, confirming in particular the commitment to carry out work for a total amount of € 4,500,000 without any tariff recognition, in conciliation and for the reasons set out above.

However, in the light of the conduct shown throughout the conciliation process and, in particular, during the concluding session of 11.11.2019 in which the Conciliation Board illustrated to the legal representatives of the parties the Conciliation Proposal and as the Company's Board of Directors had already approved the related Conciliation Deed on 19.12.2019 and then communicated this decision to the O.T.A.A. 5 on 4.2.2020, the Company decided that at 31.12.2019 an implicit obligation had arisen for the commitments provided for in the Conciliation Deed and, in particular, for the aforementioned commitment to make investments in the territory with no tariff recognition, as the valid expectation that the Company intended to honour these commitments and to assume the related expenses had already been created in the Area Authority and the Municipalities of the territory of the OTAA 5. Based on the information available, considering the approval of the Conciliation Deed by the Conference of Mayors to be probable and consequently also considering the related implied obligation to be likely, at the end of 2019 the Company decided to allocate a provision for risks for € 4,500,000.

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

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

Campania - Gori S.p.A. (Sarnese Vesuviano)

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

Tariffs

On 18 December 2020, as the Campania Water Authority had not yet sent ARERA the Regulatory Framework for 2020-2023, in compliance with article 5.3 of the resolution ARERA 580/2019/R/idr as amended, GORI presented a request for an update to the Regulatory Framework for the four year period from 2020-2023, in compliance with articles 5.5 and 5.6 of MTI-3 and point 3 of Determination 1/2020, in order to guarantee continuity in the management of the IWS in the Sarnese-Vesuviano District Area and,

therefore, maintenance of the relative economic/financial balance and implementation of the projects and activities already defined through the commitments made between the Operator, the Campania Region and the Campania Water Authority with the aim of improving the efficiency of the District's IWVS, as well as improving and protecting service levels. Additionally, the proposed Regulatory Framework guarantees transfer and improved efficiency of the "Regional Works", that is the water infrastructure falling under the ATO3 still managed by the Campania Region and listed in Regional Council resolution 243/2016, with the continued employment and placement, always with an eye to improving the efficiency of the IWVS, of personal assigned to Regional Works, in compliance with the methods established in the agreements made with the unions, based on the aforementioned resolution 243/2016 and the related Framework Agreement of 3 August 2018.

Tariffs: Third regulatory period update of the tariff arrangements for the integrated water service

On 18 December 2020, GORI therefore presented a request for a tariff adjustment for the period from 2020-2023, in compliance with articles 5.5 and 5.6 of ARERA resolution ARERA 580/2019/R/ldr and point 3 of Determination 1/2020.

The request calls for the update of the revenues constraint recognised to the manager of the IWVS in the Sarnese-Vesuviano Area and the corresponding "tariff multipliers" for financial years 2020-2023, respectively equal to: 2020 = 1.020000, 2021 = 1.081200, 2022 = 1.135260, 2023 = 1.192023.

Further, with the aim of guaranteeing the social sustainability of spending on the IWVS on the part of users, while still falling under Quadrant VI of the regulatory matrix, the Operator, for the purposes of preparing the Economic Financial Plan (EFP) and, specifically, to define the schedule for recovering tariff adjustments, in consideration of the aforementioned schedule for transferring the Regional Works, proposes tariff increases below the applicable maximums, recognised in the regulatory matrix pursuant to article 5.1 in Annex A to resolution ARERA 580/2019/R/ldr.

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

- tariff multipliers are proposed for an amount that is below the allowed maximum, equal to 2% for 2020, 6% for 2021 and 5% for 2022 and 2023. In any case, the tariff multipliers proposed for 2020-2021 are less than those established in the previous EFP pursuant to the resolution made by the Campania Water Authority Extraordinary Commission, no. 39/2018 (increases equal to 8%);
- the project schedule proposed and sent to the Campania Water Authority on 14 September 2020, sent by GORI to the Operator numbered 49298 and titled "Proposal of essential works", offers a proposal for essential works which can be paid for through the tariff system, thereby guaranteeing for at least the 2020-2023 regulatory period, a level of investment comparable with that achieved in 2019 and, with the requirements assuming the € 100 million bank loan stipulated to carry out the same. It should be noted that the works plan in question also includes financed investments for 2020-2023 which exclusively refer to projects for which the Financing Decree has already been issued to cover the costs;
- relative to the hypothesis of transferring Regional Works, the update proposal prepared took into account the works and infrastructure already transferred to GORI and left mainly unchanged the transfer methods for facilities still under the management of the Campania Region, as established in the Operational Agreement signed by Gori, the Campania Region and the Campania Water Authority, with the establishment of the schedule to transfer the Regional Works, which was further updated by the Framework Amendment to the Operational Agreement of 2018, signed on 20 November 2020;
- with regard to rebalancing measures, the proposed update to the regulatory framework took into account the Operating Agreement which enabled the company to obtain a long-term loan with a pool of banks for a total of € 80 million and a share financed by the Private Partner Sarnese Vesuviano Srl for € 20 million; Additionally, the effects deriving from the signing of the Framework Amendment of November 2020 were taken into consideration, to maintain economic and financial balance in the management of the IWVS in the Sarnese Vesuviano District Area, as established under article 4 of the Operational Agreement;
- the recognition of the additional costs related to the activities carried out for the purpose of adapting to the commercial quality standards referred to in ARERA resolution 655/2015/R/IDR and to the technical quality standards as per resolution 917/2018/R/IDR, i.e. the $Opex_{QC}$ and $Opex_{QT}$ components of the Opex have been quantified to the extent required by the Manager in the respective requests for recognition of the additional costs for adaptation to the quality standards set by the authority in the aforementioned resolutions; specifically, the higher charges recognised in the context of the update of the approved regulatory scheme proposed for 2020 - 2023 are equal to $Opex_{QC}$ € 3,225,806 and $Opex_{QT}$ € 615,259; These amounts are recognised, pursuant to articles 18.9, letter a) of Annex A to resolution 580/2019/R/ldr and 18.8 of the same, in the maximum amount of charges effectively recognised by the Operator in 2019. Further, relative to $Opex_{QC}$, a specific request was presented to recognise additional charges relative to aspects linked to contractual quality objectives, pursuant to resolution ARERA 547/2020/R/ldr pursuant to letter b) of article 18.9 in Annex A to resolution 580/2019/R/ldr", quantifying greater costs for the years 2020-2023 in the amount of : 2020: € 90,000, 2021: € 140,836; 2022: € 140,836 and 2023: € 140,836;
- for Op_{social} , pursuant to that established under article 23-ter of Annex A to resolution 918/2017/R/ldr, a quantification similar to that used in the previous period from 2018-2019 was proposed again, in the hypothesis that the Area Governing Body decided to maintain the pre-existing subsidies for 2020 and 2021, to cover charges linked to the maintenance of improved benefits with respect to the minimum ones established under national regulations (the integrated water bonus). To quantify Op_{social} it was also necessary to consider the changes introduced by ARERA with resolution 3/2020/R/ldr, which partially modified the TIBSI, for the purposes of quantifying the social water bonus, establishing the methods for determining the amount compensating for expenses suffered. It should be noted that disbursement of the integrated water bonus is subordinate to determinations made by the Campania Water Authority, which include identification of the group of beneficiaries with the right to the bonus and methods for accessing it. For the purposes of the proposed tariff, pursuant to the Operator's request, prudentially and while awaiting the EIC's determinations, the calculation used an Op_{social} for maintenance or the introduction of possible improved benefits of € 2,533,746 for 2020-2021 and € 2,000,000 for 2022-2023;
- the component Op_{mis} covering costs suffered to adjust to the new regulations in terms of unpaid amounts relative to REMSI, article 18.11 of Annex A, for this was proposed the amount defined "in the request for quantification of the component Op_{social} for 2020-2023, in consideration of the new regulations on unpaid amounts introduced by REMSI under paragraph 18.10 of annex

A to resolution 580/2019/R/Idr and supporting the request for recognition of the component Op_{mis} for 2020-2023, pursuant to paragraph 18.11 of annex A to resolution 580/2019/R/Idr". Hence, components Op_{mis} and $Op_{social-7.3}$ letter A of REMSI as included in the calculation are equal respectively to: Op_{mis} 2020=1,697,905, 2021=2,870,204, 2022=3,476,115 and 2023=3,411,444, while Op_{social} are equal to: 2020=69,988, 2021=62,989; 2022=56,690 and 2023=51,021;

- with regard to recognition of additional costs for unpaid amounts in the context of the update to the proposed regulatory scheme, prudentially and to temper economic/financial balance for management with the social sustainability of the tariff and, without prejudice to subsequent assessments to be verified during the biennial review adjustment, for the purposes of the proposed tariff, the costs of unpaid amounts, although reported in the related application with a request for recognition of the higher costs on the basis of a UR24 rate for the years 2018-2019 of 10%, confirmed at the same amount also for the years 2020-2021, have been calculated in the amount of 7.1%, applied to the annual turnover for the year (a-2), that is in the maximum amount recognised pursuant to article 28.2 of MTI-3 for operators located in the regions of the South and the Islands. The request for recognition of the COdill component under the terms of art. 28.4 of Annex A to resolution ARERA 580/2019/R/Idr was confirmed;
- for the Op_{covid} component, to deal with the health emergency due to Covid-19, GORI presented a specific request for recognition of forecast costs to the Campania Water Authority, pursuant to article 18.12 of Annex A to resolution 580/2019/R/Idr, as amended;
- the adjustment component R_{capp} was calculated as € 165.3 million, equal to the amount of the adjustments pursuant to Commission resolution 39/2018;
- for the component Op^{new} , the costs considered in the proposed tariff in question refer to the grounded requests for recognition of the component (three requests presented), pursuant to paragraph 18.2 of MTI-3, presented by GORI to the Campania Water Authority based on the change in the scope of management due to the transfer of the water abstraction and purification works from the Campania Water Authority, following implementation of the transfer schedule established in the Operational Agreement of November 2018 and the operating costs for management of the water pumping plants known as "Monaco Aiello" and "Vigna Caracciolo", already recognised and included in the calculation in the previous tariff structure, pursuant to Commission resolution 15 of 30 June 2015 and the subsequent documents also prepared by the Operator and, finally, approved with resolution ARERA 104/2016/R/Idr. Parameter values were also defined in these same requests to use for quantifying costs suffered or to be suffered for sewer works transferred (networks and systems), for those being constructed and subsequently subject to transfer to GORI from other entities (municipalities, ARCADIS) and those constructed by GORI itself. It should be noted that in the context of the requests presented, GORI proposed that greater external costs be determined for the new scope of management for all works and infrastructure which had been managed for at least a year.

The revenues at 30 June 2020, which total € 103.6 million, were determined on the basis of the Tariff Update Request presented by the Operator and pursuant to resolution ARERA 580/2019/R/Idr, highlighting that, in order to achieve financial balance in management of the Sarnese Vesuviano District Area in compliance with the tariff increase constraint and remaining within the maximum limit for annual changes, a remodulation of the GRC was proposed, through regulatory postponement of the portion of costs exceeding the maximum limit to subsequent years, according to the provisions of the Regulatory Framework of reference.

Verification of parameters to identify the regulatory quadrant and the presence of Op^{new} relative to systematic changes in operator activities in the "presence of the supply of a new service (e.g. purification or sewers for an operator whose management was previously limited to aqueduct services or, in other cases, in the presence of expansion with an upstream supply chain), pursuant to article 18.2, 18.3, letter c) and 18.4 of Annex A to resolution ARERA 580/2019/R/Idr, determined placement in the VI regulatory quadrant. Nonetheless, as already noted, in order to guarantee the social sustainability of the tariff, while respecting economic/financial balance in managing the IVS, GORI proposed a tariff increase lower than the maximum limit allowed under the regulatory method MTI-3.

We can also note that, for entirely prudential purposes, as approvals had not yet been received from the relevant bodies of the Campania Water Authority, when calculating the GRC at 30 December 2021 the Op_{social} and Op_{mis} components were not included. The purely regulatory component $CO_{\Delta fanghi.Was}$ was instead considered.

The Op_{exQC} and Op_{exQT} components were calculated in the amount of what was requested in the related cost recognition requests, within the limit of what was recognised in 2019.

The Op^{new} included in the calculation, also in this case, as approvals had not been received for the requests from the relevant bodies of the Campania Water Authority, were quantified in the same manner as in previous years, and therefore, on basis of the *full cost recovery* principle, the costs effectively incurred on plants transferred at 30 June 2021 are covered, as demonstrated in the accounting documents.

At 30 June 2021, the works transferred to the Operator are: Waterworks at Mercato Palazzo with transfer in October 2016, waterworks at Boscotrecase and Cercola with transfer in March 2018, waterworks in the Nolana area with transfer in September 2018, waterworks at Campitelli and Boccia a Mauro to complete the Vesuvius area with transfer in December 2018, the Anгри Wells Field with transfer in February 2019, the Nolana Area treatment plant with transfer in March 2019, the completion of the Sarnese Area with transfer in April 2019, the Medio Sarno 2 treatment plant with transfer in July 2019, the transfers relating to the Medio Sarno 3 treatment plant and the Sorrentine Peninsula water area in December 2019, the transfer of the Foce Sarno treatment plant in December 2020, and finally the transfer of the Alto Sarno treatment plant in January 2021.

External operating costs Op_{exend} were defined based on what is established in article 17.1 of Annex A to resolution ARERA 580/2019/R/Idr when measures were introduced to incentivise efficient behaviour by operators; to that end, calculation of the per capita level of operating costs incurred by GORI in 2016 placed GORI in class B1 of the regulatory matrix pursuant to article 17.1 of resolution ARERA 580/2019/R/Idr, while calculation of estimated operating costs, using the statistical model found in article 17.2 of



Annex A to resolution ARERA, transformed into per capita terms, placed the operator in Cluster A of the regulatory matrix. Therefore, GORI is placed in quadrant 4 of the regulatory matrix, which therefore leads to $Opex_{end}$ of € 74.6 million.

The GRC was also updated pursuant to art. 27.1 of Annex A of ARERA resolution no. 580/2019/R/idr which envisages that, for the purposes of determining the GRC for the 2020-2023 regulatory period, some cost items (electricity cost, balance of payments and penalties, Authority contribution, cost of wholesale supplies, activity costs connected to the IWS due to systemic changes in the conditions of the service or to the occurrence of exceptional events) are subject to a final assessment, as adjustment components (Rc), relative to the year (a-2).

With regard to the calculation of the Constraint for the costs for wholesale water services by the Campania Region at 30 June 2021, the tariff approved by the CWA by resolution no. 7 of 26 June 2019 was considered. This determines the 2020-2019 regulatory scheme for the proposed wholesale water tariff for the "Campania Region" operator and is equal to 0.192941 €/m³, with the application, both for the year 2020 and for the year 2021, of a theta equal to 1.

The pertinent cost at 30 June 2021 on the COws relating to regional water supplies, according to the principle of *full cost recovery*, was approximately € 2.8 million, entered for the same amount in GRC and in the related costs.

As regards the COws of the collection and purification service, here again they were calculated starting from the quantification of the recognised costs which, to determine the relevant costs at 30 June 2021, according to the full cost recovery principle, amounted to approximately € 3.8 million. Reference was made to the tariff for wastewater collection and purification services, equal to 0.310422 €/m³, (as a result of application of the ARERA 338/2015/R/idr resolution to the regional tariffs for wholesale services, recognised by the Parties within the minutes of the meeting of 4 March 2016 between the Campania Region, the Area Authority and Gori), applying it to volumes treated by the regional plants.

We can note that during May and June a new tariff enquiry was launched with the relevant offices of the Campania Water Authority, in order to arrive at a proposal agreed between the Parties that would take into account the needs in terms investments and social sustainability of the tariff for users, guaranteeing at the same time maintenance of the economic and financial balance.

In any case, as the tariffs had not been approved by the competent bodies of the Campania Water Authority, as of 30 June 2021 no increase in the current tariff structure had been applied.

The non-application of tariff increases and, at the same time, the increase in the costs incurred on Regional Works transferred in virtue of the completion of the transfer time schedule, and included in the calculation of the GRC accruing as OP_{new} , determined the generation of tariff adjustments of € 5.9 million, to be recovered in subsequent years.

Therefore, the tariff adjustments, as of 30 June 2021, amounted to € 149.1 million.

With reference to the judgement of the Lombardy Regional Administrative Court (RAC) no. 1619 of 29 June 2018 we can inform you that the Council of State, accepting partially the appeal of the aforesaid Municipalities, with the recent judgement no. 5309 of 13 July 2021, revised the judgement of the Lombardy R.A.C. Milan office no. 1619/2018, on the premise that ARERA had not carried out a correct enquiry regarding "*the quantification of the tariffs*", because it had not assessed whether the Area Plan had been effectively implemented after 2009 and, that is, after the proceeding to revise it had been launched; it therefore argued, for the purposes of the aforesaid "*quantification of the tariffs*", on the verification of effective implementation of the Area Plan "*... taking into account the need to verify the congruity of the costs with respect to the planned objectives also "in relation to the investments planned" (art. 149 Italian Legislative Decree 152/06) ... which implies the need for an enquiry ... on the status of implementation of the [area] plan as a condition for assessing concretely the operating costs and a possible concrete assessment of the situation determined in order to identify the adequate tariffs...*". The Council of State then concluded providing for a temporary reduction of 30% of the tariff increase provided for in resolution no. 104/2016/R/idr "*while awaiting renewal of the enquiry proceeding*" of ARERA in preparation for the assumption of new decisions (also confirming the decisions made with ARERA resolution 104/2026/R/idr) regarding "*quantification of the tariffs*" – "*as in any case the amount of the earlier consolidated tariffs is not in question and as a preponderant weight has to be attributed in any case to the approval of the plan*" – without affecting the fact that "*renewal of the enquiry has no constrained content; it could end obviously in confirmation of the tariff decision cancelled herein only for insufficient enquiry but on the basis of new elements, that is the precise verification of the implementation of the plan and of the presumable justified future modulation of the works planned or on the basis of a more specific different motivation or, on the contrary, if the Authority so decides, it could end in confirmation wholly or in part of the jurisdictional cancellation order (which has only a preliminary conformation effect while awaiting renewal of the technical assessments). This reduction is ordered, until the new decision of the Authority, which must intervene promptly and expressly and concretely motivate on the effects deriving, for the purposes of covering the costs, from any remaining non-implementation of the plan, unless final adjustments are ordered after the renewal (if the reduction in the increase cancelled herein were to be calculated in an amount of less than thirty percent)*". Currently, Gori must continue to apply the tariffs pursuant to the resolutions of the Extraordinary Commissioner of the Sarnese Vesuviano Area Authority no. 19 of 8 August 2018 and no. 39 of 17 July 2018, adopted on the basis of an autonomous enquiry, in accordance with the Tariff Method in force *pro-tempore* (ARERA resolution 664/2015/R/idr, as amended by resolution 918/2017/R/idr) and of a new assessment of interests with respect to the decisions taken in relation to the 2012-2015 regulatory period. Therefore, the Company must await the ARERA's decisions consequent to the supplementary enquiry ordered from it by the Council of State to comply with the aforementioned judgement no. 5309/2021.

Campania – GESESA S.p.A. (OTA I - Calore Irpino)

The Company operates in Ato I Calore Irpino which promotes and develops the initiative for the management of the Integrated Water Service in Municipalities in the Province of Avellino and Benevento. The Company manages the Integrated Water Service of 22 Municipalities in the Province of Benevento with a resident population served of approximately 120,000 inhabitants over an area of approximately 710 km² and 57,000 users. The sewerage service is provided to approximately 80% of users while the purification service to about 40%.

In 2018 the IWS of the Municipality of Morcone was acquired and several contacts are under way with new Municipalities for the management of their relative IWSs.



From 17 July 2018 the company redefined the Management Agreement with the Municipality of Benevento by extending its management to the entire IWS, adding Sewerage and Water Treatment to the services provided. As far as the Municipality of Benevento is concerned, an important agreement was reached for the construction of sewerage treatment plants for the city, with agreements with the extraordinary national commissioner being stipulated that should entrust the design phase to the company. Currently, the Authority – governed by the Extraordinary Commissioner referred to in DGR no. 813/2012 and merged into the regional EIC at the end of 2018 – has not yet assigned the management of the Integrated Water Service.

During the two year period 2019-2020, Gesesa began to establish the foundations consistent with the resolutions of the Board for a new path of growth and development aimed at achieving strategic objectives that provide for company growth. In this regard, a capital increase operation was already approved to aggregate new operations with the direct assignment of the Integrated Water Service by new Municipalities, using an instrument that is given by the regulatory provisions contained in Italian Legislative Decree 175/2016 containing the "Consolidated Law on companies in which the public administration participates". Art. 4 of the aforementioned regulation allows Municipalities to acquire company shareholdings in activities producing a service of general interest, subject to the body's verification of the economic convenience of the direct or externalised management of the service entrusted to private operators.

This gives the Company the opportunity to proceed with new acquisitions of IWS and therefore to continue its development in the territory falling under Ato 1, pending the identification of the single operator, implementing a management development that, upon reaching at least 25% of the population served, would establish the Company as an interlocutor able to request the direct awarding of the entire territory as Sole Manager.

Please note that in May 2020, following a decision of the Public Prosecutor at the Court of Benevento, 12 purification plants of the company were placed under seizure with the appointment of a judicial administrator to manage them. Criminal proceeding 5548/16 R.G.N.R., which involves various Gesesa executives and employees and is currently in the preliminary investigation stage, involves management of the purification system in the Benevento area and a possible connection with pollution of bodies of water in that same area.

Based on that claimed, the accused are alleged to have, in particular, committed fraud in public services, pursuant to article 356 of the Criminal Code and the crime of environmental pollution, pursuant to article 452-bis of the Criminal code which, in the Public Minister's opinion, is a direct consequence of the negligent management of the purification plants.

The Public Prosecutor's Office requested the preventive seizure of 12 purification plants managed by the Company, assigning them to a Judicial Administrator. In the context of its powers, the Judicial Administrator carried out a detailed audit in order to examine the plants and identify solutions and actions to improve the purification results of the same.

The Company indicated its willingness to suffer the costs for the activities indicated in the final report for this audit and, with a provision of 25 January 2021, the examining judge for the Court of Benevento gave the go ahead to execution of these activities, which will be begun shortly by the Judicial Administrator.

After discussions between the Company and the Judicial Administration the decision was arrived at, for reasons of transparency and efficiency, but above all to ensure that the convergent purpose of making the plants as efficient as possible will be fulfilled in a short time, to entrust the procedures necessary for performing the actions described in the report to the Judicial Administrator, using for this purpose the rules and principles on the subject of mandates with representation. The aforesaid decision was transformed into a Draft Agreement; on 2 March 2021 approval was given by the Examining Judge.

On 17 March 2021 the agreement was signed with the Judicial Administrator to launch the works concretely with reference to the 12 plants still under seizure. In consideration of the preliminary phase of the investigations, it is not possible to formulate forecasts on the outcome and the potential risk for the Company deriving from completion of the legal procedure. Therefore, the Directors, also on the basis of the opinion of the defending counsel appointed, believe that the still preliminary stage at which the proceeding stands does not enable them to make a forecast on the liabilities that could possibly derive for the Company as a result of the evolution of the further stages of the aforementioned proceeding.

Additionally, the Company had a private audit carried out with reference to another 18 purification plants managed and not subject to seizure, so as to identify any actions needed to improve purification results.

With reference to approval of the tariffs, as of today the tariff structures related to the 2018/2019 and 2020/2023 updates have still not been adopted by the Area Governing Body. On 29 December 2020, the Company notified the Campania Water Authority (CWA) with a copy to the National Regulatory Authority the applications for these updates, according to the schemes contained in the orders issued by the Regulator. On 2 July 2021, ARERA gave notice to the CWA to fulfil the obligation to approve the 2020/2023 tariff structure within the term of 30 days. It is to be hoped that the action taken by ARERA will accelerate the tariff approval procedure.

Tuscany - Acque S.p.A. (OTA 2 - Basso Valdarno)

The management agreement, which came into force on 1 January 2002 with an initial 20-year duration was signed on 21 December 2001, then in October 2018 it was extended to 2031. In accordance with said agreement, the Operator took over the exclusive integrated water service of Ato2, comprising all public water collection, abstraction and distribution services for civil use, sewage systems and the treatment of wastewater. The Area includes 57 Municipalities. In return for award of the concession, Acque pays a fee to all the Municipalities, including accumulated liabilities incurred under previous concessions awarded.

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

With the same Resolution the Executive Council of the Tuscan Water Authority approved the 2018-2019 tariff proposal, the update of the works programme, the updating of the economic and financial plan and the extension of the duration of the concession of



service from the previous deadline of 31 December 2026 to the new deadline of 31 December 2031. On 9 October 2018 with Resolution no. 502/2018/R/IDR ARERA approved the tariff proposal.

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

Finally, it is noted that on 24 January 2019, with the submission of the required documentation, with the termination of the previous loan and the related hedging contracts and with the stipulation of the new interest rate hedging contracts, the suspensive conditions were met and, therefore, the new loan agreement became effective. The new loan was established with a pool of banks and envisages two lines of credit: (i) Term Line of € 200.0 million disbursed in a single use and with final single maturity of 29 December 2023 and, (ii) RCF Line equal to € 25.0 million payable in one or more uses within the period of use and final maturity on 29 December 2023. This line must be used exclusively to meet the financial needs of the Company for its ordinary business.

At the same time the new loan agreements were entered into, 6 new interest rate hedging contracts were entered into. The new contracts envisage the Company's semi-annual payment of a fixed rate to the counterparties starting from 24 January 2019 and in correspondence with a payment by the counterparties to Acque of a variable rate. The amount for tariff revenues entered in the 2020 financial statements represent the GRC value recognised to the operator. Included amongst revenues are adjustments for systemic changes recognised in the aforementioned proposal and not booked in previous financial statements: their value totals € 0.7 million.

On 18 December 2020, the Executive Council of the Tuscan Water Authority, with Resolution no. 7, approved the tariff proposal for the years 2020-2023 (according to ARERA Resolution 580/2019/R/idr of 27 December 2019) to be submitted for ARERA approval. As noted, ARERA should fulfil this obligation within 90 days. Nevertheless, the timeframe for this approval depends entirely on ARERA itself. It is held that elements of uncertainty are connected to requests submitted that require approval by ARERA.

Tuscany - Publiacqua S.p.A. (OTA 3 - Medio Valdarno)

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

Total revenues for the year, including adjustments to pass-through items, amounted to € 122.3 million (€ 48.9 million in the Group). Revenues also include the Fo.NI. component for € 16.5 million (Group share € 6.6 million).

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

Tuscany - Acquedotto del Fiora S.p.A. (OTA 6 - Ombrone)

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

With regard to the update of the tariffs for the period 2018-2019, on 27 July 2018, based on the actual data collected referring to the years 2016 and 2017 and the Investment Plan, the AIT approved the tariff revision proposal, setting the GRC and the Theta of the years 2018-2019 and also redesigning the entire tariff profile until the end of the IWS concession (Deliberation of the Executive Council of the AIT no.17/2018 of 27 July 2018). Following further analysis of the greater needs for AdF investments related to technical quality, with Resolution no. 10/2019 of 1 July 2019 the Executive Council of the Tuscan Water Authority produced and submitted to ARERA a new tariff proposal with re-modulation of the 2031 deadline, which the Authority finally approved with Resolution no. 465/2019/R/IDR of 12 November 2019, confirming the levels of the original 2018-2019 proposed theta. On 27 November 2020, based on the actual data collected referring to the years 2018 and 2019 and the Investment Plan, the Tuscan Area Governing Body (AIT) approved the tariff revision proposal with the MTI-3 scheme, setting the GRC and the Theta of the years 2020-2023 and also redesigning the entire tariff profile until the end of the IWS concession (Deliberation of the Executive Council of the AIT no. 6/2020 of 27 November 2020). This tariff proposal was then sent to the Tuscan AGM by ARERA and approved by ARERA on 2 March 2021. Total revenues of the period, including adjustments to pass-through items, amounted to € 56.3 million and a share of FoNI equal to € 5.5 million.

Umbria - Umbra Acque S.p.A. (OTA 1 - Umbria 1)

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

As of 30 June 2021, the rate applied to users was determined on the basis of Water Tariff Method 3 (MTI-3) under Resolution no. 36/2021/R/idr of 2 February 2021 with which ARERA approved the preparation of the 2020-2023 tariff update previously approved by the Assembly of Mayors of the AURI with Resolution no. 10 of 30 October 2020, which provide for 2021 a theta of 1.105 and an increase of 4.44% compared to 2020. The average tariff €/mc was € 2.78 at 30 June 2021. The number of users served was



approximately 233 thousand, substantially unchanged compared to the previous year. With reference to volumes, on the basis of the estimates made, approximately 13.6 million cubic metres of water were distributed, in line with the previous year. The Assembly of Mayors of the AURI, with Resolution no. 10 of 30 October 2020, approved the proposed MTI-3 tariff for the four-year period 2020-2023 (Tariff Plan or TP), the relative regulatory Economic and Financial Plan (regulatory EFP) and associated Works Programme (WP), providing approval with the same Resolution for extension of the concession to 31 December 2031. On the basis of the determinations of the ARERA, the revenues for the period were valorised for a total of € 38.3 million (Group share € 15.3 million), including the adjustment of passing items.

Umbria -S.I.I. S.c.p.A. (OTA2 - Umbria 2)

The Optimal Territorial Area Authority no. 2 Umbria (O.T.A. Umbria n° 2), under the terms and for the purposes of the Galli Law – no. 36/1994 – and of Umbria Region Law n° 43 of 5 December 1997, awarded to S.I.I. S.c.p.A. from 1 January 2002, the date on which the Convention was signed, for the duration of thirty years, the management of the Integrated Water Service (water supply, sewerage and treatment) in the 32 municipalities of the Province of Terni (today Sub-area no. 4 of the Umbria AURI). On 16 November 2020 the Extraordinary Shareholders' Meeting, approving the revision of the by-laws that provided for a change in the industrial governance, enhanced the role of planning, monitoring and control of the public shareholders, and at the same time made effective an corporate reorganisation operation through the sale of 15% of the shares by the shareholder ASM Terni S.p.A. to the shareholder Umbriadue S.c.ar.l. The changes also enabled full consolidation of the financial statements of SII in the ACEA Group financial statements.

Precisely in virtue of its nature as a consortium the company has contractual relationships with the member companies through which it performs the services. The activities of managing the integrated water service and carrying out the actions provided for in the Area Plan that have been entrusted by the AURI to the company are, in fact, performed, to a large extent, not directly by S.I.I. but through its members, which act, implementing the consortium regulations and the specific contractual agreements, each in a certain segment of the service and/or in a certain territorial area, as operating arm of S.I.I. itself, according to the operating methods typical of a consortium.

In relation instead to the shareholder Municipalities, SII, also on their behalf, is the holder of the integrated water service management appointment, and is the only contractual party in relations with final users and customers and, as such, the only recipient of the income deriving from the tariff and from all other forms of revenue provided for in the economic and financial plan or, in any case, made in execution of the integrated water service management. The deed that governs the relationships with the Authority is the award convention which binds the Company to guaranteeing maintenance in their state of conservation of the assets received in concession and to investments in new plants for the water, treatment and sewerage service. The new plants made will be redelivered to the Authority at the end of the concession at a price equivalent to the non-amortised value of the costs incurred for their construction.

Progress of the procedure for approving the tariffs

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

Company	Approval status (up to MTI2 "2016-2019")	Two-year update status (2018-2019)	Approval status MTI-3 2020-2023
ACEA Ato2	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. <u>The ARERA then approved them in Resolution 674/2016/R/IDR, with some changes compared to the AGB's proposal: quality bonus confirmed.</u>	The Conference of Mayors approved the tariff update on 15 October 2018. On 13 November 2018, ARERA approved the 2018-2019 tariff update with Resolution 572/2018/R/ldr. 6/2020. On 10 December 2018, the Conference of Mayors adopted ARERA approved the 2020-2023 tariffs on 12 May 2021 with the provisions of the ARERA Resolution.	On 27 November 2020, the AGB approved the tariff for the 2020-2023 regulatory period with Resolution no. 197/2021/R/IDR
ACEA Ato5	Tariff proposal submitted by the Operator on 30 May 2016, with request for recognition of the Opex _{sc} . 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 _{sc} . Approval by the ARERA is awaited.	The Conference of Mayors approved the 2018-2019 tariff update on 1 August 2018. ARERA has not yet given its approval.	On 14 December 2020, the Operator submitted a tariff updated request pursuant to article 5, paragraph 5.5 of ARERA Resolution 580/2019/R/IDR MTI-3 of 27 December 2019. On 10 March 2021, the OTAA Conference of Mayors approved the proposed tariff for 2020-2023, with resolution 1/2021. The Operator lodged an appeal against this resolution
GORI	On 1 September 2016, the Extraordinary Commissioner of the AGB approved the tariff with Opex _{sc} as of 2017. Approval by the ARERA is awaited.	On 17 July 2018 the Extraordinary Commissioner of the ARERA gave notice to the CWA on 2 July 2021, therefore the CWA convened the Executive Council for this past 15 July after which it informed ARERA (this past 16 July) of the decision taken by the Executive Council, that is to defer the tariff approval while awaiting incorporation of the new ARERA decisions with respect to judgement no. 05309/2021 published on 13 July 2021.	On 18 December 2020, the Operator submitted a tariff updated request pursuant to article 5, paragraph 5.5 of ARERA Resolution 580/2019/R/IDR MTI-3 of 27 December 2019.
Acque	On 5 October 2017, the AIT approved the tariff with recognition of the Opex _{sc} . Approved by ARERA on 9 October 2018 (as part of the approval of the 2018-2019 update).	On 22 June 2018 the AIT Executive Council approved the 2018-2019 tariff update and, at the same time, the request to extend the duration of the 5-year contract, that is until no. 31 December 2031. With Resolution 502 of 9 October 2018, the ARERA approved the 2018-2019 tariff update.	On 18 December 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 3. ARERA has not yet given its approval
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/ldr. <u>On 12 October 2017,</u>	On 7 December 2018 the AIT approved the 2018-2019 tariffs with the extension of the 3-year concession. ARERA approved the 2020-2023 tariff provisions and the 2018-2019	On 26 June 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 3.

	<u>with resolution 687/2017/R/IDR ARERA approved the specific regulatory frameworks for the 2016-2019 period proposed by the AIT.</u>	two-year update with Resolution 59/2021 of 16 February 2021.	ARERA approved the 2020-2023 tariff provisions with Resolution 59/2021 of 16 February 2021.
Acquedotto del Fiora	On 5 October 2016, the AIT approved the tariff with recognition of the Opex. 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 the AIT Board of Directors also approved the no. 6 application to extend the concession to 31 December 2031, submitted by the Company in April 2019 and approved by the AIT Executive Council on 1 July 2019. The updated tariff proposal was then presented to extend it to 2031, which in any case confirmed the tariff increase (theta) and the Guaranteed Revenue Constraint (GRC) for the years 2018 and 2019, already approved by the AIT with its Resolution of July 2018. ARERA approved the two-yearly update (with a small correction of the recognised OpexQC) and the extension of the concession with Resolution no. 465 of 12 November 2019.	On 26 November 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution 84/2021/R/IDR of 2 March 2021.
Geal	On 22 July 2016, the AIT approved the tariff with recognition of the Opex. On 26 October 2017, with resolution 726/2017/R/IDR ARERA approved the specific regulatory frameworks for the 2016-2019 period proposed by the AIT.	On 12 July 2018 ARERA approved the 2018-2019 tariff update proposed by AIT.	On 28 September 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 4, updated with Resolution nos. 13 and 14 of 30 December 2020. ARERA provided approval with resolution 265/2021/R/IDR of 22 June 2021.
Acea Molise	Following Resolution no. 664/2015/R/IDR, both for the Municipality of Campagnano di Roma (RM) and the Municipality of Termoli (CB), Municipalities where Crea Gestioni offers the IWS, neither the Granting Body nor the Area Authority of reference submitted a tariff proposal for the regulatory period 2016-2019, so the Company independently submitted tariff proposals. Currently approval by the ARERA is still pending.	The Company has submitted the data to the competent parties/AGB in order to update the 2018-2019 tariff. For the management of the IWS in the Municipality of Campagnano di Roma (RM), given the inaction of the designated parties the Company filed an application with ARERA in early January 2019 for a tariff adjustment in 2018-2019, also revising the 2016-2019 proposal. ARERA has not yet pronounced or issued a warning to the AGB and/or to the competent parties. For the management of the IWS in the Municipality of Termoli (CB), with a Resolution dated 17 December 2019 the Municipal Council of Termoli approved the alignment of the pre-existing Agreement to the Agreement template, extending its expiry to 31 December 2021, and confirmed the tariff increase (theta) and the Guaranteed Revenue Constraint (GRC) for 2018 and 2019, also revising the 2016-2019 proposal. ARERA has not yet given its approval.	The Municipality of Termoli approved the tariff provisions for 2020-2023 on 4 February 2021. These were sent by the Municipality of EGAM on 4 March 2021. For the Municipality of Campagnano, the Operator sent the application with tariff provisions to ARERA on 30 March 2021 in accordance with the provisions under art. 5.5 of Resolution 580/2019/R/IDR.
Gesesa	On 29 March 2017 with Resolution no. 8 of the Extraordinary Commissioner the OTAAI approved the tariff provisions for the years 2016-2019. Currently approval by the ARERA is still pending.	The Company submitted the documentation relating to the 2018-2019 tariff review to the Area Authority and the preliminary investigation by the technical offices of the competent AGB (EIC-Campania Water Authority or CWA) was completed at the end of February 2020. The final approval of the CWA Executive Committee has not yet been given.	On 29 December 2020, the Operator submitted a tariff updated request pursuant to article 5, paragraph 5.5 of ARERA Resolution 580/2019/R/IDR MTI-3 of 27 December 2019. The CWA convened the Executive Committee for this coming 22 July (minutes on closure of the activities of checking the minutes of 31/7/20) following the notice from ARERA received on 2 July 2021.
Nuove Acque	On 22 June 2018, the AIT Executive Council approved the rates	On 16 October 2018 with Resolution 520 ARERA approved the 2018-2019 tariff update proposed by the AIT.	On 27 November 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 5. ARERA provided approval with resolution 220/2021/R/IDR of 25 May 2021
Umbra Acque	On 30 June 2016, the AGB approved the tariff with recognition of the Opex. The ARERA then approved them in Resolution 764/2016/R/IDR dated 15 December 2016.	In its session of 27 July 2018, the AURI Assembly approved the 2018-2019 tariff update. The ARERA approved the 2018-2019 tariffs with Resolution no. 489 of 27 September 2018	AURI approved the 2020-2023 tariff provisions with Resolution no. 10 of 30 October 2020. ARERA approved the same with Resolution 36/2021 of 2 February 2021.
SII Terni S.c.a.p.a.	On 29 April 2016, with Resolution no. 20, AURI approved the tariff multiplier for the 2016-2019 four-year period and with determination no. 57 it approved the adjustment for previous items. ARERA approved the 2016-2019 tariff provisions with Resolution 290/2016 of 31 May 2016.	With resolution of the Board of Directors of AURI no. 64 of 28/12/2018, approval was given to the 2018-2019 two-year update. With Resolution 464/2018 of 20 September 2018, ARERA approved the 2018-2019 two-year update.	AURI approved the 2020-2023 tariff structure with the resolution by the Assembly of Mayors 12 of 30 October 2020. ARERA provided approval with resolution 553/2020 of 15 December 2020.

Revenue from the Integrated Water Service

The table below indicates for each Company in the Water Segment the amount of revenue in H1 2021 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 operators to which the Water Tariff Method applies, where the tariff approval process by the Area Authority and/or ARERA has not been completed yet, represents the best estimate based on the elements that are currently available.

Company	Revenue from the IWS (pro quota values in € million)	FONI (pro quota values in € million)
ACEA Ato2	340.2	FNI = 28.1 AMM _{FoNI} = 6.7
ACEA Ato5	40.7	FNI = 2.0 AMM _{FoNI} = 2.6
GORI	104.3	AMM _{FoNI} = 3.2
Acque	35.8	-
Publiacqua	48.9	FNI = 1.4 AMM _{FoNI} = 5.2
AdF	55.0	AMM _{FoNI} = 5.5
Gesesa	6.5	AMM _{FoNI} = 0.1
Geal	4.3	AMM _{FoNI} = 0.5
Acea Molise	2.7	-
SII	18.6	AMM _{FoNI} = 0.5
Umbra Acque	15.3	-



Related Party Transactions

ACEA GROUP AND ROMA CAPITALE

Trading relations between ACEA Group companies and Roma Capitale include the supply of electricity and water and provision of services to the Municipality.

Among the principal services are the management, maintenance and upgrading of public lighting facilities and, with regard to environmental–water services, the maintenance of fountains and drinking fountains and the additional water service, as well as contract work.

Such relations are governed by appropriate service contracts and the supply of water and electricity is conducted by applying the tariffs in force on the market adjusted to the supply conditions.

ACEA and ACEA Ato2, respectively, provide public lighting and integrated water services under the terms of two thirty–year concession agreements. Further details are provided in the section "Service concession report".

In 2019, Roma Capitale and the ACEA Group began a technical round table to define some previous positions regarding the services provided under water service and public lighting contracts. At present, the parties are continuing to reconcile their respective items. For further information regarding relations between the ACEA Group and Roma Capitale, reference should be made to the disclosures regarding receivables and payables from and to the Parent Company in note 24 of this document.

The following table shows details of the main revenues and costs at 30 June 2021 of the ACEA Group (compared to those of the previous year) deriving from the most significant financial relations.

€ thousand	REVENUES		COSTS	
	30.06.2021	30.06.2020	30.06.2021	30.06.2020
Supply of fresh water	23,041	19,280		
Supply of electricity	3	16		
Public Lighting Service Contract	13,254	21,258		
Public Lighting contract interest	3,015	3,474		
Water maintenance service contract	115	91		
Monumental fountain service contract	115	91		
Concession fee	0	0	13,168	13,057
Lease fees	0	0	67	55
Taxes and duties	0	0	1,185	1,474

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

€ thousand		31/12/2020	Collections / payments	Accruals 2021	30/06/2021
RECEIVABLES		192,729	(28,000)	40,132	204,861
PAYABLES		(221,316)	60,958	(105,723)	(266,081)

ACEA GROUP AND ROMA CAPITALE GROUP

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

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

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

Roma Capitale Group	Trade payables	Costs	Trade receivables	Revenues
AMA S.P.A.	918	573	1,765	2,478
ATAC S.P.A.	74	124	7,515	876
ROMA MULTISERVIZI S.P.A.	(1)	0	0	0
ASSICURAZIONI DI ROMA - MUTUA ASSICURATRICE ROMANA	15	1,636	0	(1)
Total	1,006	2,334	9,281	3,353

ACEA GROUP AND MAIN CALTAGIRONE GROUP COMPANIES

The ACEA Group companies maintain trading relations that mainly concern the supply of electricity and water.

The supply of services to entities owned by this company is conducted by applying the tariffs in force on the market adjusted to the supply conditions. The prices applied to sales of electricity to free market users are in line with the sales policies of Acea Energia.

The following table shows the most significant amounts relating to financial relations between the ACEA Group and the main entities owned by the Caltagirone Group at 30 June 2021.

€ thousand	Revenues	Costs	Receivables	Payables
Caltagirone Group	16	0	(4)	(4)

ACEA GROUP AND SUEZ ENVIRONMENT COMPANY SA GROUP

There were no relations with companies in the Suez Group as at 30 June 2021. It must also be noted that the financial balances described above do not include relations with companies in the Group consolidated under the equity method., which are included in the financial statements.

List of significant related party transactions

It should be noted that no non-recurring significant transactions with related parties were carried out during the period. The table below shows the percentage weight of transactions with related parties on the statement of financial position, the income statement and the cash flow statement.

Impact on the Statement of Financial Position

€ thousand	30.06.2021	Of which with related parties	Impact	31.12.2020	Of which with related parties	Impact
Financial assets	32,398	15,993	49.40 %	38,781	21,156	54.60 %
Trade receivables	1,046,006	87,183	8.30 %	981,509	72,080	7.30 %
Current financial assets	436,513	144,150	33.00 %	113,960	143,097	125.60 %
Trade payables	1,488,791	53,506	3.60 %	1,524,876	77,230	5.10 %
Financial payables	368,458	200,590	54.40 %	408,675	133,714	32.70 %

Impact on the Income Statement

€ thousand	30.06.2021	Of which with related parties	Impact	30.06.2020	Of which with related parties	Impact
Consolidated net revenues	1,824,605	50,742	2.8 %	1,621,969	60,931	3.8 %
Consolidated operating costs	1,216,933	30,894	2.5 %	1,069,690	28,103	2.6 %
Total Financial (costs)/income	(43,359)	2,379	(5.5%)	(95,419)	9,583	(10.0%)

Impact on the Cash Flow Statement

	30.06.2021	Of which with related parties	Impact	31.12.2020	Of which with related parties	Impact
Increase in receivables included in the working capital	(108,847)	(15,103)	13.9 %	(118,892)	10,329	(8.7%)
Increase/decrease in payables included in the working capital	(100,907)	(23,724)	23.5 %	41,729	(12,710)	(30.5%)
Collections/payments deriving from other financial investments	(50,013)	4,110	(8.2%)	(177,824)	(1,188)	0.7 %
Collected dividends	2,466	2,466	100.0 %	16,787	16,787	100.0 %
Decrease/increase in other short-term financial debts	(162,888)	66,876	(41.1%)	(89,136)	(15,207)	17.1 %
Dividends paid	(90,623)	(90,623)	100.0 %	(73,795)	(73,795)	100.0 %



Update on major disputes and litigation

Tax issues

Tax audit of SAO (now incorporated into Acea Ambiente)

In October 2008, the Revenue Agency notified the company with two notices of assessment which reassessed, inter alia, the tax reports for the tax years 2003 and 2004 with regard to the IRES tax. The alleged irregularities arise from the application of article 14, paragraph 4-bis of Law no. 537 of 24 December 1993.

The appeals filed by the Company were merged by the Tax Commission of Terni which, in the month of May 2009, upheld the application for suspension filed by SAO and in November 2009 stayed the proceedings by raising the issue of the constitutionality of Article 14, paragraph 4 bis of Law no. 537 of 24 December 1993, upon which the tax assessment was based.

By decision of March 2011 the Constitutional Court dismissed the constitutionality issue and remanded the proceedings to the Tax Commission of Terni. In January 2013, the Commission upheld the appeals filed by SAO and ordered the Agency Revenue to pay 50% of the legal costs incurred by the Company.

By judgement 419/04/14 issued on 24 February 2014, filed in July 2014, the Regional Tax Commission of Umbria rejected the appeal filed by the Revenue Agency, ordering it to pay the legal costs. On 21 September 2015, the company received from the State Attorney General the appeal filed by the Revenue Agency with the Court of Cassation against the cited judgement 419/04/14: SAO (now Acea Ambiente) filed its appearance with a defence statement and simultaneous conditional cross-appeal, on 28 October 2015. Currently no date has been fixed for the hearing before the Supreme Court of Cassation.

In addition to the above, in November 2008, the Revenue Agency notified the company, and the former Parent Company EnerTAD S.p.A., with a notice of assessment that reassessed the IRES tax due for the 2004 tax period, establishing an additional tax charge of € 2.3 million for taxes, net of penalties, where applicable. The alleged irregularities arise from the application of article 14, paragraph 4-bis of Law no. 537 of 24 December 1993.

The Company's defence arguments were upheld by both the Provincial and the Regional Tax Commission. In February 2013, the Revenue Agency appealed to the Supreme Court of Cassation and the company filed its appearance.

It is believed that the actions of the tax authorities mentioned above are illegitimate, and that the risk of having to pay the full amount is remote, which previous shareholder (Enertad, now Erg Renew) will be obliged to pay on the basis of the guarantees issued as part of the purchase/sale agreement regarding the shares of the direct parent company A.R.I.A. S.r.l. (now Acea Ambiente s.r.l.)

For the sake of completeness, we also mention that in January 2009, the company challenged the decision ref. no. 2008/27753 of 27 November 2008 by which the Revenue Agency suspended the payment of a VAT refund claimed by the Company for the 2003 tax year. This refund amounting to € 1.3 million, was recognized by the tax authorities, but it was suspended as a precautionary measure due to the above mentioned tax assessments. The Tax Commission, with Ruling issued following the hearing held in March 2010, upheld the appeal lodged by the company, thus cancelling the cited measure against the aforementioned ruling. The Revenue Agency submitted an appeal in September 2010. The proceedings are in progress. It should be noted that the receivable concerning the above VAT refund was sold for valuable consideration in July 2010. The buyer lodged an appeal, simultaneously requesting discussion at a public hearing for the cancellation of measure 73747/2011 by which the Terni Provincial Department of the Revenue Agency declared the sale of said VAT credit from SAO to said assignee to be unacceptable. By ruling no. 52/04/12 issued on 3 October 2011 and filed on 26 March 2012, the Perugia Regional Tax Commission rejected the appeal filed by the Tax Authorities, with reimbursement of costs. The Revenue Agency appealed to the Supreme Court of Cassation and the company filed its appearance.

Tax audit of areti

In the Report on Findings (PVC) concerning the general inspection for 2010, an assessment was also made for the years from 2008 to 2012 on the taxation treatment of some items that were previously inspected and had a multi-annual validity.

On the basis of the notification made in the PVC, the Lazio DRE - Major Taxpayers' Office served five notifications of assessment concerning VAT for 2009, 2011, 2012, 2013 and 2014.

With regard to the notices relating to 2009, 2011 and 2012, the Regional Tax Commission considered the company's reasons valid and annulled the notices of assessment, and the litigation is now pending before the Court of Cassation. With regard to the year 2013, the CTP rejected the appeal filed by the Company. The date of discussion for the notice of assessment for the year 2014 has not yet been set.

On the basis of another report, the Company received notices of assessment for the years 2011 to 2014 concerning the IRAP treatment of tariff benefits granted to employees and former employees. With regards to the year 2011, the Regional Tax Commission, confirming the first level judgement, annulled the notification. The case is now pending with the Court of Cassation. With regards to the year 2012, the Provincial Tax Commission annulled the notice of findings and the Revenue Agency filed an appeal against this judgement. The Company is waiting for the date to be set for the second level hearing. For the year 2013, the CTP rejected the Company's appeal. On 23 January 2020 the Company served notice of appeal against the first instance decision. A first instance hearing has not yet been scheduled for the year 2014.

Tax disputes/lawsuits with ARSE

In January 2016, ARSE, a company at the time already closed due to complete spin-off, was informed of a notification of liquidation of the complementary register fee concerning the requalification of the conferment transaction and subsequent transfer of the equity investment in Apollo Srl, a company in the photovoltaic segment. The tax demanded, including interest, amounts to € 672 thousand. On 7 March 2017, the beneficiaries of the ARSE – ACEA S.p.A., Acea Liquidation e Litigation (ex Elga Sud) and Acea Produzione – believe the notification of liquidation is groundless as regards both the obvious technicalities in terms of its form and as regards the dispute involved in the notification.

On 15 January 2018, the hearing for discussion was held before the Provincial Tax Commission of Rome. By judgement no. 1926/15/2018 deposited on 22 January 2018, the judges cancelled the notice of assessment challenged. On 5 June 2018 the Office filed an appeal against the above judgement; the companies joined the proceedings in the second instance, filing counterarguments on 7 August 2018. As of today's date, a hearing to discuss this case has not yet been scheduled.



On 14 June 2012, the Company was delivered a Report on Findings from the Italian Financial Police - Rome Tax Police Department following its inspection to check the correct use of the tax suspension provisions under the VAT tax warehouse system pursuant to article 50-bis of Italian Decree Law 331 of 30 August 1993 ("VAT Deposits"), relating to certain assets imported by the Company in 2009, 2010 and 2011.

Based on the alleged abusive use of the aforementioned system by the company, the inspectors charged the company with failure to pay VAT on imports – for 2009, 2010 and 2011 – amounting to a total of € 16,198,714.87.

On 6 August 2012 the company submitted a defence brief pursuant to art. 12, paragraph 7, of Law no. 212 of 27 July 2000 concerning the findings contained in the aforementioned Report on Findings.

The issue relating to the concepts of simulated warehouses and the introduction of goods to the country is particularly well-known and debated, and has been the subject of numerous papers on practices issued by the Customs Authority and several cases of legal intervention.

The company considers that all the factual and legal conditions envisaged in the regulation on the use of VAT Deposits, as interpreted by the relevant administrative bodies, were fully satisfied and therefore the aforementioned Report on Findings is without grounds.

Tax audit of ACEA Ato5

On 7 March 2018 the Guardia di Finanza - Economic and Financial Police Unit of Frosinone - Section for the Protection of Public Finance commenced a general tax audit of the Company. The audit was concluded on 25 October 2018 with the drafting of the PVC (Audit Report) that alleged substantial violations of income taxes and IRAP by the Company in the 2013 tax year.

It is also noted that on 21 December 2018 the Court of Frosinone - section of the judge for preliminary investigations notified the Company of a decree of preventive seizure (no. 3910/2018) of the financial resources present in the Company's current accounts up to the value of € 3.6 million, charging the Company with a crime under art. 4 of Italian Legislative Decree 74/2000.

On 24 December 2018 the Company produced and filed with protocol no. 77899 its own Observations regarding the PVC, drawn up according to article 12, paragraph 7 of Italian Law no. 212 dated 27 July 2000.

On 3 January 2019, the Inland Revenue – Provincial Department of Frosinone – Control office, notified the Company of assessment notice no. TKO0C6M02152/2018, with which the tax return was adjusted for IRAP for the 2013 tax period for an amount payable by the company of € 591 thousand for taxes, net of fines and interest. The findings identified derive from application of articles 5 and 25 of Italian Legislative Decree 446/97 and in particular relate to an undue downward variation due to the use of a risk provision, the omitted accounting/declaration of positive income components as well as the undue deduction of negative income elements related to default interest. The Company appealed against this sanction before the Provincial Tax Commission of Frosinone. Based on the assessments of its tax advisors, the Company has not identified any particular risk with regard to this audit.

In any case, taxes were paid on a provisional basis pending the trial, the hearing for which was held on 3 July 2019. On 23 October 2019 sentence no. 475/1/2019 was filed by the Provincial Tax Commission of Frosinone rejecting the appeal filed by the Company against the administrative fine imposed by the Revenue Agency for violations ascertained by the Guardia di Finanza for 2013. The Company challenged the aforementioned judgement and filed an appeal before the Regional Tax Commission.

It is noted that the findings for IRES purposes relating to the aforementioned tax assessment report have been the subject of a separate assessment as described below.

Finally, it is noted that on 1 February 2019, having examined the request for review pursuant to art. 324 of the Italian code of criminal procedure proposed by the Company, the Court of Frosinone, having heard the parties in the Council Chamber at the hearing and dissolved the reservation, annulled the decree of preventive seizure issued by the examining judge and ordered the restitution of the seized property to the party entitled.

It should also be noted that the audit continued for the tax years 2014-2018, ending with the drafting of a further tax assessment report on 30 October 2019.

As a result of the tax audit carried out, the tax authorities found that the company had committed a series of substantial violations with regard to IRES and IRAP for the tax periods from 2014 to 2017, except for what had already been found for 2013 with the previous PVC of 25 October 2018 and partly amended.

Also in relation to this last PVC, the Company submitted specific comments and also requested the cancellation in self-protection of what is subject to adjustment for 2013.

Nevertheless, on 31 December 2019, the following were served by the Revenue Agency:

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

The notices of assessment were served to the Parent Company ACEA as consolidating company. The companies filed an appeal before the Provincial Tax Commission of Frosinone on 28 February 2020. With regard to the findings contested in said notices of assessment, supported by the opinion of their tax advisors the Companies consider the Inland Revenue's requests to be completely groundless.

Lastly, it should be noted that the Company paid a third of the amounts ascertained for a total amount of € 3,311,335 during H1 2020.

On 19 January 2021 the public hearing was held on the IRES year 2013 and 2014 IRAP year 2014 assessments; the Frosinone CTP accepted the company's appeals cancelling the assessment notices and ordering the Revenues Agency to pay the legal expenses for a total of € 22 thousand. On 2 July 2021 the Agency notified the appeals against the judgements of first instance.



Customs audits of Umbria Energy S.p.A.

In 2016, the Terni Customs Office, after completing an audit at the company relative to declarations of energy consumption for the years 2010 to 2012, issued a series of provisions in the form of payment orders and deeds issuing fines in the amount of € 1,410 thousand for the Province of Perugia and of € 862 thousand for the Province of Terni.

The Office claimed taxes had not been paid (excise and additional electricity taxes) and errors in the completion of consumption declarations.

The company promptly challenged these provisions with the relevant institutions.

In 2017, the Perugia Provincial Tax Commission rejected the appeal submitted by the Company arguing the substantive relevance of the conduct upheld and declared that in the event of any billing adjustments, the procedure to be applied is that of submitting a formal request for reimbursement to the Office in accordance with art. 14 of the Environment Act. The relevant sentences were promptly appealed by the Company and the corresponding judgements are currently pending before the Perugia CTR, which has postponed the proceedings to be rescheduled.

With regard to the deeds challenged by the Company relating to the electricity injected for consumption in the province of Terni for the year 2010, the decision of appeal, while confirming the decision of the first instance with regard to the tax due, found that the obligation of the Office to recalculate the penalty was justified. The ruling was promptly appealed by both the Company and the Customs Agency and the relevant case is currently pending before the Supreme Court of Cassation.

Management carried out the appropriate provisioning, reflecting the level of risk to which the Company is exposed on the basis of the opinion issued by an external professional, appointed to defend the Company.

At 31 December 2020, as there are no new elements that could change the assessment of the risk inherent in the dispute in question, the provision of € 1,000,000 has been kept unchanged with respect to the previous year.

Other issues

ACEA Ato5 - Injunction Order requested for credit collection on the settlement agreement of 2007 with OTAA 5.

With regard to the € 10,700,000 receivables for higher costs incurred in the 2003-2005 period, pursuant to the Settlement agreement of 27 February 2007, on 14 March 2012, ACEA Ato5 lodged an appeal for an injunction order concerning the receivables recognised by the AATO to the company.

Accepting the appeal, the Court of Frosinone issued Injunction Order no. 222/2012, enforceable immediately, notice of which was served to the Area Authority on 12 April 2012.

By notice dated 22 May 2012, the AATO sent notice of its opposition to the injunction order, requesting the cancellation of the order and, as a precautionary measure, the suspension of its provisional enforcement. Moreover, as a counter-claim, it submitted a claim for the payment of concession fees totalling € 28,699,699.48.

ACEA Ato5 appeared before the court in the proceedings against the injunction order, challenging the adversary's demands and in turn formulating a counter-claim for the payment of the entire amount of higher costs incurred by the Operator and originally requested, totalling € 21,481,000.00.

Following the hearing on 17 July 2012, the Judge – in an Order filed on 24 July – suspended the temporary enforcement of the injunction order, and postponed to a later date the discussion of the merits of the issue.

The judge also rejected the request for an order of payment of the concession fees submitted by the OTAA.

During the hearing on 21 November 2014, the judge withdrew the reservations on the motions for admission of evidence filed by the parties and fixed the hearing for the final statements on 15 November 2016. During the hearing, the judge granted the terms for the conclusions and replies and deferred the decision on the case. In sentence 304/2017, published on 28 February 2017, the civil judge revoked the injunction decree issued in 2012, rejected the subordinate re-conventional request by ACEA Ato5 and ordered the deferral of the case in the preliminary proceedings concerning the re-conventional request by the AATO as regards the payment of the concession fees.

At the hearing of 17 November 2017, the Judge, having acknowledged the counterparty request, postponed the hearing to 27 February 2018. At the outcome of the aforementioned hearing, the new Judge who took charge of the case, having noted the discrepancies that emerged in the respective accounts of ACEA Ato5 and AATO, granted a postponement to 4 May 2018, inviting the parties to clarify the reasons for such discrepancies and specifying that if they could not the court would appoint an expert to do so. At this hearing there was a further postponement until 21 September 2018.

At this meeting, in light of the Conciliation Panel established on 11 September 2018 with OTAA 5 – pursuant to art. 36 of the Management Agreement to which the question concerning the determination of concession fees was also referred, among others – the Parties asked the judge for a postponement, the hearing being scheduled for 15 February 2019, then postponed to 17 September 2019. The proceedings were first postponed to 17 March 2020 and then automatically postponed to 11 September 2020. The judgement was further postponed, first to 15 December 2020, then to 12 February 2021 and finally to 26 March 2021.

In connection with these proceedings, the appeal must be considered against the judgement of the Court of Frosinone that revoked the Court Order of € 10,700,000, initially issued by said Court.

The first hearing was automatically postponed to 11 May 2018. On this occasion the Court, having heard the respective positions of the parties, postponed the case to 20 November 2020 for the oral discussion and the ruling of the sentence pursuant to art. 281 sexies of the code of civil procedure. The case was then further postponed after a request by the parties, to 30 June 2021.

The Company did not consider cancelling the receivable or setting aside any risk provisions for two reasons:

- the issue in question, which relates to the recognition of the amount owed by the Operator (of € 10,700,00.00) in connection with the 2007 settlement, the subject of sentence no. 304/2017 of the Court of Frosinone, appealed by ACEA Ato5 S.p.A. to the Court of Appeal of Rome (RG no. 6227/2017), was referred to the Conciliation Board for further investigation, including legal matters;
- The legal assessments made by the lawyers illustrate, on the one hand, the validity of the appeal and, on the other hand, the fact that the nullity of the transaction does not in itself determine the non-existence of the receivable.



The validity of the appeal and the decision not to cancel the receivable were further confirmed by the conclusions of the Conciliation Board, established by the Area Authority and the Operator, in accordance with the provisions of article 36 of the Management Agreement, in order to reach a settlement of the various disputes pending between the parties.

In its Conciliation Proposal sent to the parties on 27 November 2019 and currently being examined by the OTAA 5 Conference of Mayors, the Conciliation Board has in fact, among other things:

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

ACEA Ato5 - Lazio Regional Administrative Court appeal of contract termination

With regard to the matter of the termination of the Management Agreement, we are awaiting rulings on the appeals filed by several Municipalities of the Ato5 against sentence no. 638/2017 by which the Lazio Regional Administrative Court - detached section of Latina upheld the appeal filed by the Company against resolution no. 7 of 13 December 2016 of the Conference of Mayors that ordered the resolution, annulling the measure.

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

ACEA Ato5 - ASI Consortium

The ASI Consortium filed two injunction decrees for the reimbursement of the portion of the treatment service carried out on behalf of ACEA Ato5 (case value € 14,181,770.45). The two decrees were opposed by the Company which, in turn, submitted an application for the supply of water for industrial use provided to the Consortium. Specifically:

- With regard to the proceedings instituted following appeal 3895/2013 (value of the judgement € 7,710,946.06), the parties to the proceedings approved the settlement plan and on 15 May 2018 the final settlement agreement was signed between Consorzio ASI, ACEA Ato2 and ACEA Ato5;
- with reference to the judgement following appeal no. 3371/2016 (judgement value € 6,470,824.39), the judge postponed the hearing until 8 February 2019. On that occasion, as negotiations are still in progress between the parties for the settlement of the case, a further postponement was ordered to 25 June 2019, 22 November 2019 and subsequently to 31 March 2020. Lastly, a further postponement of the hearing to 15 December 2020 was ordered. The next hearing has been set for 2 March 2021.

At the same time, during the aforementioned settlement discussion, the opportunity emerged to transactively define reciprocal debit/credit positions for the 2016-2017 period, as well as the opportunity to reach the settlement of a framework agreement aimed at regulating – starting from 2018 and for the future – the water supply service provided by ACEA Ato5 to the ASI Consortium, as well as the sewerage and treatment service rendered by ASI for ACEA Ato5. With regard to this last aspect, on 9 January 2019 an agreement was signed by the Parties.

Finally, the Parties reached an amicable settlement for the reciprocal receivables relative to the 2012-2017 period, applying the same criteria already adopted when concluding the *inter partes* relations for the 2004-2011 period. Hence, the Parties agreed to partially offset the reciprocal debtor positions, given that ACEA Ato5 has a debt due to the ASI Consortium totalling € 4,726,869.00, which ACEA Ato5 paid with an initial instalment of € 1,726,869.00 as of the date the agreement took effect, followed by 12 subsequent payments of € 250,000.00. An integral part of the Settlement Agreement is the commitment made by ACEA Ato5 to acquire, for pay, the water network owned by ASI, for an amount to be determined within the limits established in the Agreement in question, after an appraisal to be carried out by a third party hired by the OTS and without prejudice to the fact that the entire operation is subordinate to express consent from the Area Authority. The efficacy of the agreement is further subordinate to approval from the respective Boards of Directors. Finally, note that the ASI Board of Directors approved the draft Settlement Agreement on 28 January 2021 and the same document was approved by the Acea Ato 5 Board of Directors on 8 March 2021. On 15 March 2021, the parties signed the Agreement.



ACEA Ato5 - Municipality of Atina - City Council Resolution no. 14 of 17 April 2019

Following the transfer of the management of the IWS of the Municipality of Atina to ACEA Ato5, on 19 April 2018, the Municipality decided to "establish the optimal territorial sub/area called Atina Territorial Area 1, with reference to the optimal territorial area no. 5, for the continuity of the autonomous and direct management of the water service pursuant to art. 147 paragraph 2 bis of Italian Legislative Decree 152/2006, declaring the Integrated Water Service <local public service without economic importance>" (Municipal Council resolution no. 14 of 17 April 2019).

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

As far as ACEA Ato5 is concerned, while the legal action taken by the AGB is suitable to protect the interests of the Operator, the Company has deemed it appropriate to file suit and is waiting for the hearing to be set.

On 1 June 2021 with Note no. 2241/2021 the Lazio region also expressed itself on the subject, repeating the unacceptability of the Municipality's request for recognition of the Atina 1 Sub Area within the Optimal Territorial Area 5 Frosinone, because this would be contrary to the current national and regional legislation (Italian Legislative Decree No. 152 of 3 April 2006, and Regional Law no. 6 of 22 January 1996). The Municipality therefore continues to have the obligation to award in free concession of use to the operator of the integrated water service the water infrastructures it owns, as provided for in art. 153 paragraph 1 of Italian Legislative Decree 152/2006

ACEA S.p.A. - SMECO

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

With sentence no. 17154/15 of 17 August 2015, the Court rejected the application in its entirety and sentenced the parties jointly and severally to the reimbursement of ACEA for legal expenses. On 1 October 2015, SMECO lodged an appeal to the 2nd Section of the Court of Appeal of Rome. After a number of postponements, the hearing to clarify the conclusions was set for 3 November 2020.

With a judgement of 11 June 2021, the Court rejected completely the appeal lodged by the plaintiff, ordering the same to refund the legal expenses to Acea.

ACEA S.p.A. - Milano '90

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

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

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

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

Judgement of Appeal

On 26 April 2018, Milano '90 filed an appeal against the above judgement. As a result of the oral hearing, with an order dated 25 October 2018 the Court of Appeal rejected the request for suspension. Specification of the conclusions was most recently postponed to 10 September 2021.

Executive procedure

Following the favourable first instance ruling, on 27 March 2018 ACEA filed the appeal for the resumption of the enforcement procedure against Milano '90 and the garnishment order and the hearing was postponed to 9 October 2018 for the appearance of the parties and the prosecution. As a result of this hearing, the Judge ordered a postponement for the possible assignment of the foreclosed sums pending the decision of the Court of Appeal on the injunction of the contested judgement. The hearing was last adjourned to 27 November 2019 and the judge put in place conditions. With order dated 11 February 2020 the enforcement judge cancelled the previous conditions and ordered the allocation of € 6,445,687.75 plus legal costs and interest in favour of ACEA.

Quite unexpectedly, following the service of the order, on 12 March 2020 the seized third party filed an appeal against the enforcement, requesting a declaration of nullity of the order for the allocation of the seized sums.

By order dated 24 March 2020 and without a hearing, the Enforcing Judge ordered the suspension of the enforceability of the assignment order and set a hearing on 24 February 2021 to decide on whether to confirm, amend or revoke the measure. The Judge's official order has not yet been issued.

ACEA S.p.A. - Trifoglio S.r.l.

The complex dispute consists of a case filed as a plaintiff and also a case appearing as a defendant, joined in 2015 before the Judge with whom the case filed as a plaintiff was pending.

Case filed as a claimant: this issue concerns the breach by Trifoglio of its obligation to pay the balance of the amount due (€ 10.3 million), pursuant to the sale contract regarding the so-called Autoparco property, which should have been paid on 22 December 2011.

In consideration of Trifoglio's breach, a notice was served aimed at signing a deed to voluntarily terminate the sale agreement of 22 December 2010, and then to file a claim before the Court of Rome, pursuant to art. 702-bis of the Code of Civil Procedure. ATAC Patrimonio filed a claim for the termination of the sale agreement of 22 December 2010 for the portion for which it is responsible.

Cases as a defendant: Trifoglio has notified ACEA and ATAC Patrimonio a writ of summons aimed at assessing the invalidity of the deed of purchase and sale and recognition of compensation for damages in the amount of approximately € 20 million.

By judgement no. 11436/2017 of 6 June 2017, the Court of Rome declared the nullity of the contract of purchase and sale, substantively upholding the petition of ACEA aimed at having the contract wound up with Trifoglio and recovering ownership of the area, arranging for the return to Trifoglio of the deposit-price received (Euro 4 million); it also rejected the request for compensation for damages made by Trifoglio and excluded any liability of ACEA with regards to the truthfulness of the contractual guarantees offered to Trifoglio. On 8 August 2017 Trifoglio filed an appeal, with a hearing for conclusions last postponed to 9 September 2021.

ACEA S.p.A. – Former COS rulings

The COS dispute concerns the ascertainment of the illegality of the contract between ALMAVIVA Contact (formerly COS) and ACEA and the consequent right of its workers to be recognised as having a subordinate employment relationship with ACEA.

It should be noted that the majority of the cases in which ACEA was unsuccessful were settled, and that of the six claimants only two were brought before the Court of Cassation by ACEA to assess the existence of a claim (i.e. the assessment of the right to establish a relationship), both heard on 4 April 2019 by the Council. These judgements were settled by dismissal orders – made on 2 and 10 July 2019 – of ACEA's application. The establishment of the employment contract between ACEA and the opposing parties as from 2004 is therefore confirmed.

The workers - who up to now have claimed the remuneration differences for lack of performance - have therefore started to work concretely starting from February 2020.

Based on the judgements concerning the *an debeatur*, the six workers who won their cases (i.e. with whom a subordinate employment relationship with ACEA was established) have over time introduced judgements quantifying their claims, pending at various levels, requesting payment of the wages due as a result of the established relationship and regarding different periods of accrual of the alleged claims, which have led to disagreements. In detail, with regard to the number of cases currently pending at the Court of Cassation, a first judgement concerning two employees was settled with a sentence in favour of ACEA on 31 October 2018, against which the counterparties appealed for revocation by means of a document served on 30 April 2019. This judgement was defined with an order favourable to Acea on 26.5.2021, with which the Court declared inadmissible the appeal itself and ordered to appellants to pay the legal expenses.

Furthermore, another quantification judgement is still pending with the Rome Court of Appeals, regarding pay differences accrued between 2010 and 2014, proposed by the same workers. The judgement was suspending while awaiting the rulings that the Court of Cassation handed down on the *an debeatur* of the claim (see above), orders made during July 2019 and after which the case was resumed and is currently pending with a hearing set for 12 July 2021, on the outcome of which, after rejecting the claim formulated by the counterparties on payment of the uncontested amounts, the Board adjourned the case for the decision to 14 October 2021. Furthermore, in December 2020, a settlement was reached with one of the six counterparties.

Most recently, two of the workers filed a quantification judgement relative to pay differences between 2014 and 2019. Challenges to the injunction orders issued in favour of the two workers are currently in course, with the hearing for discussion set for 12 September 2021.

ACEA S.p.A. – Municipality of Botricello

In 1995, the Municipality of Botricello transferred management of its integrated water service to a temporary grouping of businesses, which later established itself as a consortium, known as Hydreco Scarl. In 2005, the Municipality sued, in the Court of Catanzaro, the company Hydreco Scarl and its component companies, including Sigesa S.p.A. (which transferred its rights to ACEA S.p.A.), to obtain reimbursement of the fees due for administration for the period from 1995-2002, quantified in the amount of € 946,091.63, plus damages, interest and revaluation.

The companies disputed the Municipality's claim and filed a counter-claim for non adjustment of tariffs and loss of earnings due to the early revocation of the service. During the case an expert was called upon, who recognised a balance due to the Municipality of around € 230 thousand. Nonetheless, the Court, with judgement 1555 of 29 October 2015, ordered the companies to jointly pay € 946,091.63, plus interest and revaluation of the payable accrued, rejecting the counter-claims. The losing parties filed separate appeals and, with an ordinance of 27 March 2018, the Catanzaro Court of Appeals suspended execution of the appealed judgement, based on the validity of the arguments made in the appeal document. However, with judgement 677 of 6 June 2020, the appeals were rejected.

ACEA filed an appeal with the Court of Cassation. The date for the hearing has not yet been set.

ACEA S.p.A. and areti S.p.A. – MP 31 S.r.l. (formerly ARMOSIA MP Srl)

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

In the hearing on 17 February 2016, the Judge adjoined this case with the other pending before the Court of Rome, taken by ACEA and areti (transferee of the lease contract) in order to obtain the termination of the lease contract. In this latter case, MP 31 has also filed an unconventional remand for compensation for the damages incurred in consideration of the degrading condition of the building when it was released by areti. With a sentence dated 27 November 2017 the Court upheld the application of MP 31 against areti, condemning it to the payment of the previous rent in the amount of € 2,759,818.76 plus interest from the individual deadlines, as well as the payment of the rent up to contract expiry (29 December 2022). As a result, there are no further charges to the company. ACEA filed an appeal, served on 2 January 2018.



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

ACEA S.p.A. and ACEA Ato2 S.p.A. - CO.LA.RI

With a writ of summons served on 23 June 2017, the Consortium Co.La.Ri. and E. Giovi S.r.l. – respectively the manager of the Malagrotta landfill (prov. Rome) and the executor - summoned ACEA and ACEA Ato2 to obtain payment for the portion of the tariff for accessing the landfill, to be allocated to cover the thirty-year costs to manage the same, as established in Italian Legislative Decree 36/2003, alleged to be due for the depositing of waste during the contractual period from 1985-2009.

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

The first hearing, initially set for 23 February 2018, was postponed to 8 October 2018 to add the dispute against the Optimal Territorial Area Authority 2 Central Lazio - Rome. The hearing to clarify the conclusions was held on 22 March 2021. On this occasion, the judge, taking into account the notes filed by the parties, granted a further adjournment for the same obligations to 20 December 2021.

ACEA Ato2 S.p.A. and ACEA Ato5 S.p.A. - Challenge to Regional deliberations concerning the identification of the Optimal Territorial Areas of the Hydrographic Basin

With an appeal lodged before the Superior Court of Public Waters of Rome, ACEA Ato2 challenged the regional resolutions concerning the identification of the Optimal Territorial Areas of the Hydrographic Basin (GRL resolution no. 56 of 6 February 2018, GRL resolution no. 129 of 20 February 2018, GRL resolution no. 152 of 2 March 2018). A similar appeal was also proposed by the Optimal Territorial Area Authority no. 2 Central Lazio. With resolution no. 218 of 8 May 2018, the Lazio Region suspended the effectiveness of the challenged resolutions, delegating to the Regional Director of Water Resources and Soil Defence any activity useful for achieving a new governance model for the IWS during the following six months. Therefore, at the hearing of 11 July 2018 the case was postponed to 6 February 2019, pending the new assessments of the Region on the matter, announced in the provision that suspended the contested acts. Subsequently, the Region issued resolution no. 682 of 20 November 2018 with which it has extended the deadline for the definition of the new IWS model, confirming the suspension of the effectiveness of the challenged resolutions. There have been a number of postponements, and most recently the hearing was set for 17 November 2021. A similar appeal was filed by ACEA Ato5 S.p.A. and, in this case as well the hearing was most recently adjourned, due to the ongoing suspension of the contested measure and, in any case, the Region's ongoing investigation.

ACEA Ato2 S.p.A. – Parco dell'Aniene Scarl

In June 2019 the company Parco dell'Aniene Scarl sued ACEA Ato2 and Roma Capitale for alleged liability of the defendants, jointly and severally or to the extent to which they are responsible, for alleged wrongful acts arising from the failure to build and/or repair the sewerage system prior to the construction works carried out by the claimant in the Tor Cervara - Via Melibeo area. The consortium is making an exorbitant claim for compensation, totalling more than € 105 million. The Judgement is currently pending before the Court of Rome and the first hearing was postponed to 7 October 2020 to allow the summons of the third parties involved. After this hearing, the Judge, initially holding that the objection raised by ACEA regarding a lack of jurisdiction is enough to issue a judgement, postponed the hearing for the clarification of conclusions to 30 June 2021 without, at that time, ordering any investigatory activities. Following the replacement of the judge the hearing was then adjourned to 12 January 2022.

It should be noted that Parco dell'Aniene simultaneously introduced an appeal for jurisdictional regulation before the United Sections of the Supreme Court of Cassation. The related hearing was held on 6 July 2021 and with an order of 29 July the Court rejected the appeal, declaring the jurisdiction of the administrative judge.

Furthermore, on 11 February 2021 the counterparty filed an appeal pursuant to article 700 of the Italian Code of Civil Procedure, asking the Judge to avoid aggravating the damages and end the alleged prejudicial conduct.

The appeal filed introduced a precautionary sub-proceedings in the context of the already pending judgement, with the hearing for the appearance of the parties initially set for 30 March 2021 and then adjourned to 16 September 2021.

Finally, we can note that on 28 June 2021 a deed of intervention of the company Immobiliare Malcesine s.r.l. was filed in the case. This company, with the premise that it holds a stake in Parco dell'Aniene scarl, intervenes in support of the arguments of the plaintiff company.

ACEA Ato2 S.p.A. - Disputed concession of derivation of drinking water from the Peschiera and Le Capore springs for the water supply of Roma Capitale

Three cases have been brought before the High Court of Public Waters for the annulment of the Determination of the Lazio Region of 10 June 2019 (DGR no. G.07823) – with which the Concession was issued for the derivation of public water for drinking from the Peschiera springs in the municipalities of Cittaducale and Castel S. Angelo and from the Le Capore springs in the municipalities of Frasso Sabino and Casaprota for the water supply of Roma Capitale – which involve ACEA Ato2 and Roma Capitale as counterparties.

Appeals brought by the Postribù Association and the Municipality of Casaprota

With reference to both appeals - notified, respectively, on 16 and 19 September 2019 - with judgements of 13 March 2021, the High Court of Public Waters rejected completely the appeal lodged by the Municipality of Casaprota and declared inadmissible that of the Postribù Association, for lack of active legitimation.

Appeal filed by the Municipality of Rieti

With regard to this appeal, served on 16 September 2019, at the hearing on 4 March 2020, as per the opposing party's request, a postponement to 23 September 2020 for examination of the opponent's brief and any preliminary statements was ordered. The Judge



set the date for the next hearing for the filing of briefs and counterbriefs and any conclusions for 10 February 2021. At the hearing, the case was referred to the Board for the decision, for a collegial hearing on 17 March, and we are awaiting the decision.

Acea ATO2 S.p.A. - Enel Green Power Italia S.r.l.

With an appeal of 27 July 2020, Enel Green Power Italia S.r.l. (EGP) summoned ACEA Ato2 to the Regional Public Waters Court, via the Roma Civil Appeals Court, to obtain recognition of its right to receive a greater amount than that already paid by Acea as an indemnity for lower voltage (in terms of that due based on the agreement in effect between the parties as of 1985), for electricity which could not be produced with the Farfo 1 salto, Farfa 2° salto, Nazzano and Castel Giubileo systems, subject to derivation of waters from the Le Capore sources.

More specifically, the appellant states that between 2009 and 2019, ACEA, in applying the methods used to calculate the indemnity as indicated in the 1985 agreement, erroneously calculated the amounts due and that, as a consequence of this calculation error, should be required to pay EGP the total amount of € 11,614,564.85, plus additional amounts claimed as due for adjustments after 31 December 2019, as well as interest on arrears.

ACEA Ato2 filed its appearance, noting the unfounded nature of the interpretation of the agreement on which the appellant bases its request and indicating a different way of quantifying the indemnity which is more in line with the agreements made between the parties during the course of the contractual relationship.

Based on the application of this calculation method, Acea Ato2, taking into account the indemnities already paid, formulated a counterclaim for the return of € 3,246,201.46, plus legal interest, in that it was not due from ACEA Ato2.

The first hearing was held on 15 December 2020 and at that time the Investigating Judge postponed the case to 20 April 2021 for continued discussion of the issues, assigning a deadline for notes and reserving for the conclusion all decisions both regarding the inclusion of cross examination of the Area Authority requested by Acea and in relation to the objection of a lack of jurisdiction for the Waters Court also raised by the same. After the hearing in April the Judge did not order any enquiry activity and set the hearing for specification of the conclusions for 21 December 2021.

Acea ATO2 S.p.A. and Acea Produzione S.p.A. - Erg Hydro S.r.l.

With separate appeals, notified on 10 March 2021, Erg Hydro S.r.l. summoned ACEA Ato2 S.p.A. and Acea Produzione S.p.A. before the Regional Court of Public Waters (RCPW) at the Rome Court of Civil Appeal to obtain ascertainment of its right to receive by way of indemnity for lower voltage - due to it on the basis of the agreements in effect between the parties as of 1985 - for electricity which could not be produced with its plants, given the diversion of the sources of the Peschiera and affected by the regurgitation of Nera Montoro.

The application lodged regards the payment of default interest for delayed payment of past invoices, and the different amount of the adjustments calculated differently on the basis of the aforementioned agreement of 1985.

Specifically, the total request in relation to ACEA Ato 2 is approximately € 4,521,496.00, while in relation to Acea Produzione the application lodged is for approximately € 141,516.64.

The defendants joined the case arguing that the amounts requested had lapsed, and that the interpretation of the agreement on which the plaintiff based its request was groundless.

The first hearing was held on 18 May 2021 and on this occasion the Investigating Judge adjourned the case to 16 November 2021 for the admission of evidence.

areti S.p.A. - GALA S.p.A.

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

Precautionary measures

Against the enforcement of guarantees issued, on 12 April 2017 Gala filed a cautionary appeal as per art. 700 of the Code of Civil Procedure against the collection on 12 April, obtaining a decree *inaudita altera parte*, which initially prevented areti from exercising its right to collect the guarantees. This decree was thereafter revoked by court order of 30 May 2017, which fully recognised the rights of areti.

On 1 June 2017, given the continuation of the serious breach of contract, areti notified the termination of the transport contract and also the collection of the additional contractual guarantees.

On 6 June, Gala appealed against the cautionary ordinance of 30 May and, again, on 9 June, submitted a second independent appeal for urgent measures before the Court of Rome, requesting a declaration of invalidity of the termination ordered on 1 June 2017 and initially obtaining the issuing of a decree *inaudita altera parte* in its favour.

On completion of both legal proceedings, the reasoning of areti was again completely recognised, with the issuing on 12 July of a board ordinance rejecting the appeal, following which the judge, called upon to decide on the second appeal as per art. 700 of the Code of Civil Procedure, asked the parties not to appear at the hearing, declaring that the appeal could not continue by ordinance of 13 July 2017.

The first judgement filed by the guarantor Euroins Insurance plc

In July 2017, Euroins Insurance plc, guarantor of GALA, independently introduced assessment proceedings to have declared the non-existence of its guarantee obligation. Areti requested to have that judgement consolidated with the ordinary judgement of opposition to the injunction order of the GSE for connection (see below).

The trial is currently set up before Section XVII of the Court of Rome, with a hearing for skeleton pleadings set for 25 November 2020. With a judgement of 10 May 2021 the action for ascertainment of invalidity of the policy was rejected, with an order to Euroins to pay Areti the sum of € 5,000,000.00 plus legal interest from the application to payment of the balance and legal expenses.

The judgement also ordered Gala to ensure the release of the guarantor paying directly to Areti the sum of € 5,000,000.00, plus legal interest.



On 8 June 2021, GALA made spontaneously the payment of what was provided for in the judgement, paying areti S.p.A. the total amount of € 5,058,986.30, including plus legal interest (for € 58,986.30), with reservation of encumbrance and recovery of undue payments, also in relation to the demands that are the subject of the parallel civil dispute between the said GALA and areti (Court of Rome R.G. no. 18333/2018);

Following the collection by areti of the payment made by GALA, the amount of the balance related to the application in question is € 5,457,604.33, compared to an amount received from the Fund of € 5,775,679.36, with a difference therefore of € 318,075.03. This last amount, therefore, under the terms of art. 3. of the ARERA Resolution of 17 November 2020, 461/2020/R/EEL, must be returned to CSEA by 31 August 2021, recognising default interest calculated according to the provision of paragraph 48.4 of the TIT

The injunction issued in favour of GSE S.p.A.

GSE S.p.A., after notifying areti to pay the general system charges due by Gala, even if it has not been paid, requested and obtained from the Court of Rome an injunction, not immediately enforceable, against areti for payment of part of these charges. The injunction was promptly opposed by areti with a writ of summons served to GSE and inscribed in the rolls in December 2017, with the simultaneous summons, as a guarantee, of Gala and its guarantors (China Taiping Insurance (UK) Co. Ltd and Insurance Company Nadejda), the first hearing scheduled for March 2019.

Note that in July 2018, in view of access to the mechanism provided for by ARERA resolution no. 50/2018/R/EEL of 1 February 2018 for "recognition of charges that would otherwise not be recoverable for failure to collect general system charges", areti paid the GSE the sum specified in the opposed injunction.

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

Gala's citation to areti, Acea Energia S.p.A. and ACEA S.p.A.

By means of a summons served in March 2018, Gala requested the Court of Rome to declare the invalidity of some clauses of the transport contract stipulated with areti in November 2015 and the consequent invalidity/ineffectiveness of the termination of the contract by areti, ordering the latter to pay the corresponding damage, for a total of about € 200,000,000.00.

GALA also requested that the behaviour of areti and other defendant companies - ACEA S.p.A. and Acea Energia S.p.A. - be declared acts of unfair competition, condemning them to pay the corresponding damages.

The companies of the ACEA group that were sued acted within the terms of the law, denying the opposing claims and requesting their rejection.

In addition, as a counter-claim, areti has requested to declare the contract legitimately terminated, as well as to ascertain and declare the non-fulfilment of GALA of the payment and guarantee obligations assumed under the transport contract with consequent order to pay the related amount, plus interest and without prejudice to the additional amounts being accrued.

The judgement is currently pending before the XVII civil section of the Court of Rome and, with a decree of 13 June 2019 the Investigating Judge ordered an assessment by a court-appointed expert. The draft expert's report was filed on 17 March 2020. In view of the hearing for examination of the technical expert's findings, Gala filed a request for an appeal to the European Union Court of Justice. After this hearing, on 1 October 2020, the Judge granted a deadline for the filing of briefs and requests for clarifications and responses, reserving all other decisions. With an order dated 16 November 2020, the Judge then determined the case should not be sent to the Court of Justice and, deeming the case ripe for a decision, confirmed the hearing for conclusions, which was subsequently adjourned *ex officio* to 9 December 2021.

areti S.p.A. – Metanewpower

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

Judgement on guarantees

With summons served on 7 September 2018, Metanewpower (hereinafter also MNP) challenged the legitimacy of the contractual conditions for the transport of energy and the system of guarantees required by the distributor for the failure to pay the system charges regardless of the actual collection from the final customer, claiming compensation for damages due to providing the guarantees for approximately € 2.0 million, alleging also abuse of a dominant position by the distributor areti.

In the meantime, due to the serious breach of contractual obligations, on 8 October 2018 areti notified MNP of the termination of the transport contract.

During the court case, in December 2019, the counterparty amended its claim for damages, quantifying them at over € 34.0 million including however in the demand the amount of approximately € 11,000,000.00 for damages from termination, requested also in the ordinary case.

After the hearing on 7 October 2020, the Judge, rejecting the counterparty's request for a technical expert, set the hearing for conclusions for 3 March 2022.

Precautionary measure

With an urgent *ante causam* appeal pursuant to art. 669 bis and 700 of the Italian Criminal Code, MNP brought an action before the Court asking it to order the suspension of the effects of the termination for non-fulfilment of the transport contract ordered by areti and of the request for enforcement of the guarantee policy issued by MNP on 26 September 2018, ordering areti to restore the execution of the energy transport contract.

By order of 15 November 2018, the Investigating Judge, lifting the reservation on the outcome of the hearing of the parties, granted the precautionary measure, recognising from a marginal standpoint the violation of the distributor's duty to cooperate despite Metanewpower's default, each party paying their own legal expenses.



Ordinary Judgement

Following the conclusion of the precautionary phase, with a summons served on 5 December 2018, MNP instituted ordinary proceedings, contesting the validity of the contractual clauses and claiming compensation for damages due to the annulment of the termination of the contract following the aforementioned Court order. The request, as most recently specified on the occasion of the preliminary pleadings, amounts to at least € 14.0 million. The first hearing was held on 4 November 2020. Specification of the conclusions was set for 7 December 2022.

Recovery of areti's receivable from Metanewpower

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

areti S.p.A. – Metaenergia S.p.a.

In October 2018, the company Metaenergia S.p.A., which operates in the market of electricity sales to final customers, sued the distributor Areti, contesting the legitimacy of the contractual conditions for the transport of energy and the system of guarantees required by the distributor for the failure to pay the general system charges regardless of the actual collection from the final customer. The plaintiff company therefore demanded the return of the amounts paid as guarantee deposits and compensation for damages due to providing the guarantees for approximately € 320,000.00, alleging also abuse of a dominant position by the distributor areti. On the occasion of the filing of the preliminary pleadings the compensation requested was quantified as more than € 9,000,000.00. The hearing for specification of the conclusions was held on 13 January 2021 and, after the filing of the concluding pleadings, the Court, with a measure of 11 June 2021, after remission of the case to the enquiry stage, ordered an expert's report for ascertainment of the costs incurred by Metaenergia for providing the guarantees to cover the risk deriving from non-payment of the general system expenses collected or not collected from the final customer. The hearing for swearing in the technical expert was held on 14 July 2021 and the appraisal operations will begin in September 2021.

Gori S.p.A. – Consorzio di Bonifica Integrale del Comprensorio Sarno

The Consorzio di Bonifica Sarno sued the Company to order it to pay over € 20 million in concession fees due for the use of the consortium channels used to deliver the wastewater produced in the area under the Company's management. In particular, this quantification was derived from the acts of the Consortium, which unilaterally fixed the percentage of 45% (and then 26/62% from 2013) as part of the contribution relating to the collection of wastewater pertaining to Gori. In this regard, it should be noted that, as things stand, the agreement between the Consortium and Gori has not yet been defined (and therefore stipulated), so that the request for payment due to breach of contract would appear, *prima facie*, unfounded due to the absence of a contract, which is necessary in relations with a public administration like the Consortium. Moreover, the Company also highlighted the substantial irrelevance of the "benefit" received for the use of the consortium network. Moreover, in addition to the necessary contractualisation of the relationship, it is necessary that Ente Idrico Campano – i.e. the public administration competent according to the law – provide for the coverage of the alleged costs for concession fees (once the relevant calculation methods have been defined) in the IVS tariff of the Ato 3. Moreover, such costs – qualified as "updatable operating costs" pursuant to art. 27 of Annex A to the resolution of ARERA 664/2015/R/idr – are always recognised by the local regulatory authority (i.e. Campania Water Authority) and by the national regulatory authority (i.e. ARERA). That said, the Court considered it necessary to entrust a technical consultant with the task of "quantifying any amounts owed by the defendant Gori for consortium charges in relation to what was deducted in [the Consortium's] application on the basis of such obligation and the period of reference, including distinguishing the amounts year by year", "after examining the documentation produced and taking into account what was found therein". In the course of the expert appraisals, given the impossibility of determining a "contribution" that would have to be agreed upon during negotiations, the court-appointed expert asked the parties to produce documents and calculations in order to arrive to quantify the contribution due by the Company based on a logic specified by the expert. With the objection of the Consortium's legal counsel on the production of new documents, the expert concluded the appraisal, declaring that it was not possible to answer the questions based on the documents in the record alone. However, the expert filed a report declaring that it was impossible to quantify the contribution borne by Gori in proportion to the benefit based on a methodology consistent with the legislation of reference, but did identify an amount of over € 8 million which is the contribution to the collection of wastewater borne by all members "without being able to specify the amount owed by Gori" pursuant to art. 13, paragraph 5 of Italian Law 4/2003 of the Campania Region for the years 2008-2016, lacking "any measure whatsoever regarding the direct benefit obtained and the flow of water discharged by Gori". At the moment, as a decision in the case has been deferred, we are awaiting the outcome.

Gori S.p.A. Update of the 2016-2019 regulatory framework of the Sarnese-Vesuvian District of the Campania Region

The Municipalities of Nocera Inferiore (SA), Roccapiemonte (SA), Roccarainola (NA), Casalnuovo di Napoli (NA), Scisciano (NA) and Lettere (NA) appealed before the Campania RAC, Naples office, the resolution of the Extraordinary Commissioner of the Sarnese Vesuviano Area Authority no. 19/2016 of 08/08/2016 with which the 2016-2019 Regulatory Framework was set out and the resolution of the same Extraordinary Commissioner no. 39/2018 of 17/07/2018 with which the aforesaid Regulatory Framework was updated. The case regarding resolution 19/2016 (RG 5192/16) was suspended awaiting the results of the case pending at the Council of State brought by the Municipalities of Angri (SA), Roccapiemonte (SA), Roccarainola (NA), Casalnuovo di Napoli (NA) and Scisciano (NA), for the revision of the judgement of the Lombardy RAC, Milan office, no. 1619 of 29 June 2018 which confirmed the legitimacy of ARERA Resolution 104/2016/R/idr approving the 2012-2015 Regulatory Framework of the Sarnese-Vesuviano District Area. Instead, for the case regarding resolution no. 39/2018 (RG 4698/18) the public hearing for discussion of the merits was set for 7 July 2021.

**Proceeding AGCM A/513**

On 8 January 2019, the Antitrust Authority notified ACEA S.p.A., Acea Energia S.p.A. and areti S.p.A. of the final order for Proceeding A/513.

With this order, the Authority ruled that the aforementioned Group companies had committed an abuse of a dominant position – qualified as very serious and of duration quantified in 3 years and 9 months – consisting in the adoption of a broad exclusionary strategy realised through the illegitimate use of a series of prerogatives possessed solely by virtue of its position as an integrated operator in distribution, in order to compete with its competitors in the acquisition of electricity sales contracts in free market conditions.

In view of the gravity and duration of the infringement, the Authority ordered ACEA S.p.A., Acea Energia S.p.A. and areti S.p.A. to pay an overall pecuniary administrative fine of € 16,199,879.09.

Fully convinced of the illegitimacy of the measure imposed, two administrative appeals were filed before the Lazio Regional Administrative Court, one brought by Acea Energia and the other by ACEA S.p.A. The hearing on the merits of both judgements was held on 2 October 2019, and on 17 October 2019 the appeals were upheld with separate sentences and the fine was therefore annulled.

With appeals served on 17 January 2020, the AGCM filed an appeal before the Council of State. The group companies concerned lodged a cross appeal, and a hearing has yet to be scheduled.

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



Annexes

- A. List of consolidated companies
- B. Reconciliation of shareholders' equity and statutory profit – consolidated
- C. Remuneration of Directors, Statutory Auditors and Key Managers
- D. Public disbursement information pursuant to art. 1, paragraph 125, law 124/2017
- E. Segment information: statement of financial position and income statement



A. List of consolidated companies

Fully consolidated companies

Denominazione	Sede	Capitale Sociale (in €)	Quota di partecipazione	Quota consolidato di Gruppo	Metodo di Consolidamento
Area Ambiente					
Acea Ambiente S.r.l.	Via G. Bruno 7- Terni	2.224.992	100,00%	100,00%	Integrale
Aquaser S.r.l.	P.le Ostiense, 2 - Roma	3.900.000	97,90%	100,00%	Integrale
Iseco S.p.A.	Loc. Surpian n. 10 - 11020 Saint-Marcel (AO)	110.000	80,00%	100,00%	Integrale
Berg S.p.A.	Via delle Industrie, 38 - Frosinone (FR)	844.000	60,00%	100,00%	Integrale
Demap S.r.l.	Via Giotto, 13 - Beinasco (TO)	119.015	90,00%	100,00%	Integrale
Acque Industriali S.r.l.	Via Bellatalla, 1 - Ospedaletto (Pisa)	100.000	73,05%	100,00%	Integrale
Ferrocarr S.r.l.	Via Vanzetti, 34 - Terni	80.000	60,00%	100,00%	Integrale
Cavallari S.r.l.	Via dell'Industria, 6 - Ostra (AN)	100.000	60,00%	100,00%	Integrale
Area Commerciale e Trading					
Acea Energia S.p.A.	P.le Ostiense, 2 - Roma	10.000.000	100,00%	100,00%	Integrale
Cesap Vendita Gas S.r.l.	Via del Teatro, 9 - Bastia Umbra (PG)	10.000	100,00%	100,00%	Integrale
Umbria Energy S.p.A.	Via B. Capponi, 100 - Terni	1.000.000	50,00%	100,00%	Integrale
Acea Energy Management S.r.l.	P.le Ostiense, 2 - Roma	50.000	100,00%	100,00%	Integrale
ACEA Innovation S.r.l.	P.le Ostiense, 2 - Roma	10.000	100,00%	100,00%	Integrale
Parco della Mistica S.r.l.	P.le Ostiense, 2 - Roma	10.000	100,00%	100,00%	Integrale
Estero					
Acea Dominicana S.A.	Avenida Las Americas - Esquina Mazoneria, Ensanche Ozama - Santo Domingo	644.937	100,00%	100,00%	Integrale
Aguas de San Pedro S.A.	Las Palmas, 3 Avenida, 20y 27 calle - 21104 San Pedro, Honduras	6.457.345	60,65%	100,00%	Integrale
Acea International S.A.	Avenida Las Americas - Esquina Mazoneria, Ensanche Ozama - 11501 Santo Domingo	9.089.661	99,99%	100,00%	Integrale
Acea Perú S.A.C.	Cal. Amador Merino Reyna - 307 MIRAFLORES - LIMA	177.582	100,00%	100,00%	Integrale
Consorcio ACEA-ACEA Dominicana	Av. Las Americas - Esq. Mazoneria - Ens. Ozama	67.253	100,00%	100,00%	Integrale
Consorcio Servicios Sur	Calle Amador Merino Reyna - San Isidro	233.566	51,00%	100,00%	Integrale
Consorcio Agua Azul S.A.	Calle Amador Merino Reyna 307 - Lima - Perú	16.000.912	44,00%	100,00%	Integrale
Consorcio ACEA	Calle Amador Merino Reyna 307 - Lima - Perú	225.093	100,00%	100,00%	Integrale
Consorcio ACEA Lima Norte	Calle Amador Merino Reyna 307 - Lima - Perú	225.093	100,00%	100,00%	Integrale
Area Idrico					
ACEA Ato2 S.p.A.	P.le Ostiense, 2 - Roma	362.834.320	96,46%	100,00%	Integrale
ACEA Ato5 S.p.A.	Viale Roma snc - Frosinone	10.330.000	98,45%	100,00%	Integrale
Acque Blu Arno Basso S.p.A.	P.le Ostiense, 2 - Roma	8.000.000	76,67%	100,00%	Integrale
Acque Blu Fiorentina S.p.A.	P.le Ostiense, 2 - Roma	15.153.400	75,01%	100,00%	Integrale
Acea Molise S.r.l.	P.le Ostiense, 2 - Roma	100.000	100,00%	100,00%	Integrale
Acquedotto del Fiora S.p.A.	Via Mamek 10 Grosseto	1.730.520	40,00%	100,00%	Integrale
Gesesa S.p.A.	Corso Garibaldi, 8 - Benevento	534.991	57,93%	100,00%	Integrale
GORI S.p.A.	Via Trentola, 211 - Ercolano (NA)	44.999.971	37,05%	100,00%	Integrale
Ombrone S.p.A.	P.le Ostiense, 2 - Roma	6.500.000	99,51%	100,00%	Integrale
Pescara Distribuzione Gas S.r.l.	Via G. Carducci, 83 Pescara	120.000	51,00%	100,00%	Integrale
Sarnese Vesuviano S.r.l.	P.le Ostiense, 2 - Roma	100.000	99,16%	100,00%	Integrale
Umbriadue Servizi Idrici S.c.a.r.l.	Strada Sabbione zona ind. A72 - Terni	100.000	99,20%	100,00%	Integrale
Alto Sangro Distribuzione Gas S.r.l.	Via L. Galvani, 17/A - 47122 Forlì	463.644	51,00%	100,00%	Integrale
Servizi idrici Integrati ScPA	Via I Maggio, 65 Terni	19.536.000	40,00%	100,00%	Integrale
Notaresco Gas S.r.l.	Via Padre Frasca, s.n., frazione Chieti Scalo Centro Dama	100.000	28,05%	100,00%	Integrale
Area reti					
o reti S.p.A.	P.le Ostiense, 2 - Roma	345.000.000	100,00%	100,00%	Integrale
Area Generazione					
Acea Produzione S.p.A.	P.le Ostiense, 2 - Roma	5.000.000	100,00%	100,00%	Integrale
Acea Liquidation and Litigation S.r.l.	P.le Ostiense, 2 - Roma	10.000	100,00%	100,00%	Integrale
Ecogena S.r.l.	P.le Ostiense, 2 - Roma	1.669.457	100,00%	100,00%	Integrale
KT 4 S.r.l.	Viale SS Pietro e Paolo, 50 - Roma	110.000	100,00%	100,00%	Integrale
Solaria Real Estate srl	Via Paolo da Cannobio, 33 - Milano	176.085	100,00%	100,00%	Integrale
Acea Solar S.r.l.	P.le Ostiense, 2 - Roma	10.000	100,00%	100,00%	Integrale
Acea Sun Capital S.r.l.	P.le Ostiense, 2 - Roma	10.000	100,00%	100,00%	Integrale
Trinovolt S.r.l.	Viale Tommaso Columbo, 31/D - Bari (BA)	10.000	100,00%	100,00%	Integrale
Marche Solar S.r.l.	Via Achille Grandi 39 - Concordia sulla Secchia (MO)	10.000	100,00%	100,00%	Integrale
Fergas Solar S.r.l.	Via Pietro Piffetti, 19 - 10143 Torino	10.000	100,00%	100,00%	Integrale
Euroline 3 S.r.l.	Piazzale Ostiense, 2 - 00154 Roma	10.000	100,00%	100,00%	Integrale
IFV Energy S.r.l.	Piazzale Ostiense, 2 - 00154 Roma	10.000	100,00%	100,00%	Integrale
PF Power of Future S.r.l.	Piazzale Ostiense, 2 - 00154 Roma	10.000	100,00%	100,00%	Integrale
JB Solar S.r.l.	Piazzale Ostiense, 2 - 00154 Roma	10.000	100,00%	100,00%	Integrale
Acea Green S.r.l.	Piazzale Ostiense, 2 - 00154 Roma	10.000	100,00%	100,00%	Integrale
Acea Renewable S.r.l.	Piazzale Ostiense, 2 - 00154 Roma	10.000	100,00%	100,00%	Integrale
Area Ingegneria e Servizi					
ACEA Elabiori S.p.A.	Via Vitorchiano - Roma	2.444.000	100,00%	100,00%	Integrale
SIMAM S.p.A.	Via Cimabue, 11/2 - 60019 Senigallia (AN)	600.000	70,00%	100,00%	Integrale
Technologies For Water Services S.p.A.	Via Ticino, 9-25015 Desenzano Del Garda (BS)	11.164.000	100,00%	100,00%	Integrale

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

Denominazione	Sede	Capitale Sociale (in €)	Quota di partecipazione	Quota consolidato di Gruppo	Metodo di Consolidamento	Valore 30.06.2021
Area Ambiente						
Ecomed S.r.l.	P.le Ostiense, 2 - Roma	10.000	50,00%	50,00%	Patrimonio Netto	0
Area Idrico						
Acque S.p.A.	Via Garigliano, I - Empoli	9.953.116	45,00%	45,00%	Patrimonio Netto	95.540.069
Acque Servizi S.r.l.	Via Bellatalla, I - Ospedaletto (Pisa)	400.000	100,00%	45,00%	Patrimonio Netto	5.258.159
Geal S.p.A.	Viale Luporini, 1348 - Lucca	1.450.000	48,00%	48,00%	Patrimonio Netto	8.048.440
Intesa Aretina S.c.a.r.l.	Via B.Crespi, 57 - Milano	18.112.000	35,00%	35,00%	Patrimonio Netto	(632.216)
Nuove Acque S.p.A.	Patrignone Loc.Cuculo - Arezzo	34.450.389	46,16%	16,16%	Patrimonio Netto	13.413.974
Publiacqua S.p.A.	Via Villamagna - Firenze	150.280.057	40,00%	40,00%	Patrimonio Netto	113.656.159
Umbra Acque S.p.A.	Via G. Benucci, 162 - Ponte San Giovanni (PG)	15.549.889	40,00%	40,00%	Patrimonio Netto	20.418.516
Area Ingegneria e Servizi						
Ingegnerie Toscane S.r.l.	Via Francesco de Sanctis, 49 - Firenze	100.000	98,90%	44,10%	Patrimonio Netto	15.370.232
Visano S.c.a.r.l.	Via Lamarmora, 230 - 25124 Brescia	25.000	40,00%	40,00%	Patrimonio Netto	10.329
Area Generazione						
Belaria S.r.l.	Via Luciano Manara, 15 - Milano	10.000	49,00%	49,00%	Patrimonio Netto	(39.584)
Mithra I S.r.l.	Via Pontaccio, 10 Milano	50.000	100,00%	49,00%	Patrimonio Netto	200.620
Energia S.p.A.	Via Barberini, 28 - 00187 Roma	239.520	49,90%	49,90%	Patrimonio Netto	13.092.194

The following companies are also consolidated using the equity method:

Denominazione	Sede	Capitale Sociale (in €)	Quota di partecipazione	Quota consolidato di Gruppo	Metodo di Consolidamento	Valore 30.06.2021
Area Ambiente						
Amea S.p.A.	Via San Francesco d'Assisi 15C - Palano (FR)	1.689.000	33,00%	33,00%	Patrimonio Netto	0
Coema	P.le Ostiense, 2 - Roma	10.000	67,00%	33,50%	Patrimonio Netto	0
Estero						
Aguaazul Bogotá S.A.	Calle 82 n. 19°-34 - Bogotá- Colombia	951.851	51,00%	50,99%	Patrimonio Netto	1.514.263
Area Idrico						
Le Soluzioni Scarl	Via Garigliano, I - Empoli	250.678	80,84%	51,63%	Patrimonio Netto	502.365
Sogea S.p.A.	Via Mercatanti, 8 - Rieti	260.000	49,00%	49,00%	Patrimonio Netto	587.836
Umbria Distribuzione Gas S.p.A.	Via Bruno Capponi 100 - Terni	2.120.000	15,00%	15,00%	Patrimonio Netto	511.367
Area Infrastrutture Energetiche						
Citelum Napoli Pubblica Illuminazione S.c.a.r.l.	Via Monteverdi Claudio, 11 - Milano	90.000	32,18%	32,18%	Patrimonio Netto	0
Sienergia S.p.A. (in liquidazione)	Via Fratelli Cairoli, 24 - Perugia	132.000	42,08%	42,08%	Patrimonio Netto	0
Altro						
Marco Polo Srl (in liquidazione)	Via delle Cave Ardeatine, 40 - Roma	10.000	33,00%	33,00%	Patrimonio Netto	0

B. Reconciliation of shareholders' equity and statutory profit – consolidated

€ thousand	Profit for the year		Shareholders' equity	
	30.06.2021	31.12.2020	30.06.2021	31.12.2020
Balances in statutory financial statements (ACEA)	204,400	177,761	1,679,876	1,643,607
Surplus of shareholders' equity in financial statements, including the related results, compared to carrying amounts in consolidated companies	(36,922)	104,710	(193,464)	(100,898)
Consolidation Goodwill	(5,162)	(12,187)	360,508	308,250
Accounted for using the equity method	8,469	24,550	156,730	147,817
Other changes	(4,996)	(9,886)	(38,943)	(33,947)
Balances in consolidated financial statements	165,789	284,948	1,964,707	1,964,829

C. Remuneration of Directors, Statutory Auditors and Key Managers
Board of Directors and Board of Statutory Auditors

€ thousand	Remuneration due				
	Remuneration for the office	Non-monetary benefits	Bonuses and other incentives	Other compensation	Total
Board of Directors	117	17	115	513	762
Board of Statutory Auditors	182	0	0	0	182

Key Managers

Fees due to executives with strategic responsibilities for the first half of 2021 amounted to:

- salaries and bonuses € 409 thousand,
- non-monetary benefits € 32 thousand.

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



D. Public disbursement information pursuant to art. 1, paragraph 125, law 124/2017

Based on recent developments regarding transparency in the public payment system pursuant to art. 1, paragraph 125 of Italian law 124/2017, we declare that during the first half of 2021 no contributions have been received that fall within the legislation of reference. In particular, it is specified that the 2021 collections deriving from green certificates, white certificates and energy accounts are not specified since they constitute a payment for supplies and services rendered.

It should be noted that the company areti has two loans granted by Cassa Depositi e Prestiti S.p.A. and UBI Banca S.p.A. pursuant to Italian Law no. 311, art. 1, paragraphs 354 to 361 of 30 December 2004 and subsequent amendments and additions and of Italian Law no. 46 of 17 February 1982, granted for the implementation of an investment programme permitted by the Ministry of Economic Development for the allowances envisaged by the aforementioned laws (Smart Network Management System Project). The loan is made up of a subsidised amount paid by Cassa Deposito e Prestiti and UBI Banca at a fixed rate of 0.5% and a non-subsidised bank loan provided by UBI Banca at a variable rate equal to the Euribor six-month rate plus a spread of 4%, both to be repaid according to an amortisation plan that will end in 2022. The debt relating to the subsidised loan as at 30 June 2021 is equal to € 2,560 thousand (€ 3,409 thousand at 31 December 2020) while the non-subsidised bank loan at 30 June 2021 is equal to € 569 thousand (€ 758 thousand also at 31 December 2020).

Finally, it is useful to recall that the rules contained in article 1, paragraphs 125-129 of Italian law no. 124/2017 still present many critical issues that lead to believe that further regulatory action is desirable. Therefore the above represents the best interpretation of the law.



E. Segment information: statement of financial position and income statement

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

- **Environment** refers to the Industrial Segment of the same name which, from an organizational standpoint, is responsible for Acea Ambiente, Aquaser, Acque Industriali, Iseco, Demap, Berg, Ferrocart and Cavallari;
- **Commercial and Trading** refers to the Commercial and Trading Segment which, from an organisational standpoint, is responsible for Acea Energia, Aema, Umbria Energy, Parco della Mistica, Cesap Vendita Gas and Acea Innovation;
- **Overseas** refers to the Industrial Segment of the same name which, from an organizational standpoint, is responsible for the activities performed out of Italy;
- **Water** refers to the Industrial Segment of the same name, which, from an organisational standpoint, is responsible for the water companies operating in Lazio, Campania, Tuscany and Umbria and the gas distribution companies operating in Abruzzo;
- **Generation** refers to the Industrial Segment of the same name which, from an organizational standpoint, is responsible for Acea Produzione, Ecogena and for all the companies operating in the photovoltaic sector;
- **Energy Infrastructure** refers to a part of the Industrial Segment Energy Infrastructures, which, from an organizational standpoint, is responsible for the company areti;
- **Public lighting** refers to a part of the Industrial Segment Energy Infrastructures, which, from an organizational standpoint, is responsible for the public lighting sector managed by the Parent Company and by areti;
- **Engineering and Services** refer to the Engineering and Services Segment, which, from an organisational standpoint, is responsible for Acea Elabori, TWVS and Simam.



Balance Sheet Assets 2020

	Environment	Sales	Foreign	Water	Generation	Networks	Public Lighting	Analysis and research services	Corporate	Consolidation adjustments	Consolidated Total
Capex	23,566	44,111	3,097	475,951	38,978	282,560	3,603	6,629	28,474		906,970
Sector assets											
Total property, plant and equipment	257,074	(2,965)	31,820	110,728	274,006	1,997,325	8,731	14,356	98,870	(461)	2,789,018
Total intangible fixed assets	36,064	189,916	37,521	3,330,393	56,341	103,491	-	20,885	57,986	(386,227)	3,446,371
Subsidiaries											276,362
Financial Assets in Shares											3,100
Total Non-financial Assets											757,372
Total Financial Assets											38,781
Inventories	6,851	402	1,524	19,642	385	54,401	-	8,768	-	-	91,973
Receivables from customers	87,500	221,456	7,818	525,745	32,264	162,732	8,784	52,254	797	(164,729)	934,174
Receivables from Parent Company	361	16,323	-	28,100	5,191	4,843	57	109	(35)	(16,231)	38,718
Receivables from Associates	25	1,385	3	31	-	-	111	6,449	135,657	(135,044)	8,617
Other Receivables and Current Assets											267,061
Total Financial Assets											379,859
Total Cash and cash equivalents											642,209
Non-current assets held for sale											-
TOTAL ASSETS											9,673,614

Amounts in € thousand

Balance Sheet Liabilities 2020

	Environment	Sales	Foreign	Water	Generation	Networks	Public Lighting	Analysis and research services	Corporate	Consolidation adjustments	Consolidated Total
Segment liabilities											
Trade payables to third parties	64,623	432,792	3,087	708,365	30,464	322,098	5,793	16,895	118,327	(166,929)	1,535,067
Trade payables to Parent Company	4,050	24,987	67	146,035	2,769	38,597	30	2,148	182	(131,232)	87,634
Trade payables to subsidiaries and associates	17	3,546	148	6,251	-	-	9,257	33	3,134	(17,969)	4,417
Other current trade liabilities											464,367
Other current financial liabilities											419,822
Employee severance indemnity and other defined benefit plans	10,700	4,920	319	36,211	2,538	40,663	-	5,196	21,500	-	122,047
Other provisions	22,267	16,257	263	52,792	22,274	23,884	-	2,246	(5,944)	22,914	156,951
Provision for deferred taxes											-
Other non-current trade liabilities											405,799
Other non-current financial liabilities											4,154,251
Liabilities directly associated with assets held for sale											-
Shareholders' Equity											2,323,258
Total liabilities and shareholders' equity											9,673,614

Amounts in € thousand

Income Statement 2020

	Environment	Sales	Foreign	Water	Generation	Networks	Public Lighting	Analysis and research services	Corporate	Consolidation adjustments	Consolidated Total
Revenues	200,016	1,593,512	62,351	1,181,279	78,749	577,304	41,386	86,455	131,128	(571,748)	3,379,392
Personnel costs	27,307	23,849	12,688	106,585	4,622	26,128	5,887	37,078	61,557	(38,022)	267,651
Purchase of electricity	4,872	1,400,338	-	62,829	8,708	111,327	4,460	78	884	(242,631)	1,350,634
Sundry costs of materials and overheads	117,495	96,302	24,384	425,091	20,339	70,236	33,099	37,042	103,243	(290,181)	636,292
Costs	149,674	1,520,489	37,073	594,504	33,668	207,692	43,446	74,197	165,684	(570,810)	2,254,577
Net income/(expenses) from commodity risk management	-	(330)	-	-	-	-	-	-	-	-	(330)
Valuation of companies using the equity method	(7)	-	-	29,529	308	-	-	2,438	-	(1,948)	30,319
EBITDA	50,335	73,352	25,278	616,304	45,389	369,612	(2,060)	14,696	(34,556)	(2,886)	1,155,463
Depreciation/amortisation	30,929	60,609	13,168	304,482	27,251	156,492	1,971	4,440	21,141	-	620,483
Operating profit/(loss)	19,406	12,743	12,110	311,822	18,137	213,120	(4,032)	10,256	(55,697)	(2,886)	534,980
Financial (costs)/income	(10,179)	1,852									(88,018)
(Expenses)/Income from Equity Investments	-	-	-	10,786	3,227	-	-	1,878	253	(1,901)	14,243
Profit/(loss) before tax											461,205
Taxes											134,648
Net profit/(loss)											326,558

Amounts in € thousand

Balance Sheet Assets 2021

	Environment	Energy	Foreign	Water	Generation	Networks	Public Lighting	Analysis and research services	Corporate	Consolidation adjustments	Consolidated Total
Capex	14,814	36,012	2,849	246,868	21,722	137,027	2,449	3,491	16,304		481,536
Sector assets											
Total property, plant and equipment	262,463	(1,183)	33,545	122,217	287,720	2,070,257	10,515	15,045	100,708	(928)	2,900,359
Total intangible fixed assets	45,325	206,374	37,362	3,432,909	60,231	98,759	-	23,973	62,537	(382,856)	3,584,613
Subsidiaries											287,468
Financial Assets in Shares											3,079
Total Non-financial Assets											783,988
Total Financial Assets											32,398
Inventories	6,989	441	2,070	20,193	494	46,847	-	15,425	-	(3,481)	88,979
Receivables from customers	93,117	222,332	9,755	540,073	27,914	184,564	714	46,089	1,197	(143,604)	982,152
Receivables from Parent Company	183	13,678	-	43,301	6,078	3,846	57	83	(32)	(13,391)	53,803
Receivables from Associates	1	282	48	220	17	-	111	4,925	142,736	(138,288)	10,051
Other Receivables and Current Assets											320,807
Total Financial Assets											436,513
Total Cash and cash equivalents											855,627
Non-current assets held for sale											-
TOTAL ASSETS											10,339,837

Amounts in € thousand

Balance Sheet Liabilities 2021

	Environment	Energy	Foreign	Water	Generation	Networks	Public Lighting	Analysis and research services	Corporate	Consolidation adjustments	Consolidated Total
Segment liabilities											
Trade payables to third parties	53,443	421,049	3,755	704,485	35,925	223,151	5,445	22,367	100,161	(152,008)	1,417,773
Trade payables to Parent Company	4,350	26,314	107	122,444	1,650	42,049	193	1,975	182	(133,735)	65,530
Trade payables to subsidiaries and associates	51	5,736	141	4,450	111	-	3,918	19	4,442	(13,378)	5,488
Other current trade liabilities											537,198
Other current financial liabilities											368,458
Employee severance indemnity and other defined benefit plans	10,166	4,286	358	34,240	2,412	37,761	-	5,089	19,104	-	113,416
Other provisions	25,814	22,574	252	85,648	29,339	52,148	-	6,444	(8,663)	23,275	236,831
Provision for deferred taxes											-
Other non-current trade liabilities											398,575
Other non-current financial liabilities											4,856,469
Liabilities directly associated with assets held for sale											-
Shareholders' Equity											2,340,099
Total liabilities and shareholders' equity											10,339,837

Amounts in € thousand

Income Statement 2021

	Environment	Energy	Foreign	Water	Generation	Networks	Public Lighting	Analysis and research services	Corporate	Consolidation adjustments	Consolidated Total
Revenues	109,851	877,958	38,534	609,822	55,252	289,299	16,932	60,266	64,723	(298,032)	1,824,605
Personnel costs	14,889	12,215	10,798	57,568	(593)	13,710	2,884	22,229	32,641	(22,586)	143,754
Purchase of electricity	3,445	778,477	-	27,913	6,098	55,680	2,241	24	438	(133,075)	741,241
Sundry costs of materials and overheads	60,851	46,900	14,190	206,870	14,740	35,865	14,140	31,001	49,751	(142,371)	331,938
Costs	79,185	837,591	24,988	292,351	20,245	105,255	19,265	53,254	82,831	(298,032)	1,216,933
Net income/(expenses) from commodity risk management	-	-	-	-	-	-	-	-	-	-	-
Valuation of companies using the equity method	(0)	-	-	10,058	381	-	-	2,000	-	(1,325)	11,114
EBITDA	30,665	40,367	13,546	327,529	35,387	184,044	(2,333)	9,013	(18,108)	(1,325)	618,785
Depreciation/amortisation	14,146	32,056	5,993	159,014	13,653	69,254	665	2,787	11,449	-	309,018
Operating profit/(loss)	16,519	8,311	7,554	168,514	21,734	114,790	(2,998)	6,225	(29,557)	(1,325)	309,767
Financial (costs)/income											(43,359)
(Expenses)/Income from Equity Investments	-	-	2,591	47	67	-	-	-	36	-	2,742
Profit/(loss) before tax											269,150
Taxes											80,203
Net profit/(loss)											188,947

Amounts in € thousand