



FINANCIAL STATEMENTS 2020

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Alia Servizi Ambientali S.p.A.

Registered office in Florence, Via Baccio da Montelupo no. 52

Share Capital € 85,376,852.00 Fully paid-up

Tax Code 04855090488

Florence Register of Companies 04855090488

Florence R.E.A. (Administrative Economic Register) no. 491894

Corporate Bodies

Board of Directors (1)

Chairman Nicola Ciolini (2)

Vice-Chairman Claudio Toni (3)

Chief Executive Officer Alberto Irace (4)

Director Francesca Vignolini (5)

Director Vanessa De Feo (6)

Board of Statutory Auditors (7)

Chairman Stefano Pozzoli

Standing auditor Silvia Bocci

Standing auditor Gabriele Turelli

Alternate auditor Antonella Giovannetti

Alternate auditor Fausto Antonio Gonfiantini

Financial Reporting Manager

Francesco Natali

Independent Auditors

PricewaterhouseCoopers S.p.A. (8)

- (1) Appointed by the Shareholders' Meeting held on 22 December 2020 for the three-year period 2020-2021-2022.
- (2) Appointed as Chairman by the Shareholders' Meeting held on 22 December 2020.
- (3) Appointed as Vice-Chairman by the Shareholders' Meeting held on 22 December 2020.
- (4) Appointed as Chief Executive Officer during the Board of Directors' meeting held on 22 December 2020. Until that date the position had been held by Alessia Scappini, appointed during the Board of Directors' meeting held on 25 September 2018
- (5) Appointed by the Shareholders' Meeting held on 22 December 2020.
- (6) Appointed by the Shareholders' Meeting held on 22 December 2020.
- (7) Appointed by the Shareholders' Meeting held on 22 December 2020 for the three-year period 2020-2021-2022.
- (8) Appointed by the Shareholders' Meeting held on 16 February 2017 for the nine-year period 2017-2025.

Notice of call of the Ordinary Shareholders' Meeting

The Shareholders of "ALIA Servizi Ambientali S.p.A." are invited to an Ordinary Shareholders' Meeting to be held on first call on Tuesday 29 June 2021, at 10.00 a.m. at the registered office of Alia Servizi Ambientali S.p.A. in Florence, Via Baccio da Montelupo 52 and, if necessary, on second call, on Wednesday, 7 July 2021 at 10.00 a.m. at the registered office of Alia Servizi Ambientali S.p.A. in Florence, Via Baccio da Montelupo 52, (multimedia room - entrance Via Bibbiena 13) and, in any case, by audio/videoconference call, as required by Article 106 of Decree Law 18 of 17 March 2020 and Article 15 of the Articles of Association, in order to discuss and pass resolutions on the following

Agenda:

- 1) Communications from the Chairman and the Chief Executive Officer.
- 2) Financial Statements at 31 December 2020, Board of Statutory Auditors' Report and Independent Auditors' Report: related and consequent resolutions.
Presentation of the Consolidated Financial Statements at 31 December 2020.
Presentation of the Consolidated Non-Financial Statement prepared pursuant to Legislative Decree 254/2016.
- 3) Any other business.

The Chairman of the Board of Directors
Nicola Ciolini

Statement of Financial Position

STATEMENT OF FINANCIAL POSITION	NOTES	2020	2019 (*)
Property, plant and equipment	1	49,184,413	52,251,276
Concession rights	2/3	149,059,655	126,985,509
Other intangible assets	3	4,703,699	1,441,996
Equity investments in subsidiaries	4	20,096,442	18,588,819
Equity investments in associates and joint ventures	4	4,057,313	3,788,083
Other equity investments	4	114,326	114,326
Non-current financial assets	5	3,486,758	4,246,041
Non-current trade receivables	5	3,249,744	4,429,282
Deferred tax assets	6	10,947,104	8,469,502
Other non-current assets	6	865,491	532,191
Total non-current assets		245,764,945	220,847,024
Inventories	7	3,041,850	2,709,172
Trade receivables	8	93,643,719	88,817,287
Current tax assets	9	2,385,532	3,406,327
Other current assets	10	4,252,925	5,323,640
Cash and cash equivalents	11	62,256,685	85,910,558
Total current assets		165,580,711	186,166,984
TOTAL ASSETS		411,345,656	407,014,009
Share capital	12	85,376,852	85,376,852
Reserves	13	73,435,227	73,550,670
IFRS FTA Reserve	13	7,896,006	7,896,006
Profit (loss) for the year		(8,340,374)	(80,567)
Total shareholders' equity		158,367,711	166,742,960
Provisions for risks and charges	14	30,872,869	28,025,933
Employee severance pay and other benefits	15	16,350,493	18,457,147
Non-current financial liabilities	16	58,804,783	60,379,471
Non-current trade payables	17	5,066,666	5,900,000
Other non-current liabilities	17	5,749,879	6,748,232
Total non-current liabilities		116,844,689	119,510,783
Current financial liabilities	18	35,217,928	31,019,297
Trade payables	19	87,190,610	74,445,363
Other current liabilities	20	13,724,719	15,295,606
Total current liabilities		136,133,257	120,760,267
TOTAL LIABILITIES		252,977,945	240,271,049
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		411,345,657	407,014,009

(*) It should be noted that the reporting scheme of some data relating to the previous year has been modified in order to offer the reader greater comparability of the information reported in the financial statements at 31 December 2020. For more details, reference should be made to the paragraph on the "Reclassifications of comparative data" in the explanatory notes.

Income Statement

INCOME STATEMENT	NOTES	2020	2019
Revenues	21	299,404,640	309,089,794
Construction revenues - Concession rights	2	28,096,067	15,350,333
Other operating revenues	22	5,515,255	8,674,717
Consumption of raw materials and consumables	23	15,123,265	15,552,459
Costs for services	23	174,388,613	176,170,116
Personnel costs	23	100,430,230	104,660,050
Other operating expenses	23	2,643,283	4,057,034
Construction costs - Concession rights	2	28,096,067	15,350,333
Capitalised costs	2 -	287,425 -	106,327
EBITDA		12,621,929	17,431,179
Amortisation, depreciation, provisions and write-downs	24	18,783,050	15,947,096
Net value write-backs (write-downs) of trade and other receivables	24	108,679	519,001
Operating income (EBIT)	-	6,269,800	965,082
Write-downs and (reinstatements) of financial assets	25	3,316,206	1
Share of profits (losses) of joint ventures and associates	25	586,921	200,787
Financial income	25	540,514	848,078
Financial costs	25	2,210,946	2,687,662
Financial operations	-	4,399,717 -	1,638,798
Profit before tax	-	10,669,517 -	673,716
Tax	26 -	2,329,143 -	593,149
Profit (loss) for the year	-	8,340,374 -	80,567

Statement of Comprehensive Income

STATEMENT OF COMPREHENSIVE INCOME	2020	2019
Profit (loss) for the year	- 8,340,374	- 80,567
Components that cannot be reclassified to profit or loss		
Actuarial gains (losses) from provisions for employee benefits	- 45,888	- 871,225
Tax effect related to other comprehensive income that cannot be reclassified	11,013	209,094

Total comprehensive income (loss) for the year	- 8,375,249	- 742,698
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Cash Flow Statement

CASH FLOW STATEMENT	NOTES	31/12/2020	31/12/2019
OPENING CASH AND CASH EQUIVALENTS	10	85,910,558	126,474,524
Result for the year (A)		- 8,340,374	80,567
Depreciation of property, plant and equipment	23	2,188,010	2,524,109
Amortisation of intangible assets	23	13,641,641	12,715,019
Accrual to provision for bad debts	23	108,679	519,001
Accrual to provision for risks	23	5,447,530	3,200,463
Non-monetary adjustments related to changes in equity investments (including effects of valuation at equity)	24	2,729,285	- 150,787
Effect of deferred tax assets/liabilities through profit or loss	25	- 2,466,588	- 866,193
Provision for current tax	25	137,445	273,044
(Capital gains) / Capital losses from disposals / (contributions)	22	- 62,184	527,887
Financial (Income) / Costs	24	1,670,432	1,839,584
Accrual to the provision for Employee Severance Pay	14	4,315,461	4,229,579
Other adjustments for non-cash elements			167,186
Non-monetary adjustments (B)		27,709,711	24,978,891
Cash flow from Current Operations (C)=(A)+(B)		19,369,337	24,898,324
(Increase)/Decrease in Inventories	6	- 332,679	- 675,026
(Increase) / Decrease in Trade receivables	7	- 4,826,432	- 23,336,828
(Increase) / Decrease in Current tax assets	8	1,020,795	890,542
Increase / (Decrease) in Current tax liabilities		-	
(Increase) / Decrease in Other current assets	9	1,070,715	1,155,681
Increase / (Decrease) in Trade payables	19	12,745,247	3,187,647
Increase / (Decrease) in Other current liabilities	20	- 1,570,887	1,515,088
Other changes		2,388,819	593,149
Change in Net Working Capital (D)		10,495,579	- 16,669,747
Increase / (Decrease) in non-current assets		846,237	- 419,729

(Increase) / Decrease in non-current liabilities	16	-	1,831,687	-	664,039
Interest collected / (paid)	24	-	1,291,016	-	1,133,417
Change in deferred tax assets / liabilities	25	-	2,466,590	-	1,075,287
Use of Provisions for risks / Provision for Employee severance Pay	13 + 14	-	9,448,013	-	9,201,343
Current tax paid		-	59,676		-
Other operating changes (E)		-	14,250,745	-	12,493,815
<hr/>					
Cash flows from operating activities (G)=(C)+(D)+(E)			15,614,171	-	4,265,237
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(Investments) in property, plant and equipment	1	-	6,836,927	-	9,652,831
Disinvestments from property, plant and equipment			94,245		142,610
(Investments) in intangible assets	2	-	31,623,093	-	15,691,583
Disinvestments from intangible assets			329,321		614,424
(Investments) in non-current financial assets	3 + 4	-	4,910,000	-	9,542,206
Disinvestments from non-current financial assets			1,054,466		110,544
change in assets / liabilities held for sale (IFRS 5)			-		-
Cash flows from investing activities (H)		-	41,891,988	-	34,019,041
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Free cash flows (I)=(G)+(H)		-	26,277,817	-	38,284,279
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Financing activities - Borrowed capital					
New loans	15		8,000,000		-
Repayment of loans	18	-	3,098,836	-	9,917,547
Increase (decrease) in short-term payables to banks		-	2,277,220		7,637,860
Financing activities - Net worth					-
Change in liquidity for BC transactions			-		-
Cash flows from financing activities (J)			2,623,944	-	2,279,687
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Net change in cash and cash equivalents (L)=(I)+(J)	10	-	23,653,873	-	40,563,966
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CLOSING NET CASH AND CASH EQUIVALENTS	10		62,256,685		85,910,558

Statement of changes in Equity

Description	Share Capital	Share premium reserve	Extraordinary reserve and other revenue reserves	Other reserves	Profit (loss) for the year	Total Equity
Balance at 31 December 2018	85,376,852	16,965,073	56,733,374	7,420,104	1,032,112	167,527,515
Profit (loss) for the year					(80,567)	(80,567)
<i>Other comprehensive income (loss):</i>						
Actuarial gains (losses) from provisions for employee benefits, net of tax effect			(662,131)			(662,131)
Comprehensive income (loss) for the year			(662,131)		(80,567)	(742,698)
Other changes			(41,857)			(41,857)
<i>Allocation of the previous year' result:</i>						
Allocation to other reserves			1,032,112		(1,032,112)	-
Balance at 31 December 2019	85,376,852	16,965,073	57,061,498	7,420,104	(80,567)	166,742,960
Profit (loss) for the year					(8,340,374)	(8,340,374)
<i>Other comprehensive income (loss):</i>						
Actuarial gains (losses) from provisions for employee benefits, net of tax effect			(34,875)			(34,875)
Comprehensive income (loss) for the year			(34,875)		(8,340,374)	(8,375,249)
<i>Allocation of the previous' year result:</i>						
Allocation to other reserves			(80,567)		(80,567)	-
Balance at 31 December 2020	85,376,852	16,965,073	56,946,056	7,420,104	(8,340,374)	158,367,711

Notes to the Separate Financial Statements

1) GENERAL INFORMATION AND SIGNIFICANT EVENTS DURING THE YEAR

Alia Servizi Ambientali S.p.A (hereinafter also referred to as “Alia” or the “Company”) is the company that manages environmental services such as the collection, treatment and disposal of municipal waste in Central Tuscany, as a concessionaire for the integrated management of municipal and similar waste, in accordance with Article. 26, paragraph 6, of Tuscan regional law 61/2007 for the area concerned by the entire scope of the concession agreement.

As from 2017, it adopted the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) for the preparation of the financial statements, given that Alia is qualified as a PIE (Public Interest Entity - as defined by Article 16 of Legislative Decree 39/2010).

At the end of 2017, the transitional period ended, which is regulated by the Service Contract (hereinafter also referred to as “Service Contract”) for the twenty-year concession signed with ATO Toscana Centro (Integrated Municipal Waste Management Authority) on 31 August 2017, and from 1 January 2018, the term started for the concession involving the integrated management of municipal waste on an exclusive basis, which consists of the following activities:

- provision of basic services;
- provision of ancillary services;
- execution of the works provided for in the contract.

As from 1 January 2018 the service is delivered for 30 Municipalities in the province of Florence, 12 in the Province of Pistoia and 7 in the Province of Prato; as from 1 March 2018 the service is also delivered for other 2 municipalities in the Province of Florence and other 8 municipalities in the Province of Pistoia, for a total of 59 municipalities served.

On 1 March 2018, the owned assets which are functional to the service were transferred from former operators who were not part of Alia, such as AER Ambiente, Energia Risorse S.p.A. and COSEA Ambiente S.p.A., to the concession area operator Alia. These assets have therefore been "added" to the assets of the Operator at the residual book value applicable at the date of the transfer.

The Company delivered integrated urban hygiene services on behalf of 58 municipalities in the provinces of Florence, Prato and Pistoia during 2019, since the merger had been completed between the Municipal districts of Barberino Val D'Elsa and Tavernelle Val di Pesa.

At the end of January 2020, the World Health Organisation declared the outbreak of an emergency of international concern relating to the spread of the SARS-CoV-2 virus (hereinafter also referred to as Covid-19 or Coronavirus); as from the beginning of March 2020, increasingly stringent measures were adopted in Italy in order to combat the spread of the virus and to protect health, which firstly involved some areas in the Northern regions and then gradually the rest of the country. During 2020, due to the spread of the epidemic, Alia found itself in the position of having to bring its methods of delivering services in the areas served into line, on an ongoing basis, with a number of regulatory measures issued by the Italian, Tuscany Region and Municipal Governments in the field of hygiene and healthcare, with a potential increase in operating costs; however, the directors were able to mitigate them by putting in place a set of measures aimed at optimising and improving efficiency of the company operations.

Specifically, note:

- a decrease of about Euro 0.9 million in costs for materials, mainly due to a reduction in consumption of fuels by the Parent Company due to a reduction in the services delivered in local areas during the period of lockdown;

- lower costs for services in relation to charges for treatment of waste and sending it for recycling, equal to about Euro 4.6 million, due in particular to a reduction in waste in local areas;

It should be noted that the recourse to wage-support schemes (Supplementary Wage Fund, Redundancy Fund), allowed costs to be reduced. Personnel costs showed in fact a reduction of Euro 4.9 million compared to the final values posted in 2019.

At present, after having made the necessary evaluations on the basis of the available information, it is believed that, given the countermeasures developed by the management, this circumstance does not constitute a factor of uncertainty regarding the Company's ability to continue to operate as a going concern; anyway, it is not possible to determine with a sufficient degree of reliability the possible impact that may affect the Company's performance, economy and the target market in the coming months - hoping that this emergency may be definitively resolved following the progress of vaccination campaigns, the restrictions put in place by the governments, the competent authorities and the central banks of the countries affected by the spread of the virus, and taking account of the financial measures adopted to support households, workers and companies.

With reference to the relations with the Granting Authority, it should be noted that on 28 September 2020 ATO Toscana Centro's General Meeting approved Resolution no. 17, whereby it made an amendment to the Service Contract in relation to the method of determining the Concession fee (Articles 20 and 22 of the Service Contract), opting for the application, as early as from 2020, for the national regulatory system known as ARERA WTM in accordance with Resolution no. 443/19.

On 14 December 2020 the Company filed an appeal, against the following measures, considering them as prejudicial to the economic and financial equilibrium of the concession agreement: specifically, the measures appealed against relate to ATO Toscana Centro's General Meeting Resolution no. 17 of 28 September 2020, preliminary to the subsequent application of the WTM, i.e. no. 19 of 11 December 2020, "Approval of the validation of the economic and financial plans for 2020".

Subsequently, during 2021 talks continued with ATO, which were aimed at allowing a fair remeasurement of fees for the 2020 financial year, in order to ensure the economic and financial equilibrium of the concession agreement. As a result, the Company and ATO set out the terms and conditions of the economic and financial rebalancing for 2020, which are laid down in memo with file no. 1612 of 10 May 2021 - "Closure of the preliminary inquiry procedure to check for the economic and financial equilibrium for the 2020 financial year", which will be submitted for approval by the Shareholders' meeting scheduled on 14 June 2021.

Accordingly, the reasons that had led to filing the appeal with the Regional Administrative Court (*Tribunale Amministrativo Regionale*, TAR) ceased to apply; given the situation existing at the reporting date, the Company will start the appropriate procedures aimed at withdrawing the aforesaid appeal.

For more details, reference should be made to notes no. 2, no. 21 and to the paragraph on "Significant events after the reporting period" of these explanatory notes.

SEPARATE FINANCIAL STATEMENTS

The separate financial statements of Alia S.p.A. at 31 December 2020 were prepared in accordance with the International Financial Reporting Standards (hereinafter IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. The term IFRS also includes all revised international accounting standards (IAS) and all the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC). The financial statements of Alia at 31 December 2020 are presented in Euro units.

The core business operations carried out by the Group are described in the Report on Operations on the Consolidated Financial Statements.

These draft financial statements at 31 December 2020 were approved by the Board of Directors on 28 May 2021, which authorised their publication and are subject to statutory audit by PricewaterhouseCoopers S.p.A. on the basis of the engagement for the nine-year period 2017-2025 assigned by a resolution passed by the Shareholders' Meeting held on 16 February 2017.

FINANCIAL STATEMENT SCHEDULES

The separate financial statements are made up of the following schedules:

- Statement of financial position
- Income statement
- Statement of comprehensive income
- Cash flow statement
- Statement of changes in Equity.

Alia prepares and submits the "Consolidated disclosure of non-financial information", in the form of a "separate report", as required by Article 5 "Disclosure reporting and regime" of Legislative Decree 254/2016. This disclosure is published according to the same methods and timing as the Annual Report and is available on the Company's website.

With reference to the Statement of financial position, a form of presentation which provides for the breakdown of assets and liabilities into current and non-current items has been adopted, as required by paragraph 60 and ff. of IAS 1.

The "Income statement" is in report form with each item ordered by type, which is deemed more consistent than presentation by expenditure allocation. The chosen form is in fact in line with international practice.

In order to report additional information on the results of operations, the Company has opted for the preparation of two separate statements, the "Income Statement", which includes the profit or loss for the period, and the "Statement of comprehensive income" (hereinafter also referred to as "OCI"), which includes both the profit or loss for the period and changes in equity relating to income statement items, which, as expressly provided for by international accounting standards, are recognised among equity components. The Statement of Comprehensive Income also provides a breakdown of Other comprehensive income (loss) which distinguishes between profits and losses that will be subsequently reclassified to the income statement and profits and losses that will never be reclassified to the income statement.

The Cash Flow Statement is broken down by areas of cash flow generation. The schedule adopted by the Company has been prepared according to the indirect method. Cash and cash equivalents stated in the schedule include the balance sheet values of these items at the reporting date. Income and expenses relating to interest, dividends received and income tax are included in the cash flows generated from operating activities.

The Statement of changes in Equity is presented as required by international accounting standards, showing separately the profit or loss for the period and any revenue, income, charge and expense that have not been taken to the income statement or the statement of comprehensive income, but are charged directly to Equity on the basis of specific IAS/IFRS accounting standards.

The Statement of changes in equity has been prepared in accordance with the provisions of IAS 1.

2) ACCOUNTING POLICIES AND BASIS OF PREPARATION

The separate financial statements at 31 December 2020 were prepared according to the historical cost principle, except for the items illustrated below which must or can be measured at fair value according to IFRS.

The accounting standards, policies and estimates adopted in preparing the separate Financial Statements are those required by international accounting standards.

The Directors have also assessed whether the going-concern assumption is applicable to the preparation of the financial statements, concluding that it is adequate.

Property, plant and equipment

Immovable and movable property are stated in "Property, plant and equipment."

Tangible assets are recorded at their purchase price or production cost, including any directly-attributable additional costs necessary to make the assets available for use.

Property, plant and equipment under construction are valued at cost and depreciated as from the financial period in which they enter into service. The residual value and useful life of an asset must be reviewed at least at the end of each financial period and, if expectations differ from previous estimates, changes must be accounted for as a change in the accounting estimate.

Tangible assets are systematically depreciated on a straight-line basis over their useful life. When the tangible asset consists of several components with different useful lives, depreciation is carried out for each component. The value to be depreciated consists of the carrying amount reduced by the presumed net transfer value at the end of its useful life, if it is significant and can be measured reliably. Land is not subject to depreciation (except for landfills, as detailed below), even if purchased together with a building.

Routine maintenance costs are charged in full to the Income Statement. Value-increasing maintenance costs are allocated to the assets to which they refer and amortised in relation to their residual useful lives.

The presumed realisable value which is deemed to be recovered at the end of the useful life is not depreciated. The useful life of each asset is reviewed annually and any changes are made for the purpose of a correct recognition of the value of the asset, if necessary.

Landfills are depreciated on the basis of the filling percentage determined as the ratio of the volume occupied at the end of the period to the overall authorised volume.

If there is objective evidence that is such as to suggest the existence of a permanent impairment loss, property, plant and equipment are subjected to Impairment Test, according to the criteria set out in the paragraph on the "Impairment".

Upon disposal, or if no future economic benefits are expected from the use of the asset, it is derecognised from the financial statements and any loss or profit (calculated as the difference between the transfer value and the carrying amount) is recognised in the Income Statement in the period of the aforementioned derecognition.

These are depreciated on a straight-line basis (except for the depreciation of landfills which is recognised based on the ratio of the amounts of waste transferred and the amount of waste that can be transferred).

The residual value and the useful life of an asset are reviewed at least at each financial year-end and, if expectations differ from previous estimates, any change/s is/are accounted for prospectively as a change in estimate under IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Based on auditing whether the residual useful lives of the assets from an accounting point of view are consistent with the actual physical, technical and technological life of each asset, while also taking account of the study carried out by ARERA (the Italian Regulatory Authority for Energy, Networks and Environment) against which the useful lives of different types of assets were presented, the depreciation rates applicable to the following categories of assets for the 2020 financial year were set out. The useful lives adopted in preparing the 2019 Financial Statements were confirmed in 2020.

The table below reports the depreciation rates of property, plant and equipment, as depreciated on a straight-line basis.

DESCRIPTION	Useful life (years)	Depreciation rates
Civil and industrial buildings	40	2.50%
Light-weight constructions	7	14.29%
Landfill - operating machines and mechanical shovels	15	6.67%
Landfill- other systems	15	6.67%
Sorting and composting plant - pre-treatment	12	8.33%
Sorting and composting plant - composting and anaerobic digestion	20	5.00%
Sorting and composting plant -biogas and leachate collection and processing	25	4.00%
Sorting and composting plant - other systems	15	6.67%

DESCRIPTION	Useful life (years)	Depreciation rates
PV plant	10	10.00%
Miscellaneous and small workshop equipment	7	14.29%
Other miscellaneous and small equipment	7	14.29%
Motor vehicles	8	12.50%
Cars	5	20.00%
Miscellaneous door-to-door collection equipment	5	20.00%
Dumpsters	8	12.50%
Bell-shaped containers	8	12.50%
Bins	5	20.00%
Office furniture and ordinary machines	7	14.29%
Electromechanical office machines	5	20.00%
Fully-depreciable assets		100.00%

Intangible assets

Intangible assets acquired or produced internally are stated in assets, when it is probable that the use of the assets will generate future economic benefits and when the cost of the asset can be determined reliably.

Intangible assets consist of assets without identifiable physical substance, controlled by the entity and capable of producing future economic benefits.

Identifiability is defined with reference to the possibility of distinguishing the intangible asset acquired from goodwill; this requirement is normally met when: (i) the intangible asset is attributable to a legal or contractual right, or (ii) the asset is separable, i.e. it can be sold, transferred, leased or exchanged independently or as an integral part of other fixed assets.

Control over the entity consists of the power to take advantage of the future economic benefits deriving from the asset and of the possibility of limiting its access by others.

Intangible assets with a definite useful life are stated net of accumulated amortisation and any permanent impairment loss determined according to the same methods as those described above for property, plant and equipment. Changes in expected useful lives or in the ways in which the future economic benefits associated

with the intangible asset are achieved by the entity are recognised by changing the amortisation period or method and are treated as changes in accounting estimates. The amortisation rates on intangible assets with a definite useful life are recorded through profit or loss in the cost category consistent with the function of the intangible asset.

Development costs are stated as assets only if all of the following conditions are met: costs can be determined reliably and the product's technical feasibility, expected volumes and prices indicate that any cost incurred in the development phase will generate future economic benefits. Capitalised development costs include only expenses incurred that can be attributed directly to the development process. Capitalised development costs are amortised on a systematic basis, as from when work commences on production over the estimated life of the product. Other development costs are recognised through profit or loss when incurred.

If there is objective evidence of permanent impairment losses, intangible assets are subjected to Impairment Test according to the criteria set out in the paragraph on the "Impairment". Any write-downs may be subject to subsequent value reinstatements if the reasons that led to impairment cease to exist.

Profits or losses arising from the disposal of an intangible asset are determined as the difference between the disposal value and the carrying amount and are recognised through profit or loss at the time of the sale.

Goodwill (if any) and other intangible assets, where present, with an indefinite useful life are not amortised; the recoverability of their book value is verified at least annually and in any case whenever an event occurs that suggests that they are impaired, except for goodwill, which is tested for impairment at least on an annual basis.

Concession rights consist of the Concessionaire's right to use the asset (the "intangible asset" method) under concession in consideration of the costs incurred for the design and construction of the asset with the obligation to hand over it at the end of the concession term. Concession rights are recognised at fair value (estimated on the basis of the cost incurred) of intangible assets relating to construction and expansion of assets falling within the scope of IFRIC 12.

If the fair value of the services received cannot be measured reliably, revenue is calculated on the basis of the fair value of the services provided (fair value of the construction services performed).

Restoration or replacement are not capitalised and are included in the estimate of the provision described below. The accumulated amortisation and the provision for restoration or replacement costs considered as a whole ensure adequate coverage of the following costs:

- transfer to the successor Operator at book value on the expiry of the concession term of freely transferable assets with a useful life longer than the term of the concession;
- restoration and replacement of components subject to wear and tear of the assets under concession.

If events occur that suggest an impairment of these intangible assets, the difference between the book value and the related "recoverable value" is taken to profit or loss.

These assets are amortised on a straight-line basis; the related amortisation rates are reported in the table below.

DESCRIPTION	Useful life - ARERA (years)	AMORTISATION RATES
Intangible assets	7	14.29%

For more details on the depreciation rates of property, plant and equipment included in concession rights, reference should be made to the table reported in the paragraph above.

Impairment losses

At each reporting date, the Company reviews the book value of its tangible and intangible assets to establish whether there is any evidence that these assets have recorded an impairment loss. If this evidence exists, the recoverable amount of these assets is estimated in order to calculate the amount of any possible write-down (impairment test). Where it is not possible to estimate the recoverable amount of each asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the greater of net selling price and value in use. In measuring the value in use, estimated future cash flows are discounted at their present value by using a pre-tax rate that reflects current market assessments of the present value of money and the specific risks associated with the asset.

If the recoverable amount of an asset (or of a cash-generating unit - "CGU") is estimated to be lower than its carrying amount, the carrying amount of the asset is reduced down to the lower recoverable amount. An impairment loss is recognised immediately through profit or loss.

When the conditions for a write-down are no longer met, the book value of the asset (or of the cash-generating unit) is increased up to the new value arising from its estimated recoverable value, but not beyond the net carrying amount that the asset would have had had the write-down not been recognised for impairment loss. The reversal of the value is charged immediately to profit or loss.

Leases (for lessee)

The Company recognises a right of use at the inception date of the lease, which corresponds to the date on which the underlying asset is available for use for any and all lease agreements under which it is a lessee, except for short-term leases (i.e. leases with a term of less than or equal to 12 months and which do not contain a call option) and those with low-value assets (i.e. with a unit value of less than Euro 5 thousand).

Lease payments relating to short-term, low-value leases are recognised as costs in the income statement on a straight-line basis over the lease term.

Rights of use are valued at cost, net of accumulated amortisation and impairment losses and as adjusted following any remeasurement of lease liabilities. The value assigned to rights of use corresponds to the amount of the lease liabilities recognised, in addition to any initial direct costs incurred, any lease payments settled on or before the inception date of the lease, and restoration costs, net of lease incentives received (if any). The discounted value of the liability determined in this manner increases the right to use the underlying asset, against an entry in a dedicated provision. Unless the Company is reasonably certain that it will acquire ownership of the leased asset at the end of the lease term, rights of use are amortised on a straight-line basis over the estimated useful life or the lease term, whichever is shorter.

The lease term is calculated by considering the non-cancellable period of the lease, together with the periods covered by an option to extend the agreement if it is reasonably certain that it will be exercised, or any period covered by an option to terminate the lease if it is reasonably certain that it will not be exercised. The Company assesses whether or not it is reasonably certain that the extension or termination options will be exercised, while taking account of any and all relevant factors that create an economic incentive relating to such decisions.

The financial liability for leases is recognised at the inception date of the lease for a total value equal to the present value of the lease payments to be made over the lease term, as discounted by using incremental interest rates (Incremental borrowing rate "IBR"), when the interest rate implicit in the lease cannot be determined easily. Variable lease payments are still recognised in the income statement as a cost accrued in the period.

The book value of right-of-use assets is classified in the accounts in the respective class of underlying asset; details are provided in the explanatory notes.

IFRS 16 requires management to make estimates and assumptions that may affect the measurement of the right of use and the financial liability for leases, including the determination of: contracts within the scope of application of the new rules regulating the measurement of assets/liabilities according to the finance method; terms and conditions of the agreement; interest rate used to discount future lease payments.

Lease agreements that are part of the asset under concession are managed outside the scope of application of IFRIC 12.

Leases (for the lessor)

Lease agreements under which the Company is the lessor are classified as operating leases or as finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards attached to the ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards attached to the ownership of an underlying asset.

As regards finance leases, at the effective date the Company recognises the assets held under a finance lease in the statement of financial position and states them as a receivable at a value equal to the net investment in the lease, which is measured by using the interest rate implicit in the lease.

As regards operating leases, the Company must recognise operating lease payments as an income on a straight-line or any other systematic basis.

Costs, including amortisation, incurred to realise lease income are recognised as an expense.

Lease agreements that are part of the asset under concession are managed outside the scope of application of IFRS16.

Equity investments in subsidiaries, associates and joint ventures

Equity investments in subsidiaries are valued at cost. These are companies in relation to which the parent company "is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its own power over the investee", as defined by IFRS 10. Generally, the existence of control is presumed when directly holding more than half of the voting rights exercisable at the ordinary shareholders' meeting, also considering potential votes, i.e. voting rights attached to convertible instruments. Equity investments in associates and joint ventures are stated among non-current assets and are valued using the equity method.

Associates are those entities over which the parent company exercises significant influence in making strategic (financial and operational) decisions, even though it does not retain control over them, while also considering potential votes, i.e. voting rights attached to convertible instruments; significant influence is presumed when the company directly holds more than 20% of the voting rights that can be exercised at the ordinary shareholders' meeting.

The Group applies IFRS 11 to all partnership agreements. According to IFRS 11 investments in joint arrangements are classified as joint operations or joint ventures depending on the contract rights and obligations of each investor. The Group has established that the only partnership agreement it has currently in place falls within the scope of joint ventures.

In applying the equity method, the investment in an associate or joint venture is initially recognised at cost and the carrying amount is increased or decreased to recognise the Company's share of the investee's profits or losses realised after the date of acquisition. The Company's share of the investee's profit (loss) for the period is recognised in the income statement. Dividends received from an investee reduce the carrying amount of the equity investment.

Non-current assets held for sale

Non-current assets (and disposal groups of assets) classified as held for sale are measured at the lower of their previous carrying amount and market value, net of selling costs.

Non-current assets (and disposal groups of assets) are classified as held for sale when their carrying amount is expected to be recovered through a disposal transaction rather than through their use in the entity's operations. This condition is met only when the sale is highly probable, the asset (or group of assets) is available for immediate sale in its current condition and the Management has made a commitment to sell, which should take place within twelve months of the date of classification under this item.

Inventories

These are recognised when the risks and rewards associated with the assets acquired are transferred and are stated at the lower of purchase cost, including any and all directly attributable additional costs and charges and indirect costs relating to in-house production, and the presumed realisable value inferable from market trends. These mainly include spare parts and are valued at the lower of weighted average cost and market value at the reporting date. Weighted average cost is determined for the reporting period in relation to each inventory code. Weighted average cost includes any additional costs accrued in the period. The value of obsolete and slow-

moving stock is written down in relation to the possibility of use or realisation, setting aside a specific provision for material obsolescence.

Cash and cash equivalents

This item includes cash on hand, current bank accounts and deposits repayable on demand, as well as other short-term high-liquidity financial investments that are readily convertible into cash and are subject to a non-significant risk of change in value.

Financial assets (including equity investments in other companies)

These are classified and measured by considering both the financial asset management model and the contract terms and conditions of cash flows that can be derived from the asset. Depending on the features of the instrument and the business model adopted for its management, the following three categories are reported:

(i) financial assets measured at amortised cost; (ii) financial assets measured at fair value through other comprehensive income (hereinafter also referred to as OCI); (iii) financial assets measured at fair value through profit or loss.

Financial assets are measured using the amortised cost method if both the following conditions are met:

- the financial asset management model consists of holding the asset for the sole purpose of collecting the related cash flows; and

- the financial asset generates, at predetermined contractual dates, cash flows that consist exclusively of the return on the asset itself.

According to the amortised cost method, the initial book value is subsequently adjusted to take account of repayments of principal, any write-downs and the amortisation of the difference between the repayment value and the initial book value.

Amortisation is carried out on the basis of the effective internal interest rate which is the rate that makes the present value of expected cash flows and the initial book value equal upon initial recognition.

Receivables and other financial assets measured at amortised cost are stated in the balance sheet, net of the related provision for write-down.

Financial assets consisting of debt instruments whose business model provides for both the possibility of collecting contract cash flows and the possibility of realising capital gains on disposal ("hold to collect and sell" business model), are measured at fair value through OCI (assets measured at FVTOCI).

In this case, changes in the fair value of the instrument are recognised in equity, among other comprehensive income. The cumulative amount of fair value changes, which is charged to the equity reserve which includes other comprehensive income, is reversed through profit or loss when the instrument is derecognised. Interest income calculated using the effective interest rate, exchange rate differences and write-downs are recognised through profit or loss.

A financial asset which is not measured at amortised cost or at FVTOCI is measured at fair value through profit or loss (assets measured at FVTPL).

Trade and other receivables

These are initially recognised at fair value and subsequently measured using the amortised cost method, net of the provision for bad debts.

The Company measures any impairment or write-downs of receivables using an Expected Loss method. As regards trade receivables, the Company adopts a simplified approach which does not require the recognition of periodic changes in credit risk, but rather the recognition of an Expected Credit Loss ("ECL") calculated over the entire maturity of the receivable (lifetime ECL).

Trade receivables are written down in full when there is no reasonable expectation of recovery, i.e. when there are inactive commercial counterparties.

The book value of the asset is reduced through the use of a provision for write-down and the amount of the loss is recognised in the income statement.

When collection of the consideration is deferred beyond normal business terms applied to customers, the receivable is discounted to present value.

Financial liabilities

Upon initial recognition they are measured at their fair value equal to the amount received at the reporting date, to which must be added any transaction costs directly attributable to payables and loans. After initial recognition, non-derivative financial liabilities are measured at amortised cost according to the effective interest method.

The Company's financial liabilities include trade payables and other payables and loans.

Financial liabilities are classified as payables and loans, or as derivatives designated as hedging instruments, as the case may be. The Company determines the classification of its financial liabilities upon initial recognition.

Profits and losses are accounted for through profit or loss when the liability is extinguished, as well as through the amortisation process.

Amortised cost is calculated by recording each discount or premium on the acquisition and fees or costs that are an integral part of the effective interest rate. Amortisation at the effective interest rate is stated among financial costs in the income statement.

A financial liability is derecognised when the underlying obligation is extinguished, or cancelled or fulfilled.

When an existing financial liability is replaced by another of the same lender, under substantially different conditions, or the conditions of an existing liability are substantially amended, this change or amendment is treated as a write-off of the original liability and the recognition of a new liability, taking any difference between book values to profit or loss.

Employee benefits

The liability relating to the benefits allocated to employees and paid on or after the termination of the employment relationship under defined benefit plans is determined, separately for each plan, on the basis of actuarial assumptions by estimating the amount of future benefits that employees have accrued at the reporting date ("projected unit credit method"). The liability stated in the accounts, net of plan assets (if any), is recognised on an accruals basis over the vesting period of the right. The liability is measured by independent actuaries.

The components of the cost of defined benefits are recognised as follows:

- service costs are recognised among personnel costs in the Income Statement;
- net financial expenses on the defined benefit liability or asset are recognised in the Income Statement as Financial income/ (expenses), and are determined by multiplying the value of the net liability/ (asset) by the rate used to discount the obligations, taking account of the payments of contributions and benefits made during the period;
- the remeasurement components of the net liability, which include actuarial gains and losses, the return on assets (excluding interest income recognised in the Income Statement) and any change in the limit of the asset, are recognised immediately in Other comprehensive income (loss). These components must not be reclassified to the Income Statement in a subsequent period.

Provisions for risks and charges

These concern costs and charges of a given type, and of certain or probable existence, which were undetermined in terms of amount or timing at the reporting date. The allocations are booked when there is a current obligation (legal or constructive) arising from a past event, if an outlay of resources to satisfy the obligation is probable, and the amount of the obligation can be estimated reliably.

The provisions are stated at the value consisting of the best estimate of the amount which the entity would pay to discharge the obligation or to transfer it to third parties at the reporting date. If the effect of discounting back the value of money is significant, provisions are calculated according to the discounted cash flow method at a pre-tax discount rate which reflects the market's current valuation of the cost of money in relation to time. When the discounting back is carried out, the increase in the provision due to the passage of time is recognised as a financial cost.

If the liability relates to property, plant and equipment, the provision is initially recorded against an entry under the fixed assets to which it refers; the related cost is recognised through profit or loss through the depreciation process of the tangible asset to which it refers.

Provision for restoration and replacement

According to IFRIC 12, the concessionaire does not meet the requirements to report infrastructures in its accounts as property, plant and equipment and the accounting treatment of the works executed on the infrastructure is of different importance depending on their type. In particular, there are two categories: works referable to normal infrastructure maintenance, replacement works and scheduled maintenance of the infrastructure at a future date.

The former relate to normal routine maintenance which is recognised through profit or loss when incurred, also in accordance with IFRIC 12. The latter, considering that IFRIC 12 does not provide for the recognition of a physical infrastructure asset but only of a right, must be recognised in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; this standard requires the recognition of a provision divided into an operating component (including any effect arising from changes in the discount rate) and a financial component through profit or loss, on the one hand, and, on the other, the recognition of a provision for charges in the balance sheet.

The "Provision for restoration or replacement", in accordance with the obligations laid down in the concession agreement, therefore includes the best estimate of the present value of the costs accrued at the reporting date for maintenance scheduled for subsequent periods, aimed at ensuring the required functionality, operation and safety of the set of assets under concession based on the information available at the reporting date.

After-closure provisions

They consist of the amount set aside to meet the costs that shall be incurred to manage the closure and post-closure period of landfills that are currently under operation. Future outlays have been discounted in accordance with the provisions of IAS 37. The increases in the provision include the financial component inferred from the discounting procedure and the provisions due to changes in the assumptions on future outlays following the review of estimates concerning both landfills in operation and those already exhausted. The uses consist of the actual outlays that were determined during the year. Provisions are also set aside by taking account of the rules laid down in the regulations in force (Legislative Decree 36/2003).

Grants

Grants from public bodies are recognised at fair value when it is reasonably certain that they will be received and the conditions for obtaining them will be satisfied.

Grants received for specific assets whose value is recorded under fixed assets are recognised in a specific liability item and credited to profit or loss in relation to the amortisation or depreciation period of the assets to which they refer.

Operating grants (paid for the purpose of providing immediate financial support to the entity or as compensation for expenses and losses incurred in a previous period) are fully recognised through profit or loss when the conditions for entering them are satisfied.

Revenues

The Company proceeds with the recognition of revenues after having identified contracts with its customers and the related obligation to be satisfied (transfer of goods and/or services), calculated the consideration to which the entity believes it is entitled in exchange for the satisfaction of each of these obligations and considering the manner in which this obligation is satisfied (performance at point in time or over time).

In particular, the Company proceeds with revenue recognition only if the following requirements are met (identification requirements of the “contract” with the customer):

- a) the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and have undertaken to fulfil their respective obligations; there is therefore an agreement between the parties which creates rights and obligations that are due and payable regardless of the form in which this agreement is expressed;
- b) the Company may identify the rights of each party with respect to the goods or services to be transferred;
- c) the Company may identify the terms of payment for the goods or services to be transferred;
- d) the contract has commercial substance; and
- e) it is probable that the Company will receive the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

If the requirements referred to above are not met, the related revenues are recognised when: (i) the Company has already transferred control over the goods and/or provided services to the customer and all or almost all of the consideration promised by the customer has been received and is not refundable; or (ii) the contract has been terminated and the consideration the Company has received from the customer is not refundable.

If the requirements reported above are instead met, the Company applies the rules of recognition described below.

The Company carries out waste collection and road sweeping activities set out in the concession agreement or under contracts with private individuals or entities, in which almost all transactions take place in accordance with contracts that provide for only one performance obligation. Revenues from provision of the services described above are recognised when they are rendered with reference to the state of progress, considering that the Company delivers environmental services over a given period of time, depending on the services performed.

Costs

Costs are charged to profit or loss when their existence has become certain, the amount can be determined objectively and when it is possible to establish that the entity sustained these costs on an accruals basis, while taking account of the substance of the transaction.

Financial income and charges

Financial income is recognised on an accruals basis and includes interest income on invested funds, foreign exchange gains and income from financial instruments, when they are not offset in hedging transactions. Interest income is charged to profit or loss when it accrues, taking into account the effective yield.

Financial costs are recognised on an accruals basis and include interest expense on borrowings calculated by using the effective interest method and foreign exchange losses. They also include the financial component of the annual accrual to the provision for restoration.

Financial costs incurred for investments in assets for which a certain period of time normally passes to make the asset ready for use are capitalised and amortised over the useful life of the class of assets to which they refer.

Income tax

Current tax

Current income tax for the period is determined based on an estimate of taxable income and in compliance with domestic legislation in force or substantially approved at the reporting date, taking account of any applicable exemption and of any tax credit due.

Deferred tax assets and liabilities

These are calculated on the temporary differences between the value attributed to assets and liabilities in the accounts and the corresponding values recognised for tax purposes.

The rates applied are those estimated that will be in force when the temporary differences reverse. Deferred tax assets are recorded only to the extent that it is probable that taxable income will be available against which these assets may be used. The book value of receivables for deferred tax assets is reduced to the extent that it is no longer probable that the related tax benefit may be realised. The business planning period is taken into account in the assessment of deferred tax assets.

When the results are recorded in the OCI section, current tax, deferred tax assets and liabilities are also directly charged to this section. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Taxes can be offset when they are applied by the tax authority itself, when there is a legal entitlement to offsetting and the net balance is expected to be paid.

Use of estimates

The preparation of the financial statements and of the explanatory notes has required the use of estimates and assumptions both in the determination of certain assets and liabilities and in the measurement of contingent assets and liabilities. The final results that derive from the occurrence of events could differ even significantly from these estimates.

The estimates have been used in the assessment of tariff adjustments, provisions for risks and charges, provisions for bad debts, useful life of assets, employee benefits and taxes. The estimates and assumptions are reviewed periodically and the effects of each change are immediately taken to profit or loss.

The main assumptions used by management in the evaluation process of the aforementioned accounting estimates are illustrated below. The criticality inherent in these estimates is in fact determined by using assumptions and/or professional judgements relating to issues that are by their nature uncertain. Changes to the conditions underlying the assumptions and judgements adopted could have a significant impact on subsequent results.

Revenue Recognition

Revenues from sales and services are recognised on an accruals basis. The fee invoiced to each municipality is that determined under the scope of the concession area, which the Authority distributes annually between each of the Municipalities. For more details, reference should be made to paragraph 2 below.

Recoverable value of non-current assets

Non-current assets include property, plant and equipment, concession rights, other intangible assets, equity investments and other financial assets. The Company reviews the carrying amount of non-current assets held and used and of disposal assets periodically, when events and circumstances require such review. When the book value of a non-current asset has recorded an impairment loss, the Company recognises a write-down equal to the excess amount of the book value of the asset and its recoverable value through use or sale, determined with reference to the cash flows envisaged in the most recent business plans.

Provisions for risk and charges

The identification of whether there is a current obligation (legal or constructive) is not easy to determine in some circumstances. The directors evaluate these events on a case-by-case basis, together with the estimated amount of financial resources required to fulfil the obligation. Provisions are estimated within a complex process that involves subjective judgements by the Company management. The Company is also involved in legal and tax disputes concerning complex and difficult legal issues, which are subject to a varying degree of uncertainty, including the facts and circumstances surrounding each case, jurisdiction and different applicable laws. Given the uncertainties attached to these issues, it is difficult to predict with certainty the outlay of funds that will arise from said disputes and it is therefore possible that the value of the provisions for legal proceedings and litigation may change as a result of future developments in the proceedings in progress. The Company monitors the status of ongoing disputes and consults with its legal counsels and experts in legal and tax matters. When the directors believe that the occurrence of a liability is only possible, the risks are reported in the specific information section on commitments and risks, without giving rise to any provision.

Liabilities for landfills and After-closure provisions

The provision for liabilities for landfills consists of the amount set aside to meet the costs that must be incurred to manage the closure and post-closure period of landfills currently in use. Future outlays, which are inferred for each landfill from a specific valuation report which is prepared by third-party experts and is updated annually, have been discounted in accordance with the provisions of IAS 37.

Provision for bad debts

This reflects management's estimate of expected losses relating to the loan portfolio. The Company applies the simplified approach envisaged under IFRS 9 and records expected losses on all trade receivables based on the residual maturity, determining the provision based on the past experience of credit losses as adjusted to take account of specific forecast factors relating to creditors and the economic environment (Expected Credit Loss - ECL concept).

Amortisation and depreciation

Amortisation and depreciation of fixed assets constitute a significant cost to the Company. Fixed assets are amortised or depreciated systematically over their estimated useful life. The useful economic life of the company's fixed assets is determined by the directors, with the help of technical experts, once the asset has been purchased. The Company evaluates technology and sector changes, decommissioning/closure costs and the recoverable value to update the residual useful life on a periodical basis. This periodical updating could entail a change in the amortisation and depreciation period and therefore also in the amortisation and depreciation allowances for future periods.

Employee benefits

Provisions for employee benefits and net financial costs are valued according to an actuarial method that requires the use of estimates and assumptions to calculate the net value of the obligation. The actuarial method considers financial parameters such as, for example, the discount rate and salary growth rates and considers the probability of occurrence of potential future events by using demographic parameters such as, for example, employee mortality and resignation or retirement rates. The assumptions used for the valuation are detailed in the explanatory notes.

Current tax and future recovery of deferred tax assets

Deferred tax assets are recognised on the basis of forecasts of tax income expected in future periods, which can be inferred from long-term company plans. The valuation of expected income for the purposes of accounting for deferred tax depends on factors that may vary over time and determine effects on the measurement of deferred tax assets.

Reclassifications of comparative data

It should be noted that the reporting scheme of some data relating to the previous year has been modified in order to offer the reader greater comparability of the information provided in the financial statements at 31 December 2020. In particular, an amount of Euro 3,250 thousand has been reclassified from “Trade receivables” to “Non-current trade receivables”.

Change in international accounting standards

New accounting standards, amendments and interpretations applied from 1 January 2020

As at the reporting date the competent bodies of the European Union approved the first-time adoption of the following accounting standards and amendments applied by the Company and the Group on 1 January 2020.

- In October 2019 the IASB issued some amendments to IFRS 3, which modify the definition of “business” within the scope of acquisitions of businesses or groups of assets. The application of these amendments became effective as from 1 January 2020 and did not entail any significant impact on the financial statements at 31 December 2020.
- In October 2019 the IASB issued some amendments to IAS 1 and IAS 8, providing clarifications on the definition of “material information”. The application of these amendments became effective as from 1 January 2020 and did not entail any significant impact on the financial statements at 31 December 2020.
- In September 2019 the IASB issued some amendments to IFRS 9, IAS 39 and IFRS 7, providing clarifications following the interest rate benchmark reform. The application of these amendments became effective as from 1 January 2020 and did not entail any significant impact on the financial statements at 31 December 2020.
- In May 2020 the IASB issued an amendment to IFRS 16, which provides a practical expedient for the measurement of leases in the event of the rents having been renegotiated following the Covid-19-emergency. The lessee may opt to account for the concession as a variable rent in the period in which a lower amount is paid. This amendment did not entail any significant impact on the financial statements at 31 December 2020.

Accounting standards, amendments and interpretations not yet applicable

As at the reporting date the competent bodies of the European Union approved the first-time adoption of the following accounting standards and amendments, which are not yet applicable by the Group.

- In May 2017 the IASB issued the new IFRS 17 “Insurance Contracts”, which will replace IFRS 4 and will be applicable for the financial periods commencing on or after 1 January 2023.
- In January 2020 the IASB issued an amendment to IAS 1 “Presentation of the financial statements”, which provides clarifications on the classification of liabilities as current and non-current items and will be applicable from 1 January 2022.
- In May 2020 the IASB published some amendments to IFRS 3, IAS 16 and IAS 37. Furthermore, some amendments were also published in relation to IFRS 1, IFRS 9, IAS 41 and to the illustrative examples accompanying IFRS 16. The amendments will be applicable from 1 January 2022.
- In August 2020 the IASB published some amendments to IFRS 7, IFRS 4 and IFRS 16, which will be applicable from 1 January 2021.

The Group will adopt these new standards, amendments and interpretations, based on their expected date of application, and will assess their potential impacts when they are endorsed by the European Union.

3) EXPLANATORY NOTES TO THE ASSET ITEMS

NON-CURRENT ASSETS

1) Property, plant and equipment

The balances of these items can be inferred from the table below:

DESCRIPTION	LAND AND BUILDINGS	PLANT AND MACHINERY	INDUSTRIAL AND COMMERCIAL EQUIPMENT	OTHER ASSET	ASSETS UNDER CONSTRUCTION	TOTAL PROPERTY, PLANT AND EQUIPMENT
VALUES AT 31.12.2019						
Gross Value	37,828,378	13,339,807	5,544,755	9,194,154	8,380,597	74,287,691
Accumulated depreciation	-6,611,089	-2,794,799	-4,689,298	-7,941,229	0	-22,036,415
NET IAS BALANCE AT 31.12.2019	31,217,288	10,545,008	855,458	1,252,925	8,380,597	52,251,276
CHANGES FOR FY 2020						
RECLASSIFICATION OF GROSS VALUE AT 01.01.2020 TO FIXED ASSETS - CONCESSION RIGHTS	0	131,644	0	0	0	131,644
RECLASSIFICATION OF ACCUMULATED DEPRECIATION AT 01.01.2020 TO FIXED ASSETS - CONCESSION RIGHTS	0	-47,095	0	0	0	-47,095
CHANGES FROM PURCHASES	1,609,222	82,870	351,092	117,572	4,676,171	6,836,927
TRANSFERS FOR RECLASSIFICATIONS	0	0	0	0	-7,768,267	-7,768,267
DECREASES	0	-19,906	-106,286	-166,386	-30,212	-322,790
DISPOSALS/RECLASSIFICATION OF ACCUMULATED DEPRECIATION	0	19,906	105,551	165,271		290,729
2020 DEPRECIATION	-976,581	-647,266	-201,283	-362,879		-2,188,009
VALUES AT 31.12.2020						
Gross Value	39,437,600	13,534,415	5,789,561	9,145,341	5,258,288	73,165,204
Accumulated depreciation	-7,587,670	-3,469,254	-4,785,030	-8,138,837	-	-23,980,791
BALANCE AT 31.12.2020	31,849,929	10,065,161	1,004,531	1,006,504	5,258,288	49,184,413

The above listed fixed assets are not encumbered with mortgages or liens in favour of financial institutions, except for the composting plant located at Faltona, in the Municipal district of Borgo San Lorenzo, on which a first-degree mortgage has been registered in favour of MPS Capital Services S.p.A., as security for the loan granted by the Bank for Euro 8,850,000, required to finance the entire investment.

The main capitalisations carried out during 2020 involved additional investments that were made in implementing operations at the industrial complex located in Florence, in the Ferrale area, at Via di Castelnuovo 20, which

had been acquired within Bankruptcy proceedings 288/2014 before the Court of Florence in 2017 and which definitively entered into service during 2018. At the property in question, the investments made in 2020 concerned the refurbishment and enlargement of office premises and the consequent connection to the sewage system for a total value of Euro 483,912, the construction of the elevator system for Euro 20,750, as well as any related activities of waterproofing and the construction of plasterboard walls for Euro 16,000 and Euro 66,566, respectively. In 2020 Alia Servizi Ambientali entered with the Municipal government of Pescia into a deed for the purchase and sale of a real estate complex for warehouse use, consisting of three separate blocks for a total value of Euro 727,791, broken down into buildings for Euro 509,454 and land for Euro 218,337. Again during 2020 works were completed for the revamping of climate control systems at the executive office building of the registered office located at Via Baccio da Montelupo in Florence for investments equal to Euro 306,578.

Additional investments in plant and machinery mainly involved works for climate control system for Euro 14,340, and the installation of the video surveillance system at the collection centre located in Monsummano Terme for Euro 18,960.

Purchases for industrial and commercial equipment amounted to approximately Euro 351,092 relating to workshop tools, technical instruments and miscellaneous equipment. Additional purchases, reclassified to "Other property, plant and equipment", concerned furniture and other office shelving for a total value of Euro 44,278, while investments were made in hardware for attendance recording and pedestrian access control systems for Euro 36,276 and, on a residual basis, other investments were made in electrical and electronic machines for Euro 37,018.

2) Concession rights

ATO Toscana Centro, which was started from 1 January 2018. For more details on the changes in this item, reference should be made to the information provided in the paragraph on "Other intangible assets" below.

On 31 August 2017, Alia Servizi Ambientali S.p.A. (which is also referred to as the Concessionaire and/or Operator) and ATO Toscana Centro (Integrated Municipal Waste Management Authority) signed a "Service contract for integrated municipal waste management under Article 26, paragraph 6, of Regional Law 61/2017 and Article 203 of Legislative Decree 152/2006" (hereinafter also referred to as the "Contract" or "Service Contract"). The contract was entered into following a public tender procedure for the concession of the integrated municipal waste management service in the Municipal districts under the responsibility of ATO Toscana Centro.

At the end of 2017, the transitional period ended and from 1 January 2018, the term started for the concession involving the integrated management of municipal waste on an exclusive basis, which consists of the following activities:

- provision of basic services;
- provision of ancillary services;
- execution of the works provided for in the contract.

As from 1 January 2018 the service is delivered for 30 Municipalities in the province of Florence, 12 in the Province of Pistoia and 7 in the Province of Prato; as from 1 March 2018 the service is also delivered for other 2 municipalities in the Province of Florence and other 8 municipalities in the Province of Pistoia, for a total of 59 municipalities served. As a result of the merger of the Municipalities of Tavarnelle Val di Pesa and Barberino Val d'Elsa, the number of Municipal districts under management is equal to 58.

During 2020 Revenues from Concession Fees were measured in accordance with ARERA resolution no. 433/19 RIF, in compliance with the ATO TC's Resolution of 27 September 2020, whereby an amendment was made to the

Service Contract in relation to the method of determining the Concession fee (Articles 20 and 22 of the Service Contract), opting for the application, as early as from 2020, for the national regulatory system known as WTM. Following this resolution, talks were started with ATO TC in order to agree on a method of integrating the WTM into the Service Contract that will subject to approval at the next General Meeting of ATO to be held on 14 June 2021. The main effects of the application of the new tariff method [WTM] consist of the reversal of the Economic and Financial Rebalancing components of 2018 and 2019 under Article 22 of the Service Contract, as reported in the 2018 and 2019 financial statements according to the guidelines provided in ATO Toscana Centro's General Meeting resolutions no. 4 of 24 February 2019 and no. 5 of 9 June 2020. The restatement of the amount attributable to the component of the aforesaid 2018 and 2019 rebalancing amounts entailed a negative effect recognised as an adjustment to Revenues for an amount of about Euro 9,000 thousand, which can be then described as a "non-recurring" income statement component. The values of the fees in question make reference to the data contained in ATO Toscana Centro's memo with file no. 1612, whereby Alia is notified with the outcome of the "Closure of the preliminary inquiry procedure to check for the economic and financial equilibrium for the 2020 financial year".

The table below shows the breakdown of basic services covered by the Service Contract.

BASIC SERVICES	
1	Collection, transport, sweeping, support to domestic composting
2	User relationships and communication management
3	Analysis, communication and reporting
4	Sale of waste and/or raw materials and/or supply raw materials and/or by-products deriving from collection, treatment, recovery and/or disposal operations
5	Operation of the existing plants included in the perimeter of the tender for the treatment, recovery and/or disposal of waste that will be transferred to the service Contractor
6	Waste transport between the plants
7	Operation of existing and new collection sites
8	Operation of new installations (if any)
9	Post-closure operation of sites/landfills

The table below shows the breakdown of ancillary services.

ANCILLARY SERVICES	
1	Washing roads and public areas or for general public use
2	Weeding as part of waste collection
3	Waste collection and cleaning after public and similar events
4	Cleaning banks of rivers, streams and lakes
5	Cleaning residues from accidents and similar emergency services
6	Collecting syringes abandoned on public land or private land intended for public use
7	Cleaning bird droppings and canine excrement
8	Collecting animal carrion
9	Removing vehicle wrecks abandoned on public land
10	Cleaning and washing particularly valuable public surfaces

ANCILLARY SERVICES	
11	Washing and disinfection of drinking fountains and tanks
12	Cleaning public toilets
13	Collecting asbestos from small household tasks
14	Collecting special waste lying in public areas
15	Pest control and rat extermination
16	Collecting used vegetable oils from catering activities and/or with containers in local areas, if these operations comply with current and newly-issued legislation
17	Collecting cemetery waste from exhumation and removal of remains from crypts
18	Assessment, collection and litigation service for users

As a result of the application of the WTM and the definition of the scope of regulation set out by ARERA by resolution no. 443/19, ancillary services are integrated once again into Concession fees calculated according to the WTM. This scope still excludes Ancillary services nos. 10, 11, 12 and 15, for which a remuneration is envisaged, which is based on the unit price set out in the tender offer, in line with 2018 and 2019.

The object of the Concession also includes the execution of works included in the tender as defined in the table below:

Intervention	Amount of Works	Security costs
33 Collection sites	Euro 12,320,000.00	Euro 123,200.00

The remuneration for these works is envisaged under the Economic and Financial Plan. The related planning is regulated by Section 10 of the Contract. The executive design of the works will be approved by ATO in advance and it will be possible to carry out a rebalancing as a result of any substantiated cost deviation.

Composition of the concession right

At the inception of the Concession granted to the Operator Alia, the ownership was transferred for all plants, real estate and other capital assets that had been used by the former operators until that date, as well as for those owned by the local Bodies, granted to it under a loan for use agreement. As reported in the Introduction (in the paragraph on "General information and significant events during the year"), the transfer of assets functional to the service, such as properties, capital and staff took place from 1 March 2018, at the residual book value resulting on the date of transfer, for former operators AER Ambiente, Energia Risorse S.p.A. and COSEA Ambiente S.p.A., not incorporated into Alia.

The table below summarises the book value of the assets falling within the scope of the concession ("regulated assets"):

DESCRIPTION	NET BALANCE AT 31.12.2019	GROSS VALUE	ACCUMULATED DEPRECIATION	NET BALANCE AT 31.12.2020
LAND AND BUILDINGS	82,135,711	117,220,444	-37,176,596	80,043,848
PLANT AND MACHINERY	8,736,447	117,993,569	-109,203,132	8,790,437
INDUSTRIAL AND COMMERCIAL EQUIPMENT	217,420	402,253	-130,038	272,215
OTHER TANGIBLE ASSETS	35,697,232	143,157,155	-83,523,915	59,633,240

DEVELOPMENT COSTS	103,748	247,162	-19,446	227,716
CONCESSIONS, TRADEMARKS AND SIMILAR RIGHTS	66,275	286,503	-217,719	68,784
OTHER INTANGIBLE ASSETS	28,677	8,285,846	-8,262,430	23,416
TOTAL	126,985,509	387,592,932	-238,533,276	149,059,655

Obligations to acquire or build property units

As noted above, the company is required to build 33 collection sites under the concession agreement. None were built during 2020.

Obligations to deliver or rights to receive certain assets at the end of the concession term

At the end of the Concession term, capital assets and their appurtenances, required for the service management, are transferred to the successor Operator free of charge and free of burdens and encumbrances. If, at the time of termination of operations, these assets have not been depreciated in full, the successor Operator will pay Alia S.p.A. an amount equal to the original book value of the work or plant not yet depreciated, net of public grants (if any) directly related thereto (Section 13 of the Contract).

The Operator is obliged to keep the transferred plants in operation and held under management in full working order, implementing the routine maintenance Plan and performing non-routine maintenance, when necessary, having agreed on them with ATO in advance. The Operator is also obliged to maintain the transferred plants in operation but not managed, as well as the transferred plants that are not in operation, in safe conditions, implementing the Plans to maintain them in safe conditions. The decommissioning of the plants must be agreed with ATO. Where still existing upon expiry, or in any case at the time of early termination of the Contract, the Operator undertakes to hand over the works, installations and other equipment in a state of efficiency and good maintenance.

In case of decommissioning agreed between ATO and the Operator involving plants and/or other works functional to the integrated municipal waste management service, for which the law, public planning, or authorisation to operate or execute the work itself, require investigation plans to verify the state of non-contamination of the site upon decommissioning, the Operator shall be required to carry out this activity.

Decommissioning will be considered for the purposes of rebalancing the management.

Options for renewal and early termination of the agreement

Upon the natural expiry or in the event of early termination of the contract, the Operator is required to ensure the complete and regular continuation of the service and, in particular, compliance with public service obligations and minimum standards of local public service, at the same terms and conditions regulated by this Contract, until the new Operator takes over the operation of the service. No indemnity or compensation in addition to what is already provided for in the Contract for the performance of the service may be claimed by the Operator for the continuation of the service. ATO undertakes to start the awarding procedures at least one year before the expiry date of the contract or, in the event of termination, as soon as the term in which it becomes operational has expired.

Other rights and obligations

The services provided for in the Contract, the operation of which is entrusted to the Concessionaire, are based on a prominent public interest. To satisfy this or due to regulatory or legislative developments, ATO may request, on its own initiative or at the request of the Municipalities, changes in both basic services and ancillary services on request from the Operator.

The procedure (Section 7 of the contract) provides for ATO's application to be submitted to the Operator, as well as the preparation of a specific project describing the changes in the services and the proposals for changes in the economic and financial plan.

The changes are permitted up to one-fifth of the overall contract amount as prescribed by law.

ATO also reserves (Section 8) the right to appoint the Operator to deliver additional complementary services in the event of supervening circumstances, reasons of public interest and/or orders issued by the competent national, regional and provincial authorities. The awarding of these services is subject to the following conditions:

- the additional complementary services cannot be separated from the original contract from a technical and economic point of view without causing serious inconveniences to the granting ATO authority or, even though they can be separated from the performance of the initial contract, they are strictly necessary for its completion;
- the total value associated with the additional complementary services must not exceed 20% of the amount of the initial contract.

A procedure similar to that of the changes must be followed for their activation.

At the request of ATO, the Operator may be required to perform additional functional works which have become necessary following the public interest requirements which have arisen and/or legislative and/or regulatory provisions, provided that they are envisaged in the planning agreements in force at the time.

The cost of additional functional works will be considered for the purpose of rebalancing the management under the Contract. The Operator may in turn propose to ATO plants and/or works not provided for in the concession area Plan, but complementary to the planning, which allow a reduction in the tariff rate of the Operator. ATO reserves the right to accept them and, in case of acceptance, the same procedure is applied for the complementary works requested by ATO.

According to the provisions of the concession agreement, reported above, these rights were accounted for by applying the intangible asset model, required by IFRIC 12, since it was considered that the underlying concession relationships did not guarantee the existence of the concessionaire's unconditional right to receive cash, or other financial assets. Improvement works and services performed on behalf of the granting authority are accounted for as "Construction costs - concession rights." Since all the works have been contracted out to third parties, these improvements have been recognised on the basis of the costs actually incurred.

Construction revenues - concession rights

These consist of the fees receivable for the work performed in favour of the granting authority and are measured at fair value, as determined on the basis of total costs incurred.

These are stated against an entry under concession rights among intangible assets.

At 31 December 2020 these revenues amounted to Euro 28,096,067 and related to the following types of assets:

BREAKDOWN OF REVENUES 2020 - CONCESSION RIGHTS	
LAND AND BUILDINGS	554,449
PLANT AND MACHINERY	997,597
INDUSTRIAL AND COMMERCIAL EQUIPMENT	100,254
OTHER TANGIBLE ASSETS	26,284,532
<i>of which Collection equipment</i>	5,405,567
<i>of which Motor vehicles</i>	20,851,512
<i>of which office machines</i>	1,522
<i>of which other assets</i>	25,931
DEVELOPMENT COSTS	140,834
CONCESSIONS, TRADEMARKS AND SIMILAR RIGHTS	18,400
TOTAL	28,096,067

These are capitalised costs for investments made on these types of assets. Development costs, equal to Euro 140,834, entirely relate to the increase in the capitalisation that was already started in 2019 in relation to the “Suhm - smart containers-bins” project.

Construction costs - concession rights

At 31 December 2020 these amounted to Euro 28,096,067 and were stated in accordance with the provisions of IFRIC 12.

3) Other intangible assets

The Company holds no goodwill or intangible assets with an indefinite useful life.

DESCRIPTION	CONCESSION RIGHTS	CONCESSIONS, TRADEMARKS AND SIMILAR RIGHTS	OTHERS	ASSETS UNDER DEVELOPMENT	TOTAL OTHER INTANGIBLE ASSETS	TOTAL INTANGIBLE ASSETS
VALUES AT 31.12.2019						
Gross Value	366,178,702	9,338,115	865,202	117,630	10,320,947	376,499,648
Accumulated amortisation	-239,193,193	-8,032,370	-846,580		-8,878,950	-248,072,143
NET BALANCE AT 31.12.2019	126,985,509	1,305,744	18,622	117,630	1,441,996	128,427,505
CHANGES FOR FY 2020						
RECLASSIFICATION OF GROSS VALUE AT 01.01.2020 TO FIXED ASSETS - CONCESSION RIGHTS	-382,468	0	250,824	0		-131,644
RECLASSIFICATION OF ACCUMULATED AMORTISATION AT 01.01.2020 TO FIXED ASSETS - CONCESSION RIGHTS	297,919	0	-250,824	0		47,095
CHANGES FROM PURCHASES	28,096,067	320,329	0	3,206,697		31,623,093
TRANSFERS FOR RECLASSIFICATIONS	7,768,267	7,680	0	-7,680		7,768,267
DECREASES	-14,067,637	-1,645	0			-14,069,282
DISPOSAL/RECLASSIFICATION OF ACCUMULATED AMORTISATION	13,738,315	1,645	0			13,739,960
AMORTISATION 2020	-13,376,318	-259,393	-5,929			-13,641,641
VALUES AT 31.12.2020						
Gross Value	387,592,932	9,664,479	1,116,026	3,316,647	14,097,152	401,690,083
Accumulated amortisation	-238,533,276	-8,290,119	-1,103,334		-9,393,453	-247,926,729
NET BALANCE AT 31.12.2020	149,059,655	1,374,360	12,692	3,316,647	4,703,699	153,763,354

During the year software licenses were acquired for Euro 320,329, of which specific licences of Euro 178,155 for ERP accounting, budget and payments management software, Euro 55,500 for the Windows environment and related systems engineering, and Euro 16,674 for implementation of ERP payroll management software.

It should be noted that no fixed assets are pledged as collateral, there are no contractual commitments for the acquisition of new fixed assets nor is the Company entitled to compensation from third parties for impairment losses and disposals.

The assets included in the concession rights have been amortised individually based on their useful life.

The aforementioned reclassification under "Concession Rights" refers to the set of plants, real estate and other assets which were used by the former operators and the ownership of which was transferred to Alia S.p.A. at the inception of the concession, as detailed in the paragraph on "Concession Rights".

4) Equity investments

The value of equity investments amounted to Euro 24,268 thousand (of which Euro 20,096 thousand in subsidiaries and Euro 4,057 thousand in associates), while non-qualified investments amounted to Euro 114 thousand.

	Balance at 31 12 2020
Equity investments in subsidiaries (valued at cost)	20,096,442
Equity investments in associates (valued at equity)	4,057,313
Other equity investments	114,326
TOTAL	24,268,081

Equity investments in subsidiaries valued at cost

The table below shows the book value of investments in subsidiaries:

	PROGRAMMA AMBIENTE S.p.A.	Q.THERMO SRL	Q.ENERGIA	REJET S.p.A.	IRMEL SRL	TOTAL EQUITY INVESTMENTS IN SUBSIDIARIES
% ownership	100.00%	100.00%	100.00%	51.00%		
Value at 31.12.2019	800,000	2,343,563	0	15,331,407	113,849	18,588,819
Increases	600,000	4,200,000	100,000	0		4,900,000
Write-downs		(3,316,206)				-3,316,206
Other changes	-28,980					-28,980
Reclassifications			66,658		-113,849	-47,191
Value at 31.12.2020	1,371,020	3,227,357	166,658	15,331,407	0	20,096,442
Company equity	983,066	3,227,357	309,999	34,922,945		39,443,367
Share of equity attributable	983,066	3,227,357	309,999	17,810,702		22,331,124
Difference	387,954	0	-143,341	-2,479,295		2,234,682

Revet is a company specialising in the collection and selection of waste from sorting and recycling of heterogeneous plastic waste. The company became a subsidiary controlled by Alia on 30 September 2018. During 2019 the ownership percentage decreased from 56.48% to 51% as a result of changes in the corporate structure of the subsidiary.

Programma Ambiente S.p.A. holds an 80% interest in Programma Ambiente Apuane S.p.A., a company that operates a landfill site for non-hazardous inert waste and asbestos cement products. The increase recorded during the year arose from the waiver of the claim for financing which was executed by resolution dated 28 October 2020 and aimed at strengthening the capital of the subsidiary.

It should be noted that on 23 June a deed was executed which concerned the sale of the quotas of Q.Energia S.r.l. in favour of Alia Servizi Ambientali S.p.A. for a nominal value equal to Euro 50,000, corresponding to 50%

of the quota capital. As a result, Alia acquired full control over Q.Energia S.r.l., which operates, at the landfill in San Martino a Maiano in the Municipal district of Certaldo, a biogas plant for the production of electricity, which is directly sold to GSE [the Italian state-owned energy service company]. Alia's residual investment in the company in question was equal to 36% at 31 December 2020: it has been therefore reclassified among associates.

As regards the subsidiary Q.Thermo S.r.l., by a notarial deed of 27 February 2020 there was the completion of the sale of the quotas held by Sviluppo Ambiente Toscana S.r.l. in favour of Alia Servizi ambientali S.p.A. for a nominal value of Euro 4,000, corresponding to 40% of the quota capital. The sale of quotas was settled for a consideration of Euro 1.4 million. In this manner Alia acquired full control over Q.Thermo S.r.l.. As at 31 December 2020 the investment in the company in question was written down for an amount of Euro 3,316,206 as a result of the settlement agreement executed with the Hera Group on 27 February 2020. The value of the investment was then adjusted in line with the value of Equity for accounting purposes at 31 December 2020, which is regarded as representing the recoverable value.

Equity-accounted investments in associates and joint ventures

The table below shows the book values and the income statement and balance sheet data of associates and joint ventures:

Company name	Q.Energia	IRMEL SRL	AL.BE S.r.L.	VALCOFERT SRL	SEA RISORSE SPA	REAL SRL	VALDISIEVE SCRL	
Registered office	CERTALDO (FI) - VIA PIANGRANDE	PONTE BUGGIANESE (PT)	PECCIOLI (PI)	EMPOLI (FI)	VIAREGGIO (LU)	EMPOLI (FI)	FLORENCE	
Ownership percentage held by the Company	100%	36%	50%	42.50%	24.00%	50.10%	25.00%	
Share of voting rights held by the Company	100%	36%	50%	42.50%	24.00%	50.10%	25.00%	
Alia balance sheet value at 31/12/2019	265,118		518,234	173,423	916,179	1,398,802	516,328	3,788,084
Disposals	-198,460	-137,250		-29,173				-364,883
Reclassifications	-66,658	113,849						+47,191
Change for application of the equity method through P&L		311,652	-12,915	12,019	-158,297	650,006	-215,545	586,921
Alia balance sheet value at 31/12/2020	0	288,251	505,319	156,270	757,882	2,048,808	300,783	4,057,313

These investments, as described in the introduction, are measured using the equity method.

The main investments in associates are:

- Sea Risorse S.p.A. (a company operating in sorted waste collection operations in two municipal districts of the Versilia region).
- Irmel S.r.l.: during 2020, by a notarial deed dated 14 May, the quotaholder Alia Servizi Ambientali S.p.A. completed the sale of quotas for a nominal value of Euro 13,650, corresponding to 15% of the quota capital. The quota held by Alia in Irmel S.r.l. thus came to 36%. The company operates treatment and waste-to-energy plants for inert waste from construction, in the provinces of Pistoia and Florence, respectively.

- Al.be S.r.l. was established in a 50-50 partnership with Belvedere S.p.A. on 11 April 2018. Its purpose is the recovery and processing of waste with the operation of plants for the production of biogas - biomethane and biofuels.
- REAL S.r.l.: this joint venture was established in a 49.90% partnership with RELIFE S.p.A. on 4 November 2019. Its purpose is the collection, processing, sorting, transformation and storage of waste paper. During 2020 there was the execution of a deed of reverse merger by incorporation towards subsidiary Metalcarta S.r.l., with effect from 17 June 2020 and legal effects running from 1 August 2020. The company operates in the collection, processing, sorting, transformation and storage of waste paper. The Company has established that the partnership agreement it has currently in place with the partner Relife S.p.A. falls within the scope of joint ventures.
- Valdisieve Società consortile: is a holding company that controls companies operating in the waste sector.

Non-qualified equity investments amounted to Euro 114,326; among them note the investment in Le Soluzioni Società Consortile for Euro 87,804.

5) Non-current financial assets and non-current trade receivables

Below are the non-current financial assets:

Description	Balance at 31 12 2020	Balance at 31 12 2019	Change
Receivables from Subsidiaries	3,238,560	3,918,259	- 679,699
Receivables from Associates	116,780	196,780	- 80,000
Guarantee deposits	131,418	131,002	416
TOTAL	3,486,758	4,246,041	- 759,283

The balance at 31 December 2020, equal to Euro 3,487 thousand, net of the Provision for write-down, mainly includes receivables from Programma Ambiente S.p.A. for Euro 2,817 thousand, from Programma Ambiente Apuane S.p.A. for Euro 700 thousand and relate to interest-bearing loans with deferred maturities.

Below is the breakdown of the Provision for bad debts:

Description	31/12/2019	Increases	Uses	31/12/2020
Provision for bad debts - loan to subsidiaries	198,857	108,679	28,980	278,556
Provision for bad debts - loans to associates	3,220			3,220
TOTAL	202,077	108,679	28,980	281,776

Below are non-current trade receivables:

Description	Balance at 31 12 2020	Balance at 31 12 2019	Change
Non-current trade receivables	3,249,744	4,429,282	-1,179,538
TOTAL	3,249,744	4,429,282	-1,179,538

This item includes trade receivables due beyond 12 months from the end of the year as a result of the payment plans agreed upon with the counterparties.

6) Deferred tax assets and liabilities and other non-current assets

Description	BALANCE AT 31 12 2020	BALANCE AT 31 12 2019	Change
Deferred tax assets	16,905,306	15,167,992	1,737,314
Deferred tax liabilities	5,958,203	6,698,490	-740,287
TOTAL	10,947,104	8,469,502	2,477,602

Deferred tax assets are generated by the temporary differences between the balance sheet profit and taxable income, mainly in relation to the provision for bad debts, provisions for risks and charges, statutory amortisation greater than that for tax purposes, past tax losses and provisions for employee benefits.

Tax losses will be recovered through taxable income that the company will generate during the period of the concession term as they can be also inferred from the long-term plan for the period 2021-2030, which was approved by the Company's Board of Directors on 24 May 2021.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against corresponding current tax liabilities.

They are reported in the financial statements by offsetting deferred tax asset items, equal to Euro 16,905,306 against the debt for deferred tax liabilities, equal to Euro 5,958,203.

The receivable for deferred tax assets reported in the statement of financial position (equal to Euro 16,905 thousand) includes the receivable for deferred tax assets through OCI for Euro 543 thousand.

Below is a breakdown of deductible and taxable temporary differences:

DEFERRED TAX ASSETS (net of deferred tax liabilities)

ITEMS	DEFERRED TAX ASSETS / LIABILITIES 31/12/2019			CHANGES - 2020			DEFERRED TAX ASSETS / LIABILITIES ANNO 2020		
	Temporary differences		Tax effect	Temporary differences		Tax effect	Temporary differences		Tax effect
Fixed assets		IRES tax	-4,305,929		IRES tax	295,459		IRES tax	-4,010,470
Fixed assets	-17,941,370	IRAP tax	-918,598	1,231,078	IRAP tax	63,031	-16,710,292	IRAP tax	-855,567
Case Passerini landfill		IRES tax	-1,208,424		IRES tax	308,287		IRES tax	-900,137
Case Passerini landfill	-5,035,101	IRAP tax	-257,797	1,284,531	IRAP tax	65,768	-3,750,570	IRAP tax	-192,029
Capital gains divided into instalments	-32,256	IRES tax	-7,741	32,256	IRES tax	7,741	0	IRES tax	0
Provision for bad debts	22,580,886	IRES tax	5,419,413	-4,510,571	IRES tax	-1,082,537	18,070,316	IRES tax	4,336,876
Productivity	2,490,555	IRES tax	597,733	3,576	IRES tax	858	2,494,131	IRES tax	598,591
Litigation risks		IRES tax	370,539		IRES tax	238,196		IRES tax	608,734
Litigation risks	1,543,911	IRAP tax	79,048	992,482	IRAP tax	50,815	2,536,392	IRAP tax	129,863
Employee Severance Pay	943,462	IRES tax	226,431	-566,811	IRES tax	-136,035	376,651	IRES tax	90,396

ITEMS	DEFERRED TAX ASSETS / LIABILITIES 31/12/2019			CHANGES - 2020			DEFERRED TAX ASSETS / LIABILITIES ANNO 2020		
	Temporary differences		Tax effect	Temporary differences		Tax effect	Temporary differences		Tax effect
Losses from previous years	26,354,322	IRES tax	6,325,037	9,771,307	IRES tax	2,345,114	36,125,629	IRES tax	8,670,151
Vaiano landifll	702,768	IRES tax	168,664	68,157	IRES tax	16,358	770,925	IRES tax	185,022
Vaiano landifll		IRAP tax	35,982		IRAP tax	3,490		IRAP tax	39,471
Vigiano landfill	3,611,268	IRES tax	866,704	915,769	IRES tax	219,785	4,527,037	IRES tax	1,086,489
Vigiano landifll		IRAP tax	184,897		IRAP tax	46,887		IRAP tax	231,784
Provision for maintenance risks	439,983	IRES tax	105,596	14,574	IRES tax	3,498	454,557	IRES tax	109,094
Provision for maintenance risks		IRAP tax	22,527		IRAP tax	746		IRAP tax	23,273
Provision for bad debts on loans	202,077	IRES tax	48,498	79,699	IRES tax	19,128	281,776	IRES tax	67,626
ACE (Allowance for corporate equity)	771,218	IRES tax	185,092	0	IRES tax	0	771,218	IRES tax	185,092
Actuarial gain/loss O.C.I.	2,215,958	IRES tax	531,830	45,888	IRES tax	11,013	2,261,845	IRES tax	542,843
Total deferred tax assets and liabilities	38,847,681		8,469,502	9,361,935		2,477,602	48,209,615		10,947,104

[IRES = Corporate Income Tax]

[IRAP = Regional Production Activity Tax]

Other non-current assets

Description	Balance at 31 12 2020	Balance at 31 12 2019	Change
IRAP tax credit (ACE, Allowance for corporate equity) beyond 12 months	231,306	184,389	46,917
Prepaid expenses	634,185	347,801	286,383
TOTAL	865,491	532,191	333,300

The amount of Euro 231 thousand related to the transformation of the ACE (*Aiuto alla Crescita Economica*, Allowance for corporate equity) surplus into a tax credit that can be offset. Prepaid expenses mainly relate to surety policies.

CURRENT ASSETS

7) Inventories

The table below shows changes in inventories:

Values at 31/12/2019	2,709,172
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Changes recorded during the year	332,679
Values at 31/12/2020	3,041,850

Inventories, amounting to Euro 3,042 thousand (Euro 2,709 thousand at 31 December 2019), mainly consisted of spare parts and equipment for the maintenance and running of the plants in operation.

8) Trade receivables

The table below shows the breakdown of trade receivables:

Description	Balance at 31 12 2020	Balance at 31 12 2019	Change
Receivables from Customers	111,714,035	111,719,923	- 5,888
Provision for bad debts	- 18,070,316	- 22,902,635	10,994,917
TOTAL	93,643,719	88,817,287	10,989,030

The balance mainly includes receivables from Municipalities, third-party customers and related companies. These receivables mainly relate to invoices issued to municipalities for environmental hygiene services not yet collected at 31 December 2020 and receivables from users for TIA (*Tariffa di Igiene Ambientale*, Environmental Hygiene Tariff) bills.

Below is the breakdown of changes in the provision for bad debts:

Description	31/12/2019	Increases	Uses	31/12/2020
Provision for bad debts	22,902,635	-	(4,832,320)	18,070,316

The Provision for bad debts was used mainly for the write-off of TIA tariff receivables.

Below is the ageing of customers at 31 December 2020, including non-current trade receivables:

BALANCE OF RECEIVABLES - 2020	OVERDUE AMOUNTS				AMOUNTS FALLING DUE
	0-30	31-60	61-90	Beyond 90	
114,963,778	1,047,024	1,152,152	363,216	31,384,974	81,016,413

The total amount of ageing, equal to Euro 114,963,778, only includes the amount of receivables from customers (due within and beyond 12 months) for invoices issued, net of invoices to be issued (Euro 57,534,937) and credit notes to be invoiced (Euro 4,269,381).

9) Current tax assets

The table below shows the breakdown of current tax assets:

Description	Balance at 31 12 2020	Balance at 31 12 2019	Change
IRES tax advances	2,109,612	2,925,173	-815,561

IRAP tax advances	202,313	301,715	-99,402
Withholding tax receivables from Tax Office	73,607	179,439	-105,832
TOTAL	2,385,532	3,406,327	-1,020,795

The balance at 31 December 2020, equal to Euro 2,386 thousand, mainly consists of IRES (Corporate Income) and IRAP (Regional Production Activity) tax advances, for amounts in excess of the debt calculated at the end of the year and receivables for withholdings reported.

10) Other current assets

Below is the breakdown of other current assets:

Description	Balance at 31 12 2020	Balance at 31 12 2019	Change
VAT receivables from Tax Office	2,814	133,476	-130,662
Receivables from Tax Office for VAT refund	418	418	0
Receivables for IRAP tax refund	0	70,499	-70,499
Other receivables	3,793,769	4,875,958	-1,082,190
Accrued income	0	20,909	-20,909
Prepaid expenses	455,924	222,380	233,544
TOTAL	4,252,925	5,323,640	-1,070,715

The balance at 31 December 2020, amounting to Euro 4,253 thousand, related to other receivables for Euro 3,794 thousand, of which an amount of Euro 2,400 thousand is claimed from ATO for grants to be received and an amount of Euro 256 thousand from the Tuscany Regional government.

11) Cash and cash equivalents

The table below shows the balances of the items at 31 December 2020:

Description	Balance at 31 12 2020	Balance at 31 12 2019	Change
Current bank accounts	61,661,256	85,291,043	-23,629,787
Postal accounts	579,819	603,309	-23,490
Money and Cash on hand	15,610	16,206	-596
TOTAL	62,256,685	85,910,558	-23,653,873

The balance consists of liquid assets, cash on hand and cash equivalents at the reporting date.

4) EXPLANATORY NOTES TO THE LIABILITY ITEMS

SHAREHOLDERS' EQUITY

12) Share capital

The share capital of Alia S.p.A. is divided into 85,376,852 ordinary shares with a value of Euro 1.00 each, fully authorised and paid up; no treasury shares are held.

13) Reserves

The table below shows the breakdown of reserves:

Description	Balance at 31/12/2019	Increases for the year	Decreases for the year	Balance at 31/12/2020	Possible use - (A) - Distributability (B) - Loss coverage (C)
Legal reserve	1,848,130	0		1,848,130	C
Share premium reserve	16,965,073			16,965,073	A,C
Extraordinary reserve	34,951,533	0	- 80,567	34,870,966	A,B,C
Ex Asm S.p.A. Business Combination reserve	-2,488,476			-2,488,476	
Ex Publiambiente S.p.A. Business Combination reserve	9,327,922			9,327,922	A,B,C
Ex Cis S.r.l. Business Combination reserve	580,659			580,659	A,B,C
Reserve for effects through OCI from actuarial valuation of Employee Severance Pay	-856,083		-34,875	-890,958	
Profits carried forward	355,229			355,229	A,B,C
Other reserves	12,866,684			12,866,684	A,B,C
Total	73,550,670	0	-115,442	73,435,228	

The decrease recorded in 2020 essentially related to the allocation of the result for the 2020 financial statements.

Share premium reserve

The share premium reserve was set aside in 2017 against the merger of ASM S.p.A, CIS S.r.l. and Publiambiente S.p.A. into ex Quadrifoglio S.p.A. (subsequently Alia S.p.A.). It is derived from the differences between the capital increases resolved upon the merger and the shareholders' equity values of the three merged companies prior to the merger.

This reserve also includes the differential of the results of operations in the financial statements taken as a basis for the share swap at 30 June 2016 and the results taken as a basis for the merger transactions at 31 December 2016. These differences, which were appropriately allocated to the aforementioned reserves, are set at Euro 3,081 thousand for the contribution given by ex Publiambiente S.p.A., Euro 37 thousand by ex A.S.M. S.p.A. and Euro - 4 thousand by ex CIS S.r.l..

The same differential was also recorded for the contribution of the equity of ex Quadrifoglio S.p.A. and was appropriately allocated to extraordinary reserve and other revenue reserves, amounting to Euro 2,218 thousand.

NON-CURRENT LIABILITIES

14) Provisions for risks and charges

Below is the breakdown of the item:

DESCRIPTION	Other risks	Provision for non-routine maintenance risks	Case Passerini landfill	Vaiano landfill	Vigiano landfill	TOTAL
Value at 31/12/2019	4,034,466	439,983	17,729,274	1,143,473	4,678,735	28,025,932
Changes for the year						
Provisions	3,510,403	67,508				3,577,911
Adjustment to the provision			974,930	56,123	857,988	1,889,040
Financial costs (income)			309,602	12,034	57,781	379,417
Uses, reclassifications and releases	-2,514,346	-52,934	-107,330	-57,524	-267,298	-2,999,432
Value at 31/12/2020	5,030,524	454,557	18,906,475	1,154,106	5,327,206	30,872.869

The balance of provisions for risks and charges, equal to Euro 30,873 thousand, showed an increase of Euro 2,847 thousand compared to the previous year.

The balance at the end of the year mainly included:

- Post-closure provision for Euro 25,388 thousand: this is the amount set aside to meet the costs that shall be incurred to manage the closure and post-closure period of landfills that are currently under management. Future outlays, which are inferred for each landfill from a specific valuation report, prepared by an independent third-party expert, have been discounted in accordance with the provisions of IAS 37. The increases in the provision include the financial component inferred from the discounting procedure and the provisions due to changes in the assumptions on future outlays following the review of valuation reports concerning both landfills in operation and those already exhausted. The uses consist of the actual outlays that were determined during the year.
- As regards Case Sartori, a provision for Post-management was not set aside in accordance with the provisions of the EFP drawn up in tendering, which led to awarding the environmental management service of ATO Toscana Centro. According to the plan, the costs incurred for the post-management of this landfill will in fact be covered as required by the WTM.
- Provisions for Other risks for Euro 5,031 thousand. This item has been recorded to cover future and possible risks related to pending disputes (for Euro 2,537 thousand); an amount of Euro 2,494 thousand has also been allocated for productivity bonuses payable to employees.
- Provision for restoration and replacement for Euro 455 thousand. This item is recorded to meet costs relating to future and prospective cyclical non-routine maintenance of plants, as required by IFRIC 12.

The item of uses, reclassifications and releases of the provision for other risks, amounting to Euro 2,999 thousand, related to the payment of bonuses to employees in 2020 for Euro 2,491 thousand.

Furthermore, the potential impact on the Provisions for post-closure period of landfills in terms of increases, as a result of a theoretical decrease of 50 bps in discount rates, would be equal to Euro +2,094 thousand. On the contrary, the potential impact on the Provision in terms of decrease, as a result of a theoretical growth of 50 bps in interest rates, would be equal to about Euro -1,852 thousand.

Finally, the potential effect on after-closure provisions for landfills in terms of increase, as a result of an assumed increase of 5% of expected future outlays, would be equal to Euro 1,300 thousand.

15) Employee severance pay and other benefits

The amount payable to employees for severance pay benefits at 31 December 2020 is shown in the table below:

Value at 31/12/2019	18,457,147
Interest Cost	64,483
Uses	-2,254,864
Transfer to other social security institutions	37,839
Actuarial (Gain) / Loss	45,888
Value at 31/12/2020	16,350,493

The item, amounting to Euro 16,350 thousand, includes provisions for subordinate employee severance pay and other contractual benefits, net of advances granted and payments made to social security institutions in accordance with current legislation. The calculation is carried out by using actuarial techniques and discounting future liabilities at the reporting date. These liabilities consist of the receivables that the employees will accrue on the date on which they will presumably leave the company.

The table below shows the main assumptions used in the actuarial estimate of employee benefits:

Description	% rate used for FY 2020	% rate used for FY 2019
Inflation rate	0.80%	1.20%
Annual discount rate	-0.02%	0.37%
Annual rate of overall pay increases	2.10%	2.40%
Annual frequency of leaving work for reasons other than death	1.00%	1.00%

The actuarial component relating to the Employee Severance Pay and the related deferred tax are shown in the OCI section.

The table below shows the effects in absolute values at 31 December 2020 which would have been reported following reasonably possible changes in actuarial assumptions:

turnover rate + 1%	16,207,929
turnover rate - 1%	16,507,288
inflation rate + 0.25%	16,573,198
inflation rate - 0.25%	16,131,705
discount rate + 0.25%	15,998,173
discount rate - 0.25%	16,715,079

It should be noted that the Company has made reference, for the measurement of the discount rate, to the iBoxx Corporate AA index with duration 7-10.

16) Non-current financial liabilities

The table below shows the related breakdown:

Description	Balance at 31 12 2020	Balance at 31 12 2019	Change
Bond	44,825,980	49,749,098	-4,923,118
Payables to banks (beyond 12 months)	13,978,802	10,630,373	3,348,429
Payables to leasing companies (beyond 12 months)	0	0	0
TOTAL	58,804,783	60,379,471	-1,574,689

Below are the changes in payables to banks for loans:

Amounts in Euros	31/12/2019	New loans	Repayments	Reclassifications	Other non-monetary changes	31/12/2020
Non-current liabilities	60,379,471	8,000,000		(9,574,689)		58,804,783
Current financial liabilities						
<i>Short-term borrowings</i>	21,900,000		- 5,000,000	9,574,689	2,722,780	29,197,469
<i>Current portion of medium/long-term debt</i>	9,119,297		- 3,098,839			6,020,459
Total current financial liabilities	31,019,297	-	8,098,839	9,574,689	2,722,780	35,217,928
Total financial liabilities	91,398,769	8,000,000	-8,098,839	-	2,722,780	94,022,710

Payables to banks: the balance also includes amounts due to banks for the medium- and long-term portion (equal to Euro 13,979 thousand).

Bond: on 9 March 2017, the Company completed the procedure for the issue of a Euro 50,000,000 bond listed on the Irish Stock Exchange in Dublin. It has a term of seven years and an effective rate of 2.7%. This loan will be repaid on a straight-line basis from 2021.

The proceeds of the issue are mainly intended to finance the investments planned and attributable to the transformation of services under the twenty-year concession agreement.

Financial payables to banks require compliance with certain levels of financial ratios set out as per contract, such as Net Financial Position/EBITDA and Net Financial Position/Equity, according to the definitions agreed with the financing counterparties and measured on the Company's balance sheet values.

Failure to comply with the covenants and other contractual commitments applied to the loan in question, if not adequately remedied within the agreed terms, may result in the obligation to repay the related residual debt in advance.

The Company had complied with all the above parameters as at 31 December 2020.

For the amount of payables with maturity of beyond 5 years, reference should be made to the paragraph on “Liquidity risk” of these explanatory notes.

17) Non-current trade payables and Other non-current liabilities

Non-current trade payables

Description	Balance at 31 12 2020	Balance at 31 12 2019	Change
Payables to suppliers due beyond 12 months	5,066,666	5,900,000	833,334
TOTAL	5,066,666	5,900,000	833,334

This item refers to the Company’s payable to third party suppliers for the instalment payment of the acquisition of the Montignoso landfill, which took place during 2018.

Other non-current liabilities

Below is the related breakdown:

Description	Balance at 31 12 2020	Balance at 31 12 2019	Change
Deferred income beyond 12 months	3,884,183	4,705,799	-821,616
Payables to Publiservizi Spa	1,320,000	1,440,000	-120,000
Provincial Tax	544,196	600,933	-56,737
Guarantee deposits	1,500	1,500	0
TOTAL	5,749,879	6,748,232	-998,353

The payable to Publiservizi S.p.A., equal to Euro 1,320 thousand, relates to an amount owed to this company for the purchase of an industrial shed located in the Municipal district of Fucecchio (Florence).

The Provincial Tax Debt consists of the amount to be paid for this purpose on TIA tariff bills collected during the year. Deferred income relates to portions of set-up grants received and accruing in future years. The breakdown of portions accrued after 2021 and beyond five years can be inferred from the table below:

	FROM 1 TO 5 YEARS	BEYOND 5 YEARS
TOTAL	1,673,715	2,210,468

CURRENT LIABILITIES

18) Current financial liabilities

Description	Balance at 31 12 2020	Balance at 31 12 2019	Change
Bonds	5,000,000		5,000,000

Accrued Bond Interest	1,098,493	1,095,492	3,001
Payables to banks within 12 months	29,119,435	29,923,805	-804,371
Payables to leasing companies (within 12 months)	0	0	0
TOTAL	35,217,928	31,019,297	4,198,630

The balance at 31 December 2020 amounted to Euro 35,217,928 (Euro 31,019,297 at 31 December 2019) and mainly related to short-term payables to banks, including the amounts of loans falling due within the subsequent 12 months.

The balance also includes the short-term portion of the Bond for Euro 1,098,493, consisting of interest that accrued during the period, as well as the repayment of the first portion of capital of Euro 5,000,000.

19) Trade payables

The table below shows the breakdown of trade payables:

Description	Balance at 31 12 2020	Balance at 31 12 2019	Change
Payables to suppliers	77,087,037	59,383,923	17,703,113
Payables to subsidiaries	9,470,102	14,861,716	-5,391,614
Payables to associates	615,247	210,009	405,239
Payables to entities controlled by parent companies	18,224	27,215	-8,991
TOTAL	87,190,610	74,482,863	12,707,747

The balance, equal to Euro 87,191 thousand (Euro 74,483 thousand at 31 December 2019) mainly includes trade payables to third-party suppliers (Euro 77,087 thousand) and to subsidiaries (Euro 9,470 thousand).

The payable to subsidiaries mainly relates to invoices received from Revet for collection and treatment of light multi-material and glass, and sales of compost.

20) Other current liabilities

Other current liabilities are broken down in the table below:

Description	Balance at 31 12 2020	Balance at 31 12 2019	Change
VAT payables to Tax Office	0	82,763	-82,763
Other payables	7,666,439	8,145,655	-479,216
Accrued expenses	7,589	2,236	5,353
Deferred income	861,653	911,807	-50,154
Deferred VAT - Customers	776	776	0
Withholding tax payables to Tax Office	18,005	8,653	9,352
Employee IRPEF tax payables to Tax Office	1,360,984	1,972,641	-611,657
Payables to social security institutions	3,803,782	4,128,584	-324,802

Payables to the Municipality of Florence	5,490	4,990	499
TOTAL	13,724,719	15,258,106	-1,533,387

The debt positions illustrated above relate to the tax and social security payables repaid by the Company within 12 months. The payable to the quotaholder Municipality of Florence relates to payments for waste tax, received from users as accounting agents and reversed after 12 months.

Other payables related for Euro 4,948 thousand to payables to employees for accrued holidays untaken and for Euro 1,350 thousand to payables to municipal governments for environmental hardship allowance, while the remaining payables related to amounts due to finance companies and to suppliers for non-trade payables.

5) EXPLANATORY NOTES TO THE INCOME STATEMENT ITEMS

21) Revenues

Revenues from waste collection, treatment and disposal service, amounted to Euro 299,405 thousand, of which an amount of Euro 276,038 thousand came from the Municipalities that are directly and indirectly shareholders of the Company. The remaining revenues related to other sales and commercial services.

Revenues from Concession Fees were measured in accordance with ARERA resolution no. 433/19 RIF. The main effects of the application of the new tariff method [WTM] consist of the reversal of the Economic and Financial Rebalancing components of 2018 and 2019 under Article 22 of the Service Contract, as allocated in ATO Toscana Centro's General Meeting resolutions no. 4 of 24 February 2019 and no. 5 of 9 June 2020.

The restatement of the amount attributable to the component of the aforesaid 2018 and 2019 rebalancing amounts entailed a negative effect recognised as an adjustment to Revenues for an amount of about Euro 9 million, which can be then described as a "non-recurring" income statement component. The values of the fees in question make reference to the data contained in ATO Toscana Centro's memo with file no. 1612, whereby Alia is notified with the outcome of the "Closure of the preliminary inquiry procedure to check for the economic and financial equilibrium for the 2020 financial year".

For more information on the Company's performance of operations, reference should be made to the Report on Operations.

22) Other operating revenues

Other operating revenues amounted to Euro 5,515,255 (Euro 8,674,717 at 31 December 2019) and are broken down in the table below:

Description	Balance at 31 12 2020	Balance at 31 12 2019	Change
Set-up grants	157,370	392,093	-234,724
Incentive rate	188,935	220,680	-31,745
Operating grants	22,995	13,114	9,880
Other revenues	1,450,319	2,275,145	-824,826

Capital grants	701,392	700,000	1,392
Revenues for claims compensation	215,979	735,418	-519,440
Revenues for recovery of fuel excise duties	433,148	425,485	7,663
GSE electricity production incentives	268,274	264,233	4,041
Contingent assets	937,210	1,861,429	-924,219
Revenues from company canteen	281,520	313,125	-31,605
Revenues from penalties	222,064	398,048	-175,984
Recoveries and refunds	636,050	1,075,944	-439,894
TOTAL	5,515,255	8,674,717	-3,159,462

Since the Company carries out waste collection and road sweeping activities set out in the concession agreement or under contracts with private individuals or entities, in which almost all transactions take place in accordance with contracts that provide for only one performance obligation which is satisfied over time.

23) Operating costs

Below is the breakdown of the following operating costs:

Description	Balance at 31 12 2020	Balance at 31 12 2019	Change
Fuels and lubricants	5,901,762	6,700,306	- 798,544
Spare parts	2,553,245	2,826,918	- 273,673
Bags	1,160,967	1,212,695	- 51,729
Consumables	2,713,501	2,190,289	523,212
Chemicals	423,472	493,707	- 70,234
Other purchases	2,370,319	2,128,545	241,774
Consumption of raw materials and consumables	15,123,265	15,552,459	- 429,194
Waste collection	49,964,043	45,434,713	4,529,330
Insurance	4,364,157	3,824,541	539,616
TIA tariff collection services	829,124	1,067,050	- 237,926
Legal and notarial fees	408,507	373,839	34,668
Third-party services	2,688,468	2,548,044	140,424
Refund to suppliers of regional waste disposal tax	2,731,907	3,151,672	- 419,765
Others	10,780,842	10,142,159	638,683
Transport, treatment and disposal services	72,025,090	76,857,446	- 4,832,356
Cleaning and sweeping services	4,928,844	6,608,031	- 1,679,186
Operation and cleaning of green areas and historic centres	6,180,487	5,996,263	184,225
Environmental hardship allowance	1,419,366	2,145,903	- 726,537
Maintenance	10,908,544	8,519,992	2,388,553
Energy, water and gas utilities	3,540,315	3,883,827	- 343,511
Rentals and leases payable	2,324,893	4,032,986	- 1,708,093
Canteen	1,294,025	1,583,651	- 289,626
Costs for services	174,388,613	176,170,116	- 1,781,503
Wages and salaries	65,857,605	66,113,599	- 255,993
Contracted work	5,428,282	8,628,588	- 3,200,306
Social security costs	22,328,150	23,197,729	- 869,579

Employee severance pay	4,315,461	4,229,579	85,882
Other personnel costs	2,500,731	2,490,555	10,176
Personnel costs	100,430,230	104,660,050	- 4,229,819
Regional disposal tax	1,037	1,884	- 847
Contingent liabilities	340,467	1,075,245	- 734,779
Sundry tax and duties	1,185,165	1,374,149	- 188,984
Capital losses	267,818	768,890	- 501,073
Others	848,796	836,865	11,931
Other operating costs	2,643,283	4,057,034	- 1,413,751

The fees paid to directors and statutory auditors amounted to Euro 111,609 and Euro 38,687 respectively.

As regards the breakdown of the average number of employees at 31 December 2020, reference should be made to the paragraph on "Personnel recruitment and training policy" of the Report on Operations.

24) Amortisation, depreciation, provisions and write-downs

The table below shows the amortisation, depreciation and other provisions set aside during the year:

Description	Balance at 31 12 2020	Balance at 31 12 2019	Change
Amortisation of intangible assets	265,323	231,386	33,937
Depreciation of property, plant and equipment	2,188,009	2,524,109	- 336,100
Amortisation of concession rights	13,376,318	12,483,633	892,686
Provisions for risks	1,064,360	510,581	553,779
Provisions for Post-closure period of landfills	1,889,040	197,387	1,691,653
TOTAL	18,783,050	15,947,096	2,835,954

Net value write-downs (write-backs) of trade and other receivables

This item is broken down as follows:

Description	Balance at 31 12 2020	Balance at 31 12 2019	Change
Accrual to Provision for bad debts	108,679	519,001	- 410,322
TOTAL	108,679	519,001	- 410,322

25) Financial operations

Write-downs and reinstatements of financial assets

The write-down of Euro 3,316,206 related to the wholly-owned subsidiary Q.Thermo S.r.l. as a result of the settlement agreement that was executed with the Hera Group on 27 February 2020. The value of the equity investment was adjusted in line with the value of equity for accounting purposes at 31 December 2020, which is regarded as representing the recoverable value.

Share of profits/losses of Joint Ventures and associates

The balance at 31 December 2020 came to Euro 586,921 and consists of the impact through profit or loss relating to revaluations and write-downs of equity investments in equity-accounted associates and joint ventures.

Financial income

The table below shows the breakdown of financial income:

Description	Balance at 31 12 2020	Balance at 31 12 2019	Change
Income from equity investments in other companies	0	3	-3
Other interest income from receivables	336,174	271,572	64,602
Interest income from current bank accounts	187,477	543,766	-356,289
Financial income from discounting of provisions for post-closure period of landfills	0	12,512	-12,512
Interest income from subsidiaries	16,863	20,224	-3,361
TOTAL	540,514	848,078	-307,564

Financial costs

The table below shows the breakdown of financial costs:

Description	Balance at 31 12 2020	Balance at 31 12 2019	Change
Interest on loans	272,375	474,555	-202,181
Interest expense on Bond	1,429,883	1,423,810	6,073
Default interest expense	6,881	4,458	2,422
Interest expense on current bank accounts	18,463	19,436	-973
Financial costs on discounting of provisions for post-closure period of landfills	379,417	481,122	-101,705
Interest expense on Employee Severance Pay	64,483	237,557	-173,073
Other interest expense	39,445	46,725	-7,280
TOTAL	2,210,946	2,687,662	-476,716

26) Tax

Below is a reconciliation of difference between production value and costs and IRAP taxable income; the rate was 5.12% in 2020 and remained unchanged compared to 2019:

Difference between production value and costs	97,222,509
Increases due to revenues	
Decreases due to revenues	893,914
Increases due to costs	1,931,429
Decreases due to costs	93,133,278
Taxable income	5,126,746
Current IRAP tax rate	5.12%
Accrued IRAP tax	262,489

The following is a reconciliation between accounting income and IRES taxable income.

Profit (loss) before tax	-10,669,518
Increases	11,686,530
Decreases	10,323,518
Tax losses	
Taxable income	-9,306,506
IRES tax rate	24%
Accrued IRES tax (deferred tax assets)	8,670,151

6) OTHER INFORMATION

Below is reported the Company's net financial position compared to that at 31 December 2019:

Net financial position	Note	31/12/2020	31/12/2019
Non-current bonds	16	-44,825,980	-49,749,098
Non-current bank loans	16	-13,978,802	-10,630,373
Total non-current financial debt		-58,804,783	-60,379,471
Current bank loans	19	-35,217,928	-31,019,297
Cash and cash equivalents	11	62,256,685	85,910,558
Total net financial debt		-31,766,026	-5,488,210

Fees due to Independent Auditors

Annual fees for the statutory audit of accounts services performed by the audit firm PricewaterhouseCoopers S.p.A. to the Parent Company totalled Euro 60,000. Fees for non-audit services performed by the same audit firm amounted to Euro 15,000, relating to the limited audit of the Disclosure of Non-financial Information of the Parent Company and to Euro 15,000 to other services.

Related-party transactions

The municipal waste service operated by Alia S.p.A. in the area of competence is performed on the basis of agreements signed with local area authorities and concerns the operation of collection, transport, road sweeping and washing services, sending waste for recovery and disposal, etc. on an exclusive basis. The agreements signed with local area authorities regulate the economic aspects of the contractual relationship, as well as the methods of organisation and operation of the service and the quantitative and qualitative levels of the services delivered. The fees due to the operator for the services performed, including municipal waste disposal, treatment and recovery, are set annually according to the national tariff method, in accordance with ARERA resolution no. 443/19 WTM. The 2020 fees approved by the local area authorities were invoiced to each Municipality or to the citizens, where the quantity-based tariff fee is applied.

"Related parties" are those indicated by the international accounting standard concerning disclosures on related-party transactions (IAS 24 revised).

Related-party transactions were carried out at arm's length, the major of which are shown below:

EURO*1,000	RECEIVABLES	NON-CURRENT FINANCIAL ASSETS	PAYABLES	REVENUES	COSTS
PARENT COMPANIES	20,664	0	0	88,573	440
MUNICIPALITY OF FLORENCE	20,664		0	88,573	440

EURO*1,000	RECEIVABLES	NON-CURRENT FINANCIAL ASSETS	PAYABLES	REVENUES	COSTS
MUNICIPALITIES	51,498	0	1,497	193,944	51,498
MUNICIPALITY OF SIGNA	859		0	3,587	859
MUNICIPALITY OF SESTO FIORENTINO	1,672		224	8,751	1,672
MUNICIPALITY OF SCANDICCI	1,971		0	9,009	1,971
MUNICIPALITY OF CALENZANO	1,500		0	4,410	1,500
MUNICIPALITY OF BAGNO A RIPOLI	1,492		0	4,888	1,492
MUNICIPALITY OF CAMPI BISENZIO	2,412		81	8,805	2,412
MUNICIPALITY OF SAN CASCIANO VAL DI PESA	719		0	3,517	719
MUNICIPALITY OF IMPRUNETA	746		0	2,628	746
MUNICIPALITY OF GREVE IN CHIANTI	688		0	3,228	688
MUNICIPALITY OF FIESOLE	489		0	2,795	489
MUNICIPALITY OF BARBERINO VAL D'ELSA	111		0	0	111
MUNICIPALITY OF FIGLINE E INCISA VALDARNO	883		0	4,918	883
MUNICIPALITY OF SCARPERIA E SAN PIERO	430		0	2,374	430
MUNICIPALITY OF LASTRA A SIGNA	831		0	3,326	831
MUNICIPALITY OF EMPOLI	1,784		0	8,320	1,784
MUNICIPALITY OF VINCI	733		0	2,397	733
MUNICIPALITY OF MONTELUPO FIORENTINO	448		1	2,295	448

EURO*1,000	RECEIVABLES	NON-CURRENT FINANCIAL ASSETS	PAYABLES	REVENUES	COSTS
MUNICIPALITY OF CASTELFIORENTINO	626		0	2,417	626
MUNICIPALITY OF CERRETO GUIDI	749		0	1,558	749
MUNICIPALITY OF GAMBASSI TERME	233		0	800	233
MUNICIPALITY OF MONTAIONE	180		5	810	180
MUNICIPALITY OF BORGO SAN LORENZO	786		132	3,398	786
MUNICIPALITY OF CAPRAIA E LIMITE	345		0	1,056	345
MUNICIPALITY OF VICCHIO	1,225		0	1,250	1,225
MUNICIPALITY OF FUCECCHIO	1,331		0	1,931	1,331
MUNICIPALITY OF MASSA E COZZILE	311		0	1,348	311
MUNICIPALITY OF BARBERINO DI MUGELLO	415		0	2,296	415
MUNICIPALITY OF MONTESPERTOLI	684		346	2,250	684
MUNICIPALITY OF PONTE BUGGIANESE	997		0	1,549	997
MUNICIPALITY OF CERTALDO	503		18	2,233	503
MUNICIPALITY OF LARCIANO	227		0	943	227
MUNICIPALITY OF MONSUMMANO TERME	548		0	2,666	548
MUNICIPALITY OF VAGLIA	129		0	803	129
MUNICIPALITY OF PISTOIA	6,235		249	16,307	6,235
MUNICIPALITY OF SERRAVALLE PISTOIESE	262		0	1,447	262
MUNICIPALITY OF CHIESINA UZZANESE	167		0	747	167
MUNICIPALITY OF AGLIANA	820		0	3,134	820
MUNICIPALITY OF QUARRATA	879		0	5,003	879
MUNICIPALITY OF MONTALE	408		0	2,039	408
MUNICIPALITY OF BUGGIANO	1,715		0	1,521	1,715
MUNICIPALITY OF CANTAGALLO	41		7	443	41
MUNICIPALITY OF CARMIGNANO	231		0	1,997	231
MUNICIPALITY OF MONTEMURLO	741		8	3,890	741
MUNICIPALITY OF POGGIO A CAIANO	3,304		0	1,585	3,304
MUNICIPALITY OF PRATO	5,235		421	32,830	5,235
MUNICIPALITY OF VAIANO	207		4	1,447	207
MUNICIPALITY OF VERNIO	82		0	871	82
MUNICIPALITY OF ABETONE CUTIGLIANO	110		0	704	110
MUNICIPALITY OF MARLIANA	49		0	542	49
MUNICIPALITY OF MONTECATINI TERME	1,119		0	5,567	1,119

EURO*1,000	RECEIVABLES	NON-CURRENT FINANCIAL ASSETS	PAYABLES	REVENUES	COSTS
MUNICIPALITY OF PIEVE A NIEVOLE	507		0	1,302	507
MUNICIPALITY OF PESCIA	1,253		0	3,480	1,253
MUNICIPALITY OF RIGNANO SULL'ARNO	291		0	1,441	291
MUNICIPALITY OF SAMBUCA PISTOIESE	18		0	200	18
MUNICIPALITY OF SAN MARCELLO PITEGLIO	197		0	1,415	197
MUNICIPALITY OF UZZANO	136		0	872	136
MUNICIPALITY OF BARBERINO TAVARNELLE	434		0	2,604	434
MUNICIPALITY OF LAMPORECCHIO	0		0	0	0

EURO*1,000	RECEIVABLES	NON-CURRENT FINANCIAL ASSETS	PAYABLES	REVENUES	COSTS
Controlled by Parent Companies	3	0	0	7	23
Mercafir S.c.p.A.	0	0	0	2	
S.A.S. S.p.A.	1	0	0	0	5
Firenze Parcheggi S.p.A.	0	0	0	0	13
Casa S.p.A.	0	0	0	1	
ATAF S.p.A.	0	0	0	0	
Silfi S.p.A.	2	0	0	4	5

EURO*1,000	RECEIVABLES	NON-CURRENT FINANCIAL ASSETS	PAYABLES	REVENUES	COSTS
Subsidiaries:	7,399	3,517	9,504	14,899	20,400
Programma Ambiente S.p.A.	1,131	2,817	279	85	889
Q. Thermo S.r.l.	4	0	0	8	0
Revet S.p.A.	5,268		9,188	13,869	19,511
Q.Energia S.r.l.	233		38	281	0
Programma Ambiente Apuane S.p.A.	763	700	0	656	0

EURO*1,000	RECEIVABLES	NON-CURRENT FINANCIAL ASSETS	PAYABLES	REVENUES	COSTS
Associates:	3,151	120	619	5,146	1,330
IRMEL S.r.l.	0	0	3	0	9
REAL	3,098	0	448	5,134	802
METALCARTA	0	0	0	0	0
VALDISIEVE		0	0	1	0
VETRO REVET		0	0	0	0
Al.Be S.r.l.		0	0	5	0
Valcofert S.r.l.	1	120	168	3	520
SEA Risorse S.p.A.	52	0	0	3	0

EURO*1,000	RECEIVABLES	NON-CURRENT FINANCIAL ASSETS	PAYABLES	REVENUES	COSTS
Related parties:	4	0	1,996	4	2,735
Le Soluzioni S.c.r.l.	4		1,996	4	2,735

Information on operating segments - IFRS 8

The Company operates in the sector of environmental hygiene, as well as collection, sweeping and disposal of municipal waste. For this reason, the data given above report the balance sheet and income statement data of the sole operating segment.

Fair value measurement hierarchy levels

In relation to financial instruments recognised at fair value in the statement of financial position, IFRS 7 requires these values to be classified on the basis of a level hierarchy that reflects the significance of the inputs used in fair value measurement.

The following levels are distinguished:

- Level 1 - quoted prices in active markets for assets or liabilities subject to measurement;
- Level 2 - inputs other than quoted market prices within Level 1 that are observable either directly (prices) or indirectly (derived from prices) on the market;
- Level 3 - inputs that are not based on observable market data. "Assets measured at fair value" referred to in the table above are included in this level.

Breakdown of financial instruments by category of measurement applied

The table below reports a reconciliation between the classes of financial assets and liabilities as identified in the statement of financial position and the types of financial assets and liabilities identified based on the requirements of IFRS 7 - adopted in these Financial Statements.

<i>(In Euro units)</i>	Financial assets / liabilities measured at fair value	Assets measured at amortised cost	Liabilities measured at amortised cost	Total
CURRENT ASSETS				
Trade receivables		93,643,719		93,643,719
Other current assets		4,252,925		4,252,925
Cash and cash equivalents		62,256,685		62,256,685
NON-CURRENT ASSETS				
Non-current financial assets		3,486,758		3,486,758
Equity investments in other companies	114,326			114,326
Non-current trade receivables		3,249,744		3,249,744
Other non-current assets		865,491		865,491
CURRENT LIABILITIES				
Current financial liabilities			35,217,734	35,217,734
Trade payables			87,190,610	87,190,610
Other current liabilities			13,724,719	13,724,719
NON-CURRENT LIABILITIES				
Non-current financial liabilities			58,804,783	58,804,783
Non-current trade payables			5,066,666	5,066,666
Other non-current liabilities			5,749,879	5,749,879

It should be noted that there were no financial instruments measured at fair value at 31 December 2020. Trade receivables and payables have been measured at the book value that is believed to approximate their fair value.

Risks

The Company has designed specific policies for each of the following types of risk with the primary aim of setting out the strategic guidelines, organisational and management principles, macro processes and techniques required for their active management (where applicable):

- 1) Financial Risks (liquidity, exchange rate, interest rate);
- 2) Credit Risks;
- 3) Equity Risks;
- 4) Operational Risks.

The active management methods used by the Company for each type of risk are described below.

1. FINANCIAL RISKS:

a) Liquidity risk

Liquidity risk is the risk that the financial resources available to the company are not sufficient to meet the financial and commercial obligations according to the agreed terms and conditions and deadlines.

The procurement of financial resources is managed by the Finance and Control Department to optimise the use of available resources. In particular, the centralised management of financial flows makes it possible to allocate the available funds according to needs. The competent Department carefully monitors compliance with the financial covenants regulating the Bond issued in 2017 and other medium and long-term loans on a regular basis. All the covenants expressed in the form of a) Equity/EBITDA, b) Net financial position/EBITDA, c) EBITDA/Financial costs have been complied with.

The current and future financial position and the availability of appropriate bank credit facilities are monitored on an ongoing basis; no critical issues are reported in relation to covering short-term financial commitments.

In this regard, it should be noted that the Company's economic and financial budget for the 2021 financial year was approved by the Board of Directors on 9 March 2021 and the profit margins expected for the subsequent financial years as they can be inferred from the economic and financial plan for the 2021-2030 period, which was approved by the Board of Directors on 24 May 2021, confirm the Company's and the Group's ability to discharge the obligations they had undertaken in the short-term and to continue to operate as a going concern in the foreseeable future, based on outstanding cash and cash equivalents and the available bank lines of credit.

Should a temporary decrease occur in available funds due to a lengthening of the time required to collect fees from customers, the management will put in place the levers available in order to safeguard the Company's financial structure and the commitments undertaken (including compliance with the financial parameters set out in the loan agreements in place), including the rescheduling of non-strategic investments.

Furthermore, the most suitable forms of financing to meet Alia's requirements and the best market conditions are sought through the relationships the Company maintains with the major Italian Banks.

The liquidity risk for Alia S.p.A. is therefore strongly mitigated by monitoring carried out by the Finance and Control Department on an ongoing basis.

Below are the maturities of payables with regard to liquidity risk:

Description	Within 12 months	Between 1 and 5 years	Beyond 5 years	Total
Financial liabilities	35,217,928	58,804,783		94,022,710
Trade payables	87,190,610	5,066,666		92,257,276
Other payables	13,724,719	2,291,415	3,458,463	19,474,597
Total	136,133,257	66,162,864	3,458,463	205,754,584

At 31 December 2020, "cash and cash equivalents" amounted to Euro 62,257 thousand; thus, there are no problems regarding the repayment of total short-term payables as described above.

The Covid-19 emergency and the ensuing economic crisis are having effects on the resources of the Municipal Administrations, which are seeing their revenue from local taxation reduced. This could have an impact on the Company's liquidity against an increase in the average collection time for fees, and therefore generate a greater need to draw on the credit lines currently in place or, if necessary, to resort to the "guaranteed liquidity" provided by government measures to overcome the critical issues of this difficult period (ref. Decree Law no. 23 of 8 April 2020 "Liquidity Decree").

In any case, it is believed that the Company's credit rating may in any case allow the use of all such credit lines, in every possible form, as may be necessary to ensure adequate financial coverage of cash requirements, at least in the short-term period.

b) Exchange rate risk

Alia S.p.A. is not exposed to exchange rate risks since the Company operates at a national level.

c) Interest rate risk

The interest rate risk to which the Company is exposed mainly originates from borrowings from banks. In light of the current trend in interest rates, the Company's risk management policy does not provide for the use of derivative contracts to hedge interest rate risks.

2. CREDIT RISK

Alia S.p.A.'s credit risk is substantially linked to the amount of trade receivables due from companies and private individuals who make use of waste disposal services under private law contracts and to unsettled items arising from the former TIA tariff management which accrued directly to general users, as well as to the amount receivable claimed from the Municipal Authorities in relation to the municipal waste management service following the adoption of the taxation scheme from 2012/2013.

In conducting its business, Alia is exposed to the risk that the debts may not be honoured at maturity, with consequent increase in their ageing, or insolvency in the case of debts which are involved in insolvency proceedings or which are in any case uncollectible.

The credit management policy and the credit rating assessment tools, as well as monitoring and recovery, are differentiated according to the different types of credit mentioned above.

The terms of payment generally applied to customers are those prescribed by the legislation or regulations in force or are in line with market standards; in case of non-payment, default interest will accrue at the rate set out in the contracts.

Accruals to the provision for bad debts precisely reflect the actual credit risks.

The Company generates most of its turnover from municipal governments, which, as described above, are being affected by the economic crisis due to the Covid-19 emergency. However, it is believed that this situation does not really jeopardise the solvency of the municipal governments but rather the deferral of the collection flows of the fees due to the Company over time.

Consequently, no significant effects on the Group's credit risk had been reported at the reporting date of these financial statements, although continuing monitoring activities on this issue on an ongoing basis.

3. EQUITY RISK

Equity risk is essentially linked to the recoverability of the value of the investments made in investees; this risk is not significant as the Company does not hold equity securities consisting of capitals subject to high variability and available for sale. All the investments held in subsidiaries and associates relate to companies that are not listed on the stock exchange and consist of long-term investments that are functional to the company business; the tests as to whether there is evidence of permanent impairment losses are monitored on the basis of the development plans and prospects of the companies and of available information: they are managed within the scope of the Group's strategy in order to enhance and support any investment made.

Permanent impairment losses (if any) are adequately reported in the financial statements.

4. OPERATIONAL RISKS

This category includes all the risks which, in addition to those already highlighted in the previous paragraphs, can impact on the achievement of the objectives, in relation to the effectiveness and efficiency of company operations, performance levels, profitability and protecting resources from any loss.

The risk management process requires that the activities performed in each operational area are analysed and the main risk factors associated with achieving objectives are identified. Following their identification, risks are assessed qualitatively and quantitatively (in terms of intensity and probability of occurrence), thus allowing the most significant to be detected and selected and mitigation plans to be designed accordingly.

For more information on the issues relating to credit risk and liquidity risk, reference should be made to the report on operations.

Guarantees and commitments

The guarantees given are shown below:

1) surety guarantee for the final deposit in favour of the Toscana Centro Area Authority for an initial value of Euro 12,963 thousand issued by Reale Mutua Assicurazioni on 1 September 2020 for the period from 1 September 2020 to 1 September 2023;

2) bank guarantees as shown in the table below:

Bank	Type of Guarantee	Nominal Guarantee Amount (amounts in thousands of Euros) 2020
Intesa San Paolo	Surety in favour of the Municipality of Montespertoli for mitigation and restoration projects for the Casa Sartori Landfill	150
Intesa San Paolo	Surety on bank loans of Programma Ambiente S.p.A.	2,047
Intesa San Paolo	Unconditional first-demand guarantee in favour of the GSE energy services operator for subsidiary Q.THERMO S.p.A.	12,400

3) sureties of Euro 59,913 thousand to cover environmental risks related to landfills and plants under management, as requested by Municipalities, the Tuscany Regional Government, the Metropolitan City of Florence, as well as those issued to the Ministry of the Environment for registration in the Registry of Environmental Operators.

The Company has taken out policies against these sureties with leading insurance companies.

Finally, a first mortgage was registered on the Faltona composting plant (Municipal district of Borgo San Lorenzo) in favour of Monte dei Paschi Capital Service S.p.A. for an amount of Euro 17,700 thousand.

Main pending litigation

The information relating to the main pending litigation with a risk of losing the case that is regarded as probable is provided below:

INPS litigation for remuneration differences for employees under fixed-term contracts

As the deadline for appeal was pending last year, we confirmed the allocation to the provision for risks. On 14 June 2018, INPS (Italian Social Security Institute) served an appeal on the Company against the trial judgment (527/2017). The appellate proceedings initiated by INPS were settled by judgment 136 of 21 February 2019, whereby the appeal was rejected. On 26 November 2019 Alia was served with the appeal before the Supreme Court against judgment no. 134 of 21 February 2019 on the part of INPS. Therefore, the amount of Euro 120,319 set aside as a provision for risks is confirmed once again.

INPS/INCA services litigation

The judgment handed down by the Court of Florence on 20 March 2015 rejected the appeal filed by (formerly) Quadrifoglio. The judgment has become final because it was not challenged by the company as advised by its legal counsel. However, to date, INPS has not yet taken steps to claim the sums and, therefore, it is considered necessary to set aside a provision each year for an amount of Euro 695,690 on a prudential basis, until the social security institute's right to the return of the related sums becomes statute barred.

VAT on TIA tariff

During 2020, the provision was reduced by a total amount of Euro 470. However, it is confirmed that a provision has been set aside, on a prudential basis, for Euro 15,600 for the residual disputes pending with some users for the refund of VAT on the TIA tariff, in the light of the recent case law guidelines.

Litigation for lease rentals (former Publiambiente)

This dispute concerns the payment of lease rentals under an agreement for office use of the premises of former Publiambiente in Pistoia, at Viale Adua no. 450. During the term of the contract Publiambiente suspended the payment of the rental due to the uncertainty of the situation of the assignee (the original lessor or two financial companies subsequently involved in the proceedings). The lessor has obtained an order for payment of Euro 50,325 for rentals from October 2013 to December 2014 invoiced by the lessor. To date, and until an assessment is conducted on the assignee, the proceedings are still in progress.

The property was released at the end of 2018. Requests for payment have also been submitted for rentals payable after the date of issue of the order for payment, i.e., after 2014. Since the release has not been formalized, there is a risk of claims for rentals even beyond 31 December 2018, until the natural expiry of the lease. Therefore, a total of Euro 250,000 was set aside in 2020 to cover this risk.

Non-validated Waste Identification Forms

These proceedings were initiated by Alia, asking the Tuscany Regional Government - Environment and Energy Department to annul the reports issued by the latter for the use of non-validated Waste Identification Forms (FIR, *Formulari di Identificazione dei Rifiuti*), with a request for hearing under Article 18 of Law 689/1981. Since the proceedings are still ongoing, it is considered appropriate to confirm the provision of Euro 250,000.

Provincial Police fines

Three reports have been issued which concern administrative offences relating to the transport of non-hazardous waste accompanied by forms with incomplete or inaccurate data relating to the place of production or detention of waste for a total fine of Euro 26,887.

Labour litigation

- claim for a higher rank submitted by an employee from formerly AER, who has now joined Alia's workforce. The proceedings, which were brought in 2019, are still in progress and it is therefore appropriate to maintain a provision of Euro 3,900;
- claim for a higher rank (from manual to office worker): the proceedings, which were brought in 2020, are still in progress and it is therefore appropriate to set aside a provision of Euro 34,585;
- appeal against dismissal and request for reinstatement: the proceedings, which were brought in 2020, are still in progress and it is therefore appropriate to set aside a provision of Euro 140,000;
- in 2020 Alia lodged an appeal against the payment order notice served by a contractor's employee, who is claiming the payment of salaries not paid by the employer. Since the proceedings are still in progress, it is appropriate to set aside a provision of Euro 6,646;
- furthermore, we must note, in consideration of the numerous out-of-court claims Alia received from the staff working for a contractor during 2020, the provision of Euro 100,000, set aside on a prudential basis, given the joint and several liability obligation between Customers and contractors under Article 1676 of the Italian Civil Code and Article 29 of Legislative Decree 276/2003;
- during 2019 two employees working for two different contractors summoned Alia in court in order to obtain payment of sums due to them and not paid by the employer. Since the proceedings are still in progress, the provision already set aside last year was left unchanged, for a total amount for both proceedings equal to Euro 10,784.

Labour litigation

The proceedings with a user who claims compensation for damage for the failure to perform the door-to-door service on a private road, which were reported in 2018, are still ongoing. It is then confirmed that the sum of Euro 1,900 has been set aside.

Damage compensation for car deposit:

Litigation arising from the merger of ESSEGIEMME into ASM and of the latter into Alia, which was reported in 2018, is still ongoing. A user of a parking area operated by ESSEGIEMME claims his car suffered damages at the Serraglio car park. It is then confirmed that the sum of Euro 6,028 has been set aside.

Compensation for damage due to termination of vehicle hire agreement

During 2020 a dispute arose with a company with which Alia had entered into a hire agreement concerning five vehicles used to deliver waste collection services, in relation to which it was deemed appropriate to set aside a provision of Euro 136,080, equal to the sums claimed by the plaintiff, on account of penalty and compensation for damage.

Compensation for damage due to termination of works contracts

During 2020 a contractor brought a legal action, raising objections against the termination of all works contracts Alia had ordered against it. The provision set aside for these proceedings amounts to Euro 345,000, equal to the sum requested by the company as compensation for damage.

Attribution of category and cadastral income for former Corliano landfill (Cerreto Guidi)

During 2020 the Revenue and Collection Agency served Alia with an appeal filed with the Supreme Court against the Tuscany Regional Tax Board's judgment concerning the objections raised against the category and cadastral income attributed by the tax authority to the landfill which had been previously operated by former company Publiambiente (now, Alia). It was deemed necessary to set aside a provision of Euro 3,960, equal to the sums that Alia might be required to pay if the appeal is granted.

Public Prosecutor's Office investigation into the Company's plants

The investigations, which were started in May 2017 by the Public Prosecutor's Office of Florence into some of the plants used by Alia continued during 2020 too and substantially took into account many of the activities carried out (from the production of soil improvers to biogas, from waste management to the operation of a site undergoing reclamation) with a consequent variety of offences alleged to have been committed with separate acts (but all falling within the same proceedings). The legal counsels responsible for the defendants' defence, notwithstanding the uncertainty of the outcome, believe that they are able to assess the probability of success for the more substantial findings and to minimise (by voluntary payments that settle the fines and due to the fact that the limitation period has passed) the formal or minor findings. It is expected that the trial phase will commence in the short time and, for this reason, it has been decided to maintain the provision set aside during 2019, equal to Euro 115,551, in order to meet the expenses connected with the proceedings.

On 27 May 2021 Alia Servizi Ambientali S.p.A. was served with a preventive seizure order involving the areas and yards located within the San Donnino Technological Hub.

At this stage, to ensure operational continuity in waste management, Alia is taking steps to comply with the requirements of the Judicial Authority.

The actual measure was issued following investigations started in 2016 concerning the assessment of alleged environmental crimes, which involved, for various reasons, the Top Managers of the companies incorporated into Alia and Alia itself, and which led to issuing an order of application of precautionary prohibitory measures against some of them.

Therefore, in compliance with the provisions of the Judicial Authority and in accordance with the principle of loyal collaboration, the Company immediately revoked all the proxies and powers of attorney granted to the Executives and Managers involved, reallocating functions and responsibilities to in-house staff members, as provided for in the "Emergency Business Continuity Plan", which was approved by Alia in March 2021.

Q.tHermo

By resolution no. 868 of 5 July 2019, the Regional Council of Tuscany started the procedure for the review of the Regional Plan for waste management and remediation of polluted sites with a specific modification in order to find alternative solutions to the failure to build the Waste-to-energy plant. In 2020, the proceedings for a

review under R.G. (General Register) no. 7864/2018 were concluded with judgment no. 2165 of 30 March 2020, whereby the Council of State declared the appeal submitted by Q.tHermo as inadmissible.

Fatal accident in Maciste

At the end of 2018 the first-instance criminal sentence was filed, which ordered Alia, jointly and severally with accused persons, to pay a total amount of Euro 300,000 in favour of Mr Bennardo's heirs. During the course of the year, despite initial resistance, Generali compensated for the damage in full, releasing Alia from any civil liability both to the heirs and to INAIL. Since the criminal proceedings are continuing (given that the three defendants have lodged an appeal before the Florence Court of Appeal against the final judgment of the first-instance proceedings), at present it is considered that the provision should be maintained unchanged, for an amount of Euro 273,482, from which to sustain such costs for the appeal as Alia should be required to pay.

The amounts set aside as provisions for risks in relation to the disputes described above have been regarded as adequate to cover the related contingent liabilities, including on the basis of the evaluations made by the third-party legal counsels appointed by the Company.

Finally, it should be noted that, in relation to the criminal proceedings that are still in progress, and whose objections mainly concern the management and storage of waste, the Company has established, including with the support of its legal counsels, that there was no risk of disqualification sanctions that could affect its business activity at the reporting date, given the present state of the various procedures and in the light of the in-house processes implemented and the control measures put in place. In any event, adequate provisions for risks and charges have been set aside in order to cover costs for these proceedings.

Significant events after the reporting period

At the reporting date of these financial statements the factor of macroeconomic instability continued to exist, which related to the spread of Covid 19 (hereinafter "Coronavirus"), although in a mitigated form due to the progress of the national vaccination campaign; however, the management of environmental hygiene services is not undergoing any interruption on the part of the Company.

At present, uncertainties remain in relation to the duration of this epidemic, as well as to the consequent impact that this scenario may have on the Company's results of operations and to any slowdown in the time required to collect fees for services rendered, as already reported in the paragraph on the "Liquidity risk".

The presumed effects on the 2021 financial year have been estimated in the 2021 Budget, which was approved by the Company's Board of Directors held on 9 March 2021; however, as also reported in the paragraph on the "General information and significant events during the year", it is believed that the effects of the pandemic do not constitute an uncertainty factor regarding the company's ability to continue to operate as a going concern.

With reference to the relations with the Granting Authority, it should be noted as follows.

By a memo with file no. 1612 of 10 May, ATO TC closed the preliminary inquiry procedure to check for the economic and financial equilibrium for the 2020 financial year. The results of this procedure will be submitted for approval by the General Meeting called on 14 June 2021.

On 26 May, by Decision no. 96, ATO TC notified Alia of the closure of the preliminary inquiry procedure concerning the review of the Contract Service, aimed at making it consistent and coordinated with the WTM and in general with the new regulatory framework; the new contract form will be submitted for approval by ATO TC's General Meeting scheduled on 14 June 2021.

On 28 May 2021, given that, by ATO Toscana Centro's memo with file no. 1612 of 10 May 2021, as submitted, on the same date, for approval by ATO's General Meeting scheduled on 14 June 2021, Alia's Board of Directors believed that the elements that were prejudicial to its interests had been removed, which had originated the

appeal against ATO Toscana Centro’s General Meeting resolutions no. 17 of 28 September 2020 and no. 19 of 11 December 2020, concerning the "Approval of the validation of the 2020 economic and financial plans", thus starting the procedure for withdrawing the appeal in question.

With reference to pending disputes, it should be noted that on 27 May 2021 Alia Servizi Ambientali S.p.A. was served with a preventive seizure order involving the areas and yards located within the San Donnino Technological Hub.

At this stage, to ensure operational continuity in waste management, Alia is taking steps to comply with the requirements of the Judicial Authority.

The actual measure was issued following investigations started in 2016 concerning the assessment of alleged environmental crimes, which involved, for various reasons, the Top Managers of the companies incorporated into Alia and Alia itself, and which led to issuing an order of application of precautionary prohibitory measures against some of them.

Therefore, in compliance with the provisions of the Judicial Authority and in accordance with the principle of loyal collaboration, the Company immediately revoked all the proxies and powers of attorney granted to the Executives and Managers involved, reallocating functions and responsibilities to in-house staff members, as provided for in the "Emergency Business Continuity Plan", which was approved by the Company in March 2021.

With reference to the Group’s structure, it should be also noted that:

- on 11 May the Board of Directors granted the mandate to proceed with the merger by incorporation of the wholly-owned subsidiary Programma Ambiente S.p.A., dating the accounting and tax effects back to 1 January 2021;
- on 12 May 2021 the Scapigliato transaction was completed with the execution of the capital increase reserved for Alia to join the corporate structure of Scapigliato S.r.l., with an outlay of approximately Euro 8.5 million, corresponding to 16.50% of the quotas of the company.

For more information on the relations that were maintained with ATO during 2021, reference should be made to the paragraph on "General information and significant events during the year".

For more information on the events that occurred after the reporting date, reference should be made to the Report on Operations.

Information required by Article 1, paragraph 125, of Law 124 of 4 August 2017

By referring to the information reported in the National State Aid Register (*Registro Nazionale Aiuti di Stato*) of the Ministry of Economic Development, it is noted that the Company received the following grants from public entities or bodies during the year under Law 124/2017:

ENTITY	GRANT	COLLECTION DATE	AMOUNT COLLECTED
A.R.T.E.A	BIOHYDROGEN AND BIOMETHAN PROJECT GRANT	07/07/2020	21,714.86 €
FONDAZIONE RUSES TRIVA	REIMBURSEMENT OF COSTS FOR USE OF THE ROOM	28/01/2020	375.00 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	31/01/2020	14,535.38 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	02/03/2020	10,958.55 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	31/03/2020	12,692.22 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	30/04/2020	35,027.37 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	01/06/2020	12,512.22 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	30/06/2020	11,179.90 €

GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	31/07/2020	11,179.90 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	31/08/2020	11,179.90 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	30/09/2020	11,459.68 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	02/11/2020	11,112.78 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	30/11/2020	11,459.68 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	31/12/2020	26,109.17 €
GESTORE SERVIZI ENERGETICI	GRIN (Incentive Payment Management) AGREEMENT_000479	31/01/2020	21,871.04 €
GESTORE SERVIZI ENERGETICI	GRIN (Incentive Payment Management) AGREEMENT_000479	31/03/2020	20,573.58 €
GESTORE SERVIZI ENERGETICI	GRIN (Incentive Payment Management) AGREEMENT_000479	30/04/2020	23,677.87 €
GESTORE SERVIZI ENERGETICI	GRIN (Incentive Payment Management) AGREEMENT_000479	30/06/2020	53,320.20 €
GESTORE SERVIZI ENERGETICI	GRIN (Incentive Payment Management) AGREEMENT_000479	31/07/2020	25,417.29 €
GESTORE SERVIZI ENERGETICI	GRIN (Incentive Payment Management) AGREEMENT_000479	31/08/2020	19,446.36 €
GESTORE SERVIZI ENERGETICI	THERMAL ACCOUNT FOR REVAMPING	31/01/2020	23,961.03 €
ATO TOSCANA	GRANT - 2018	14/12/2020	200,000.00 €
ATO TOSCANA	GRANT - 2019	14/12/2020	100,000.00 €
GESTORE SERVIZI ENERGETICI	GRIN (Incentive Payment Management) AGREEMENT_000479	30/09/2020	22,761.20 €
GESTORE SERVIZI ENERGETICI	GRIN (Incentive Payment Management) AGREEMENT_000479	30/10/2020	20,010.59 €
GESTORE SERVIZI ENERGETICI	GRIN (Incentive Payment Management) AGREEMENT_000479	30/11/2020	17,450.55 €
TOTAL			749,986.32 €

Allocation of profit for the year

Dear Shareholders, we invite you to approve your Company's financial statements at 31 December 2020 and to cover the loss for the year equal to Euro 8,340,374 by using the extraordinary reserve.

Authorisation for publication

This document was published on 14 June 2021 upon authorisation by the Chairman and Chief Executive Officer.

For the Board of Directors

The Chairman
Nicola Ciolini

The Chief Executive Officer
Alberto Irace

Certification of the Separate Financial Statements in accordance with Article 81-ter of Consob regulation no. 11971 of 14 May 1999, as amended and supplemented

1. The undersigned, Alberto Irace, in his capacity as Chief Executive Officer, and Francesco Natali, in his capacity as Financial Reporting Manager, of Alia Servizi Ambientali S.p.A. hereby certify, in also taking account of the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998:
 - the adequacy in relation to the characteristics of the business (while also taking account of any possible change that occurred during the financial year) and
 - the actual application of the administrative and accounting procedures for the preparation of the separate financial statements at 31 December 2020.
2. No significant issues have been reported in this regard.
3. It is also certified that the separate financial statements:
 - a) have been prepared in compliance with the applicable International Accounting Standards recognised by the European Union in accordance with Regulation (EC) No. 1606/2002 of the European Parliament of 19 July 2002;
 - b) correspond to the results stated in the accounting books and records;
 - c) are suitable to provide a true and fair view of the issuer's financial position, results of operations and cash flows, together with the description of the main risks and uncertainties to which they are exposed.

Date: 28 May 2021

Chief Executive Officer

(Signed)

.....

Financial Reporting Manager

(Signed)

.....



Independent auditor's report

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

Alia Servizi Ambientali SpA

Financial statements as of 31 December 2020



Independent auditor's report

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

To the shareholders of
Alia Servizi Ambientali SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Alia Servizi Ambientali SpA (the Company), which comprise the statement of financial position as of 31 December 2020, the income statement, statement of comprehensive income, statement of changes in equity, cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

PricewaterhouseCoopers SpA

Sede legale: **Milano** 20145 Piazza Tre Torri 2 Tel. 02 77851 Fax 02 7785240 Capitale Sociale Euro 6.890.000,00 i.v. C.F. e P.IVA e Reg. Imprese Milano Monza Brianza Lodi 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 071 2132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 080 5640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035 229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 051 6186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 030 3697501 - **Catania** 95129 Corso Italia 302 Tel. 095 7532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 055 2482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 010 29041 - **Napoli** 80121 Via dei Mille 16 Tel. 081 36181 - **Padova** 35138 Via Vicenza 4 Tel. 049 873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091 349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521 275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 085 4545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06 570251 - **Torino** 10122 Corso Palestro 10 Tel. 011 556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461 237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422 696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 040 3480781 - **Udine** 33100 Via Poscolle 43 Tel. 0432 25789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332 285039 - **Verona** 37135 Via Francia 21/C Tel. 045 8263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444 393311

Key Audit Matters

Auditing procedures performed in response to key audit matters

Post-landfill management provisions

Notes to the financial statements as of 31 December 2020: note 14 “Provisions for risks and charges”.

The value of post-landfill management provisions recognised within the liabilities of the statement of financial position of the financial statements at 31 December 2020 amounted to Euro 25.4 million, which represented 6.2% of the Company’s liabilities.

Such amount was determined by the directors on the basis of the applicable accounting standards, in particular in accordance with “IAS 37 - Provisions, contingent liabilities and contingent assets” adopted by the European Union and with the current provisions of law (Legislative Decree 36/2003) supported by external independent professionals for estimating the expected cash flows related to such provision.

Given the significance of the amounts under analysis and the use of estimates made by management to verify the compliance with the requirements under “IAS 37 - Provisions, contingent liabilities and contingent assets” adopted by the European Union, we paid special attention to reviewing the liabilities at issue.

We carried out an understanding and evaluation of the procedure adopted by the Company for the determination of the accruals to the post-landfill management provisions.

We verified that the accrual was made in accordance with the current provisions of law, in particular in compliance with Legislative Decree 36/2003.

Moreover, we obtained and analysed, through discussions with the Company’s personnel, the external appraisal reports used by management to determine the above-mentioned provisions and therefore we verified that the data contained in the reports had been adequately used for the determination of the accrual through the discounting process under “IAS 37 - Provisions, contingent liabilities and contingent assets” adopted by the European Union. We also verified the reasonableness and adequacy of the discount rate used by the directors to calculate the amount of the provision recognised in the financial statements.

Finally, we verified the mathematical accuracy of the calculation and assessed the adequacy of the disclosures in the notes to the financial statements.

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

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

The directors are responsible for assessing the Company’s ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of



accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

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



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

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

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

On 16 February 2017 and 20 December 2017 respectively, the shareholders of Alia Servizi Ambientali SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2017 to 31 December 2025.

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

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

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/1998

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

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/1998, with the financial statements of Alia Servizi Ambientali SpA as of 31 December 2020 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

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



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

Florence, 14 June 2021

PricewaterhouseCoopers SpA

Signed by

Luigi Necci
(Partner)

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