ALIA SERVIZI AMBIENTALI SpA

FINANCIAL STATEMENTS 2019

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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 Paolo Regini (2)
Vice-Chairman Sandro Lascialfari (3)
Chief Executive Officer Alessia Scappini (4)
Director Francesca Vignolini (5)
Director Lidia Lombardi (6)

Board of Statutory Auditors (7)
Chairman Stefano Pozzoli
Standing auditor Serena Berti
Standing auditor Fabio Giommoni
Alternate auditor Silvia Bocci
Alternate auditor Lorenzo Gerace

Financial Reporting Manager
Gustavo Giani

Independent Auditors
PricewaterhouseCoopers S.p.A. (8)

(1) Appointed by the Shareholders' Meeting held on 24 March 2017 for the three-year period 2017-2018-2019.
(2) Appointed as Chairman by the Shareholders' Meeting held on 24 March 2017.
(3) Appointed as Vice-Chairman by the Shareholders' Meeting held on 24 March 2017.
(4) Appointed as Chief Executive Officer during the Shareholders' Meeting held on 25 September 2018. Until that date the position had been held by Livio Giannotti, appointed during the Board of Directors' meeting held on 27 March 2017.
(5) Appointed by the Shareholders' Meeting held on 24 March 2017.
(6) Appointed by the Shareholders' Meeting held on 31 May 2017.
(7) Appointed by the Shareholders' Meeting held on 24 March 2017 for the three-year period 2017-2018-2019.
(8) Appointed by the Shareholders' Meeting held on 16 February 2017 for the nine-year period 2017-2025.

Statement of Financial Position

STATEMENT OF FINANCIAL POSITION	*NOTES*	2019	2018 (*)
Property, plant and equipment	*1*	52,251,276	50,924,349
Concession rights	*2/3*	126,985,509	119,601,934
Other intangible assets	*3*	1,441,996	1,332,132
Equity investments	*4*	22,491,229	14,535,353
Non-current financial assets	*5*	4,246,041	2,816,721
Deferred tax assets	*6*	8,469,502	7,394,215
Other non-current assets	*6*	532,191	112,462
Total non-current assets		**216,417,743**	**196,717,166**
Inventories	*7*	2,709,172	2,034,146
Trade receivables	*8*	93,246,569	70,231,490
Current tax assets	*9*	3,406,327	4,296,869
Other current assets	*10*	5,323,640	6,479,321
Cash and cash equivalents	*11*	85,910,558	126,474,524
Total current assets		**190,596,266**	**209,516,350**
TOTAL ASSETS		**407,014,009**	**406,233,516**
Share capital	*12*	85,376,852	85,376,852
Reserves	*13*	73,550,670	73,222,546
IFRS FTA Reserve		7,896,006	7,896,006
Profit (loss) for the year		-80,567	1,032,112
Total shareholders' equity		**166,742,960**	**167,527,516**
Provisions for risks and charges	*14*	28,025,933	27,615,291
Employee severance pay and other benefits	*15*	18,457,147	19,061,749
Non-current financial liabilities	*16*	60,379,471	68,734,477
Non-current trade payables	*17*	5,900,000	7,100,000
Other non-current liabilities	*17*	6,748,232	6,212,271
Total non-current liabilities		**119,510,783**	**128,723,788**
Current financial liabilities	*18*	31,019,297	24,943,978
Trade payables	*19*	74,482,863	71,295,216
Other current liabilities	*20*	15,258,106	13,743,018
Total current liabilities		**120,760,267**	**109,982,212**
TOTAL LIABILITIES		**240,271,049**	**238,706,000**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**407,014,009**	**406,233,516**

(*) 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 2019. 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*	2019	2018
Revenues	*21*	309,089,794	290,112,523
Construction revenues – Concession rights	*2*	15,350,333	8,594,972
Other operating revenues	*22*	8,674,717	4,935,595
Consumption of raw materials and consumables	*23*	15,552,459	15,746,817
Costs for services	*23*	176,170,116	155,541,983
Personnel costs	*23*	104,660,050	99,835,758
Other operating expenses	*23*	4,057,034	2,952,943
Construction costs – Concession rights	*2*	15,350,333	8,594,972
Capitalised costs	*2*	-106,327	0
EBITDA		**17,431,179**	**20,970,617**
Amortisation, depreciation, provisions and write-downs	*24*	15,947,096	17,153,832
Net value write-backs (write-downs) of trade and other receivables	*24*	519,001	361,385
Operating income (EBIT)		**965,082**	**3,455,400**
Write-downs and (reinstatements) of financial assets	*25*	1	452,658
Share of profits (losses) of joint ventures and associates	*25*	200,787	9,924
Financial income	*25*	848,078	1,192,775
Financial costs	*25*	2,687,662	2,517,450
Financial operations		**-1,638,798**	**-1,767,408**
Profit before tax		**-673,716**	**1,687,992**
Tax	*26*	-593,149	655,880
Net profit for the year		**-80,567**	**1,032,112**

Statement of Comprehensive Income

STATEMENT OF COMPREHENSIVE INCOME	*2019*	*2018*
Net profit (loss) for the year	**-80,567**	**1,032,112**
Components that cannot be reclassified to profit or loss		
Actuarial gains (losses) from provisions for employee benefits	-871,225	-95,528
Tax effect related to other comprehensive income that cannot be reclassified	209,094	22,927
Total comprehensive income (loss) for the year	**-742,698**	**959,511**

Cash Flow Statement

CASH FLOW STATEMENT	NOTES	31/12/2019	31/12/2018
OPENING CASH AND CASH EQUIVALENTS	**10**	**126,474,524**	**151,430,747**
Result for the year (A)		**- 80,567**	**1,032,111**
Depreciation of property, plant and equipment	24	2,524,109	2,098,671
Amortisation of intangible assets	24	12,715,019	14,765,614
Accrual to provision for bad debts	24	519,001	361,385
Accrual to provision for risks	24	3,200,463	2,866,556
Adjustment to investments using the equity method	25	- 200,786	- 9,924
Write-downs of equity investments			452,658
Effect of deferred tax assets/liabilities through profit or loss	26	- 866,193	386,568
Provision for current tax	26	273,044	269,313
(Capital gains) / Capital losses from disposals /(contributions)	23	527,886	58,514
Financial (Income) / Costs	25	1,839,583	1,324,675
Accrual to the provision for Employee Severance Pay	15	4,229,579	3,995,235
Other adjustments for non-cash elements		167,186	- 161,326
Non-monetary adjustments (B)		**24,928,891**	**26,407,939**
Cash flow from Current Operations (C)=(A)+(B)		**24,848,323**	**27,440,050**
(Increase)/Decrease in Inventories	7	- 675,026	- 191,081
(Increase) / Decrease in Trade receivables	8	- 23,534,080	- 15,340,772
(Increase) / Decrease in Current tax assets	9	890,542	- 400,091
Increase / (Decrease) in Current tax liabilities		-	-
(Increase) / Decrease in Other current assets	10	1,155,681	19,044,998
Increase / (Decrease) in Trade payables	19	3,187,647	9,969,067
Increase / (Decrease) in Other current liabilities	20	1,515,088	- 7,899,300
Other changes		593,149	-
Change in Net Working Capital (D)		**- 16,866,998**	**5,182,821**
Increase / (Decrease) in Other non-current assets	6	- 419,729	- 112,462
(Increase) / Decrease in Other non-current liabilities	17	- 664,039	- 311,205
Interest collected / (paid)	25	- 1,133,417	- 1,690,304
Change in deferred tax assets / liabilities	26	- 1,075,287	363,641
Use of Provisions for risks / Provision for Employee severance Pay	14 + 15	- 9,201,346	- 8,715,353
Current tax paid	26	-	- 932,993
Other operating changes (E)		**- 12,493,817**	**- 11,398,676**
Cash flows from operating activities (G)=(C)+(D)+(E)		**- 4,512,492**	**21,224,195**
(Investments in)/Disinvestments from property, plant and equipment	1	- 10,102,967	- 7,210,141

(Investments)/Disinvestments from intangible assets	3	- 14,484,411	- 9,123,307
(Investments)/Disinvestments from non-current financial assets	4 + 5	- 9,184,409	- 2,581,004
change in assets / liabilities held for sale (IFRS 5)		-	-
Cash flows from investing activities (H)		**- 33,771,787**	**- 18,914,452**
Available cash flows (I)=(G)+(H)		**- 38,284,280**	**2,309,743**
Financing activities – Borrowed capital			
Change in Non-current financial liabilities	16	- 8,355,005	- 10,348,245
Change in Current financial liabilities	18	6,075,319	- 16,917,723
Financing activities - Net worth		0	-
Change in liquidity for BC transactions		-	-
Cash flows from financing activities (J)	**11**	**- 2,279,686**	**- 27,265,968**
Net change in cash and cash equivalents (L)=(I)+(J)	**11**	**- 40,563,965**	**- 24,956,224**
CLOSING NET CASH AND CASH EQUIVALENTS	**11**	**85,910,558**	**126,474,523**

Statement of Changes in Equity

Description	*Share Capital*	*Share premium reserve*	*Extraordinary reserve and other revenue reserves*	*Other reserves*	*Profit for the year*	*Equity*
Balance at 31 December 2017	**85,376,852**	**16,965,073**	**52,853,510**	**7,420,104**	**3,952,466**	**166,568,005**
Profit for the year						
Other comprehensive income (loss) at 31 December 2017:						-
actuarial gains (losses) from provisions for employee benefits			- 72,602			- 72,602
Comprehensive income for the year					1,032,112	1,032,112
Capital increase serving the merger						
Adjustment to the business combination price						
Other changes						
Allocation of 2017 profit:						-
allocation to other reserves			3,952,466		- 3,952,466	-
Balance at 31 December 2018	**85,376,852**	**16,965,073**	**56,733,374**	**7,420,104**	**1,032,112**	**167,527,516**
Other comprehensive income (loss) at 31 December 2018:						-
actuarial gains (losses) from provisions for employee benefits			- 662,131			- 662,131
Comprehensive income for the year					- 80,567	- 80,567
Other changes			- 41,857			- 41,857
Allocation of 2018 profit:						-
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**

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 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.

SEPARATE FINANCIAL STATEMENTS

The separate financial statements of Alia S.p.A. at 31 December 2019 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 2019 are presented in Euro units.

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

These financial statements at 31 December 2019 were approved by the Board of Directors on 9 June 2020, which authorised their publication and are subject to statutory audit by PricewatershouseCoopers 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 2019 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.

Revaluations are not permitted, even though in application of specific laws.
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 financial period marked the end of the second year for the Company's concession term in consideration of the award of the tender launched by ATO Toscana Centro.
In 2019, at the end of the first two year-period, the Company verified whether these depreciation rates were adequate or whether they should be reviewed based on the actual use and technology, as well as on additional information and evidence gathered.
According to IAS 16, in fact, "*The residual value and the useful life of an asset should be reviewed at least at each financial year-end and, if expectations differ from previous estimates, any change is accounted for prospectively as a change in estimate under IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.*"

The depreciation rats used for company assets in 2018 are reported below.

DESCRIPTION	DEPRECIATION RATES
Civil and Industrial Buildings	3%
Light-weight constructions	10%
Plant and machinery	10%
Specific plant and machinery	10%
Sorting and composting plant	10%
PV plant	9%
Miscellaneous and small workshop equipment	25%
Miscellaneous Door-to-Door collection equipment	20%
Other miscellaneous and small equipment	25%
Motor vehicles	20%
Cars	25%
Dumpsters	10%
Bins	10%
Office furniture and ordinary machines	12%
Electromechanical office machines	20%
Bell-shaped containers	10%
Fully depreciable assets	100%

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 2019 financial year were set out. The effect of the change in the accounting estimate was recognised prospectively by including it in the results of operations for the year in question and in future financial years, for the share accrued in the period.

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

DESCRIPTION	Useful life - ARERA (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%
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	1	100.00%

The table below reports the amortisation and depreciation of fixed assets by applying the previously applicable and new rates.

	AMORTISATION AND DEPRECIATION ACCORDING TO PREVIOUSLY APPLICABLE ACCOUNTING POLICIES	AMORTISATION AND DEPRECIATION ACCORDING TO NEW ACCOUNTING POLICIES
DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	2,534,876,05	2,524,108,70
AMORTISATION OF INTANGIBLE ASSETS	603,994,44	231,386,08
AMORTISATION OF CONCESSION RIGHTS	15,122,496,47	12,483,632,56
TOTAL	**18,261,366,96**	**15,239,127,34**

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. Concession rights are amortised over the term of the concession, a method that reflects the ways in which it is assumed that the future economic benefits flowing from the asset will be used by the Concessionaire.
The amortisation fund 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)

As from 1 January 2019, following the first-time adoption of IFRS 16, 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 entered into exclusively as a lessee and are part of the concession asset are managed within 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. This category includes, in particular, sub-concessions.
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.

Environmental certificates: emission allowances and White Certificates

White certificates are valued at market price.

Equity investments in subsidiaries and associates

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 are stated among non-current assets and are valued using the equity method.
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.
Associates are those entities over which the parent company exercises significant influence in making strategic 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.

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 consisting of a debt instrument 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

On the basis of the five-step model provided for in IFRS 15, 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. On 9 June 2020 the general meeting of the ATO TOSCANA CENTRO approved the 2018 and 2019 rebalancing for the purposes of recognising revenues arising from the economic and financial rebalancing provided for in Section 22 of the Concession Agreement signed by the parent company Alia, the details of which can be found in 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 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. 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 2019. In particular, the following information has been provided: the net balance of deferred tax assets and liabilities has been stated by reclassifying the amount of Euro 993 thousand, previously reported as "Deferred tax liabilities", to "Deferred tax assets"; an amount of Euro 72 thousand, previously classified under "Other current assets”, has been reclassified to “Current tax assets”; an amount of Euro 7,100 thousand, previously classified under "Trade payables”, has been reclassified to “Non-current trade payables”. The Company believes that this change to the 2018 figures is not significant.

Change in international accounting standards

Accounting standards, amendments and interpretations applied from 1 January 2019
The main developments introduced in 2019 concerning the set of international accounting standards are shown below:

- IFRS 16 – Leases.

In January 2016 the IASB published IFRS 16 – Leases, which has replaced IAS 17.
The main amendment concerned the method of accounting for lease agreements on the part of lessees who were required to make a distinction between finance leases (accounted for using the finance method) and operating leases (accounted for using the on-balance-sheet method) under IAS 17. According to IFRS 16 operating leases have been treated as finance leases in accounting terms. According to the new standard, an asset (the right to use the leased item) and a financial liability for future lease payments are recognised. The IASB has made provision for an optional exemption for certain low-value, short-term lease agreements and leases.
Therefore, the standard has had an impact mainly on the method of accounting for operating leases involving the Company as a lessee. Leases that are part of the concession asset of the parent company are managed within the scope of application of IFRIC 12.
The Company has opted to use the simplified transition approach ("modified retrospective approach") and therefore it did not change the comparative amounts for the previous period upon first-time adoption.
Substantially the transition to the new IFRS 16 has not entailed any significant impact. The activities that involve the Company as a lessor have had no significant effects on the financial statements.

- IFRS 9 - Financial instruments.

In October 2017, the IASB published an amendment to IFRS 9 concerning "Prepayment Features with Negative Compensation", which confirms that when a financial liability accounted for at amortised cost is modified without entailing derecognition, the related gain or loss must be recognised immediately in the income statement. The gain or loss is measured as the difference between the previous cash flow and the flow restated following the change. This amendment, which became applicable from 1 January 2019, has not had any significant impact either on the financial statements or on disclosures.

- IAS 28 - Investments in associates and joint ventures.

In October 2017, the IASB published some amendments to IAS 28, which provide clarifications on associates or joint ventures to which the equity method should not be applied according to IFRS 9. These amendments, which became applicable from 1 January 2019, have not had any significant impact either on the financial statements or on disclosures.

- Annual cycle of improvements to IFRS 2015-2017 (IFRS 3, IFRS 11, IAS 12 and IAS 23)

In December 2017, the IASB issued a set of amendments to IFRS (Annual Improvements to IFRSs 2015-2017 Cycle). The provisions which were approved made amendments to: (i) IFRS 3 "Business Combinations"; (ii) IFRS 11 "Joint Arrangements"; (iii) IAS 12 "Income Taxes"; (iv) IAS 23 "Borrowing Costs" concerning the accounting treatment of loans originally linked to the development of a business. These amendments, which became applicable from 1 January 2019, have not had any significant impact either on the financial statements or on disclosures.

- IAS 19 - Employee benefits.

In February 2018, the IASB published some amendments to IAS 19 which require entities to review the assumptions used to determine cost and borrowing costs for each change in the plan. These amendments, which became applicable from 1 January 2019, have not had any significant impact either on the financial statements or on disclosures.

- IFRIC 23 - Uncertainty over Income Tax Treatments.

In June 2017, the IASB published IFRIC 23, which provides guidance on how to reflect uncertainties over income tax treatments of a given phenomenon in accounting for current and/or deferred income taxes. IFRIC 23 came into force on 1 January 2019 and has not had any significant impact either on the financial statements or on disclosures.

Accounting standards, amendments and interpretations not yet applicable

Furthermore, at the reporting date of these financial statements, the competent bodies of the European Union had not yet completed the endorsement process required for the first-time adoption of the following accounting standards and amendments:

- In May 2017 the IASB issued the new IFRS 17 "Insurance Contracts". The new standard will replace IFRS 4 and will be applicable from 1 January 2021.
- In October 2018, the IASB published some amendments to IAS 1 and IAS 8 which provide clarifications on the definition of "materiality". The amendments will be applicable from 1 January 2020.
- In October 2018 the IASB published some amendments to IFRS 3 which modify the definition of "business". The amendments will be applicable from 1 January 2020.
- In March 2019 the IASB published the revised version of the "Conceptual Framework for Financial Reporting", with first-time adoption expected on 1 January 2020 The main amendments concern a new chapter on the subject of measurement, improved definitions and guidance, in particular with reference to the definition of a liability, clarifications of key concepts, such as stewardship, prudence and uncertainty in measurements.
- In September 2019, the IASB published some amendments to IFRS 9, IAS 39 and IFRS 7 which provide some remarks in relation to the interest rate benchmark reform. The remarks concern the method of accounting for hedging transactions and imply that the change in the interbank offered rate (IBOR) should generally not result in the termination of hedging transactions in accounting terms. However, the effects of any ineffective hedge should continue to be taken to profit or loss. The amendments will be applicable from 1 January 2020.

The Company 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 ASSETS	ASSETS UNDER CONSTRUCTION	PROPERTY, PLANT AND EQUIPMENT
VALUES AT 31.12.2018						
Gross Value	37,256,668	13,203,169	5,798,654	9,158,566	6,186,198	**71,603,256**
Depreciation fund	- 5,706,989	- 1,921,635	- 5,190,106	- 7,860,175	-	**- 20,678,907**
NET IAS BALANCE AT 31.12.2018	**31,549,679**	**11,281,534**	**608,548**	**1,298,391**	**6,186,198**	**50,924,349**
NET CHANGES FOR FY 2019						
RECLASSIFICATION OF GROSS VALUE AT 01.01.2019 TO FIXED ASSETS - CONCESSION RIGHTS	58,076	14,700	-	10,224		82,999
RECLASSIFICATION OF DEPRECIATION FUND AT 01.01.2019 TO FIXED ASSETS - CONCESSION RIGHTS	-22,971	-12,495	24	-10,248		-45,690
CHANGES FROM PURCHASES	395,034	124,216	538,611	546,481	8,048,488	9,652,831
TRANSFERS FOR RECLASSIFICATIONS	263,396	-	-697,097	-1,450	-5,854,089	-6,289,241
DECREASES	-144,796	-2,279	-95,413	-519,667		-762,155
DISPOSAL/RECLASSIFICATION OF DEPRECIATION FUND	2,173	2,279	688,159	519,679		1,212,290
2019 DEPRECIATION	-883,301	-862,947	-187,375	-590,485		-2,524,109
Gross Value	37,828,378	13,339,807	5,544,755	9,194,154	8,380,597	74,287,691

Depreciation fund	-6,611,089	-2,794,799	-4,689,298	-7,941,229	-	-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**

The above listed fixed assets are note 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 2019 involved additional investments 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. The investments made during 2019 concerned the partial renovation of canopies for Euro 375,000, in addition to work on plasterboard walls for Euro 8,534 and installation of signs bearing the logo Alia for Euro 11,500.

Additional investments in plant and machinery involved the upgrading of the climate control and air-conditioning system at the property located at Via Garigliano in Empoli for Euro 101,807 and the installation of the alarm system at the property located at Ferrale for Euro 14,622.

Purchases for industrial and commercial equipment amounted to approximately Euro 538,000 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 Euro 212,703 and electrical and electronic machines for Euro 323,532, and, on a residual basis, other assets for Euro 10,246.

2) Concession rights

These consist of the rights relating to the integrated municipal waste management in the municipal districts of 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”). 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.

The fees for basic services are set on a fixed-price basis. The fees for the first four years of the Concession term (2018-2021) are those resulting from the offer according to the following schedule:

2018	2019	2020	2021
239,121,513.44	245,438,534.38	259,267,530.04	261,842,683.11

The table below shows the breakdown of basic services.

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 fees for ancillary services are set at a unit rate based on unit prices.

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
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

Of these 18 ancillary services, nos. 5, 6, 8, 9, 14 and 17 are already active as basic services under the Concession agreement. The other ancillary services can be activated at the request of the Municipal Authorities. The total value of ancillary services was estimated at Euro 15,000,000.00 in tendering.

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

1) Intervention	Amount of Works	Security costs
2) 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.

<u>Calculation of annual fees</u>
As regulated by Section 20 of the contract (shown below):

2. *The Operator's fees for basic services and ancillary services on request for the relevant year (n) are approved by ATO by 31 December of year n-1 according to the provisions of the following paragraphs.*
3. *The fees for basic services and ancillary services at the request of the Operator are those set in the economic and financial plan reported in Annex 9 attached to the Contract, as supplemented pursuant to Section 4.*
4. *The fees referred to in paragraph 3, in relation to basic services, are approved by ATO, for each year n, according to paragraph 2, taking account of:*
- *the expected inflation rate for year n;*
- *the Rendistato (yield on Italian Government securities);*
- *the investments actually made in year n-1;*
- *requirements of economic and financial rebalancing for year n, according to Section 22.*
5. *As from the fifth year of operation, the fees referred to in paragraph 3, with regard to basic services, are also approved for each year n, adjusting them according to the normalisation method under Presidential Decree 158/1999, taking account of the provisions under Annex 10 attached to the Contract and in addition to the provisions already laid down in paragraph 4:*
- *of investments planned for year n;*
- *of productivity recovery for year n.*
6. *The fees referred to in paragraph 3, with regard to ancillary services on request, are approved by ATO for each year n according to paragraph 2, taking account of the quantity of ancillary services on request activated by each Municipality, and:*
   a) *of the expected inflation rate for year n;*
   b) *of productivity recovery for year n.*

7. The cost components relating to the municipal waste management service that define the Operator's Economic and Financial Plan, as well as any other information required for the audit of what is stated in paragraph 3 of Section 22 below, are verified by ATO for each year n-1, by 31 December of year n. On the basis of these audits, ATO shall proceed with the definition of the operator's fees for year n and the economic and financial rebalancing referred to in paragraph 9 of Section 22 below.
8. The Operator, according to the reporting formats produced by ATO, shall provide ATO with all information required to carry out the audits referred to in paragraph 7, by 30 September of each year n.
9. ATO may request clarifications and additional information and carry out audits, even on site, on the data communicated by the Operator. The Operator undertakes to provide ATO with any useful information for a full understanding of the data communicated pertaining to the management and its costs.
10. *If any plant for the management of municipal waste and/or special waste deriving from municipal waste treatment coming from ATO Toscana Centro is also authorised to manage other waste, the costs for the management of waste other than those coming from ATO Toscana Centro are unrelated to the fees payable to the operator and the fixed costs incurred by this plant are included in the calculation of the fees limited to the actual use attributable to the share of municipal waste and/or special waste deriving from the treatment of municipal waste coming from ATO Toscana Centro.*
11. *For the analytical assessment of operating management costs (MC) and common costs (CC) referred to in Presidential Decree 158/1999, reference should be made to the categories provided for in Legislative Decree 127/1991 governing the preparation of financial statements and to the specifications set out by ATO, according to the methods set out in Annex 10 attached to the Contract.*
12. *Revenues from sales of waste, supply raw materials and energy accrue to the Operator. ATO takes this into account by reducing the fees referred to in paragraph 2 above by a corresponding amount, except as stated in paragraphs 13 and 14 below. The Operator is required to notify ATO of the quantities, quality and proceeds of the sale of the materials transferred to the chain consortia and/or sold directly on the supply raw materials markets.*
13. *If waste and supply raw materials are sold on the market, revenues from sale, exceeding those that can be obtained from chain consortia, reduce the reference tariff by an amount equal to 50% of the surplus.*
14. *All other possible revenues other than the previous ones and connected with the activities regulated by the Contract accrue to the Operator. ATO takes this into account by reducing the reference tariff referred to in Presidential Decree 158/1999 by an amount corresponding to 50% of these revenues.*
15. *All possible public funds received by the Operator in relation to the activities covered by this Contract, including those provided for in Article 3, paragraph 1, of the Tuscany Regional Law 25/1998, are accounted for by the Operator separately and contribute to the reduction in the reference tariff, approved by ATO according to paragraph 2 above. In particular, for the purposes of equivalence referred to in point 1 of the annex attached to Presidential Decree 158/1999, operating grants reduce management costs by a corresponding amount, while capital grants reduce the costs of using capital (CK) referred to in Presidential Decree 158/1999.*
16. *The Operator invoices each Municipality in monthly instalments, except as provided for in paragraph 691 of Law 147/2013 and Section 21 below.*

Annual fees are set for the first 4 years of the concession term (3 years of investments and transformations and first year of full operation) differently from those planned as from the fifth year.

Basic services
Initially, the annual fees for basic services are those set in the Economic and Financial Plan (EFP) of the tender (paragraph 3) supplemented by the executive design drawn up during the Transitional Period. These fees are approved by ATO each year taking account of: the expected inflation rate for year n; the *Rendistato* yield; the investments actually made in year n-1; any requirements of economic and financial rebalancing for year n, (paragraph 4).

As from the 5th year, annual fees for basic services (4th year of concession term) are adjusted according to the normalisation method set out in Presidential Decree 158/1999, taking account of the guidelines attached to the contract and, in addition to the above provisions, of: investments planned for year n; productivity recovery for year n.
This is because while for the first four years the investments in the transformations are already envisaged in the specifications and in the offer, updating of the tender EFP must be carried out during the fifth year. For this purpose, the Operator shall submit the four-year Plan for detailed investment of basic services to ATO for approval. This procedure is repeated every four years for the entire term of the Concession.

Ancillary Services
The Concession fees, for ancillary services on request, are approved by ATO for each year n, according to paragraph 2, taking account of the quantity of ancillary services on request activated by each Municipality, and: of the expected inflation rate for year n; productivity recovery for year n. In this regard, it is noted that there will therefore be a settlement between the ancillary services provided for in the EFP and those actually delivered for each year.

Economic and financial rebalancing
In addition to the methods for calculating and adjusting the fees, the service Contract provides for an economic and financial rebalancing mechanism. As literally stated in Section 22 of the Contract, "*The Parties mutually undertake the obligation to maintain the economic and financial balance, in compliance with the provisions of this Contract*." The economic and financial balance is altered when the reference tariff does not cover all the costs of the waste management service, or rather, it covers them excessively. The Rebalancing may therefore occur both in favour of the Operator and in favour of the granting Authority.
Under the contract the alteration of the economic and financial balance can be caused by:

a) operational inefficiencies which are attributable, among other things, to the failure to achieve the productivity targets undertaken in bidding;
b) erroneous communication of the data required to adjust the tariff;
c) exceptionally unfavourable market conditions with reference to the activities covered by the Contract, determined by objective situations;
d) amendments to laws or regulations that establish new tariff mechanisms (costs and revenues) or new conditions for the performance of the activities required by the concession agreement;
e) modification or new approval of the regional municipal waste Plan and/or of the inter-provincial municipal waste Plan and/or of the concession area Plan and/or technology innovations such as to alter the balance of the Contract;
f) ATO’s requests for new investments or substantial changes to those already planned;
g) introduction of changes in services activated with the procedure referred to in Section 7 of this Contract, provided that they are not the responsibility of the Operator;
h) activation of additional complementary services according to Section 8 of this Contract;
i) request for changes in the functional works under the concession and/or request for the execution of additional functional works with respect to those referred to in the concession, following orders issued by ATO and/or by competent provincial and/or regional authorities;
j) modification of prices for access to authorised plants;
k) delivery of the service according to Section 9, paragraph 4, for early termination of the concession agreements that have not been terminated in accordance with Article 4, paragraph 32, of Decree Law 138/2011;
l) any lower absorption of common costs by the municipal waste management service due to a higher volume of activities not included in the Contract;
m) quantity and quality of total waste actually collected and treated with deviations of over 3% compared to the ATO management model;
n) actual costs incurred for the operation of landfills in the after-closure phase;
o) higher revenues than in bidding referred to in Annex 9 in relation to items referred to in paragraphs 12, 13 and 14 of Section 20;

p) actual amortisation or depreciation related to the assets transferred by former Operators;
q) new public financing received by the Operator according to paragraph 15 of Section 20.

The reasons for which the Operator may be entitled to rebalancing are those referred to in letters c), d), e), f), g), h), i), j), k), m), n), p. For ATO, rebalancing may also take place in the cases referred to in letters b) and l).
As regards the Operator, the reasons that allow rebalancing are all external since the operational inefficiencies referred to in letter (a) are not subject to rebalancing. Accordingly, the profit margins that the Operator should obtain thanks to its efficiency do not constitute rebalancing in favour of the competent Authority.
Operational rebalancing can be achieved by acting on:
a) the tariff (fees);
b) the quality of service;
c) the term of the concession.
ATO's procedure for rebalancing in favour of the Operator is set out in the Service Contract and is started at the request of the Concessionaire. Rebalancing in favour of ATO is established *ex officio*. In the event of disputes, a Technical Committee will be appointed with conciliation functions for the management of the Contract.

On 9 June 2020 the general meeting of the ATO TOSCANA CENTRO approved the 2018 and 2019 rebalancing.

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 IAS BALANCE AT 31.12.2018	GROSS VALUE	DEPRECIATION FUND	NET IAS BALANCE AT 31.12.2019
LAND AND BUILDINGS	84,462,590	116,676,330	-34,540,619	82,135,711
PLANT AND MACHINERY	9,858,620	118,716,703	-109,980,257	8,736,447
INDUSTRIAL AND COMMERCIAL EQUIPMENT	144,022	301,999	-84,579	217,420
OTHER TANGIBLE ASSETS	25,042,076	121,572,569	-85,875,337	35,697,232
DEVELOPMENT COSTS		106,327	-2,580	103,748
CONCESSIONS, TRADEMARKS AND SIMILAR RIGHTS	60,687	268,103	-201,828	66,275
OTHER INTANGIBLE ASSETS	33,939	8,536,670	-8,507,993	28,677
TOTAL	**119,601,934**	**366,178,702**	**-239,193,193**	**126,985,509**

As reported in the paragraph dealing with accounting standards and reporting principles, depreciation and amortisation rates were reviewed for property, plant and equipment and intangible assets for the 2019 financial year, while also taking account of the provisions provided by ARERA on the estimated useful life of the assets.

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 2019.

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 2019 these revenues amounted to Euro 15,350,333 and related to the following types of assets:

CHANGE FROM PURCHASES 2019 – CONCESSION RIGHTS	
LAND AND BUILDINGS	273,938
PLANT AND MACHINERY	732,532
INDUSTRIAL AND COMMERCIAL EQUIPMENT	114,929
OTHER TANGIBLE ASSETS	14,103,467
of which Collection equipment	*3,311,340*
of which Motor vehicles	*10,781,177*
of which office machines	*3,470*
of which other assets	*7,480*
DEVELOPMENT COSTS	106,327
CONCESSIONS, TRADEMARKS AND SIMILAR RIGHTS	19,140
TOTAL	**15,350,333**

These are capitalised costs for investments made on these types of assets.
Development costs relate to the capitalisation of two projects called "Bio2energy" and "Suhm - smart containers-bins" for Euro 27,594 and Euro 78,734, respectively.
It should be noted that a tax credit of Euro 48 thousand has been recognised on these expenses, as required by tax regulations.

Construction costs - concession rights
At 31 December 2019 these amounted to Euro 15,350,333 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	CONCESSIONS, TRADEMARKS AND SIMILAR RIGHTS	OTHERS	CONCESSION RIGHTS	ASSETS UNDER DEVELOPMENT	INTANGIBLE ASSETS
VALUES AT 31.12.2018					
Gross value	9,116,428	865,202	357,826,327	0	367,807,957
Amortisation fund	-7,808,847	-840,651	-238,224,393		-246,873,891
NET IAS BALANCE AT 31.12.2018	1,307,581	24,551	119,601,934	0	120,934,066
CHANGES FOR FY 2019					
RECLASSIFICATION OF GROSS VALUE AT 01.01.2019 TO FIXED ASSETS - CONCESSION RIGHTS			-82,999		-82,999
RECLASSIFICATION OF AMORTISATION FUND AT 01.01.2019 TO FIXED ASSETS - CONCESSION RIGHTS			45,690		45,690
CHANGES FROM PURCHASES	223,620	0	15,350,333	117,630	15,691,583
TRANSFERS FOR RECLASSIFICATIONS	0	0	6,289,241	0	6,289,241
DECREASES	-1,934	0	-13,204,200		-13,206,133
DISPOSAL/RECLASSIFICATION OF AMORTISATION FUND	1,934	0	11,469,143		11,471,077

AMORTISATION 2019	-225,457	-5,929	-12,483,633		-12,715,019
Gross value	9,338,115	865,202	366,178,702	117,630	376,499,648
Amortisation Fund	-8,032,370	-846,580	-239,193,193		-248,072,143
NET IAS BALANCE AT 31.12.2019	**1,305,744**	**18,622**	**126,985,509**	**117,630**	**128,427,505**

During the year software licenses were acquired for Euro 223,620, of which specific licences of Euro 39,321 for ERP accounting management software, Euro 141,700 for the Windows environment and related systems engineering, Euro 29,050 for tariff management software and Euro 13,549 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 22,491 thousand (of which Euro 18,589 thousand in subsidiaries and Euro 3,788 thousand in associates), while non-qualified investments amounted to Euro 114 thousand.

	Balance at 31 12 2019
equity investments in subsidiaries (valued at cost)	18,588,819
equity investments in associates (valued at equity)	3,788,084
other equity investments	114,326
TOTAL	**22,491,229**

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	REVET S.p.A.	IRMEL SRL
% ownership	100.00%	60.00%	51.00%	51.00%

Cost	800,000	2,343,563	15,331,407	113,849
Company equity	291,446	3,801,404	31,702,620	537,943
Share of equity attributable	291,446	2,280,842	16,168,336	274,351
Difference	508,554	62,720	-836,929	-160,502
Additions from purchases	800,000	120,000	4,795,284	

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. By a notarial deed of merger by incorporation that was drawn up on 25 November 2019 the subsidiary Revet Recycling S.r.l. was merged by incorporation into Revet which had acquired full control over it during 2019.

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.

On 27 May 2020 Alia issued a note to Programma Ambiente S.p.A and Programma Ambiente Apuane S.p.A. concerning: "Capital and financial support" whereby Alia confirmed its irrevocable commitment to continue to provide capital and financial support to Programma Ambente S.p.A. and its subsidiary Programma Ambiente Apuane S.p.A. at least for the financial year 2019 and the next following period.

Equity-accounted investments in associates

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

GENERAL DETAILS							
Company name	**Q.ENERGIA SRL**	**AL.BE S.r.L.**	**VALCOFERT SRL**	**SEA RISORSE SPA**	**REAL SRL**	**VALDISIEVE SCRL**	**HOLME S.p.A. in liquidation**
Main operating office	CERTALDO - VIA PIANGRANDE	PECCIOLI (PI) - VIA GUGLIELMO MARCONI	CERTALDO - LOC. CANTONE S.S. 429	VIAREGGIO - VIA PALADINI	EMPOLI (FI)- VIA MOLIN NUOVO 28/30	FIRENZE (FI) VIA BENEDETTO VARCHI 34 CAP 50132	CASTELLO DI CISTERNA (NA) VIA ANTONIO GRAMSCI 16 CAP 80030
Registered office	FORLI - VIA A. MASETTI	PECCIOLI (PI) - VIA GUGLIELMO MARCONI	EMPOLI - VIA GARIGLIANO	VIAREGGIO - VIA DEI COMPARINI	EMPOLI (FI)- VIA MOLIN NUOVO 28/30	FIRENZE (FI) VIA BENEDETTO VARCHI 34 CAP 50132	CASTELLO DI CISTERNA (NA) VIA ANTONIO GRAMSCI 16 CAP 80030
Ownership percentage held by the company	50%	50%	42.50%	24.00%	50.10%	25.00%	49.00%
Share of voting	50%	50%	42.50%	24.00%	50.10%	25.00%	49.00%

rights held by the company								
ALIA BALANCE SHEET VALUES								**TOTAL**
Alia balance sheet value at 31/12/2018	226,658	22,819	31,835	916,179	0	0	1	**1,197,492**
Disposals							-1	**-1**
Purchases		500,000	187,006		1,402,800			**2,089,806**
Reclassifications						350,000		
Change for application of the equity method through P&L	38,460	-4,585	-45,417		-3,998	166,328		**150,787**
Alia balance sheet value at 31/12/2019	**265,118**	**518,234**	**173,423**	**916,179**	**1,398,802**	**516,328**	**0**	**3,788,084**

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).
- Q.Energia Srl (operating in the energy sector. Its business concerns exclusively the production of electricity through the management of the plant for the recovery and use of the biogas produced by the landfill at S. Martino a Maiano (Certaldo – Florence) for energy purposes.
- 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. At present the company is still dormant. During 2019 it was involved in a capital increase of Euro 1,000,000, with the quotaholder Alia's share amounting to Euro 500,000.
- REAL S.r.l. 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. The company was still dormant at 31 December 2019;
- Valdisieve Società Consortile was reclassified to associates during 2019 as a result of changes in the capital and directly on the quotas held by some quotaholders. In this regard, it should be noted that the amount of Euro 350,000 relates to the values of the investee, which had been stated among "Other equity investments" as early as at 31 December 2018. The investment then increased from 12.33% to 25% as from the extraordinary quotaholders' meeting of Valdisieve S.c.a.r.l. held on 14 February 2019. It 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

Below are the non-current financial assets:

Description	Balance at 31 12 2019	Balance at 31 12 2018	Change
Receivables from	3,918,259	2,595,175	1,323,084

Subsidiaries			
Receivables from Associates	196,780	80,000	116,780
Guarantee deposits	131,002	141,546	- 10,544
TOTAL	**4,246,041**	**2,816,721**	**1,429,320**

The balance at 31 December 2019, equal to Euro 4,246 thousand, net of the Provision for write-down, mainly includes receivables from Programma Ambiente S.p.A. for Euro 3,417 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	31/12/2018	Increases	Uses	31/12/2019
Provision for bad debts - loans to subsidiaries	4,825	194,032		198,857
Provision for bad debts - loans to associates		3,220		3,220

6) Deferred tax assets and liabilities

Description	BALANCE AT 31 12 2019	BALANCE AT 31 12 2018	change
Receivables for deferred tax assets	15,167,992	14,535,570	632,422
Deferred tax liabilities	6,698,490	7,141,355	- 442,865
TOTAL	**8,469,502**	**7,394,215**	**1,075,287**

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 losses and provisions for employee benefits.

They are reported in the financial statements by offsetting deferred tax asset items, equal to Euro 15,167,992 against the debt for deferred tax liabilities, equal to Euro 6,698,490.
This approach has been also adopted for reporting the net amount equal to Euro 7,394,215 relating to 2018.

Below is a breakdown of deductible and taxable temporary differences:

<u>DEFERRED TAX ASSETS</u> (net of deferred tax assets that can be offset)

ITEMS	DEFERRED TAX ASSETS / LIABILITIES 31/12/2018			CHANGES - 2019			DEFERRED TAX ASSETS / LIABILITIES - 2019		
	Temporary differences		Tax effect	Temporary differences		Tax effect	Temporary differences		Tax effect
Fixed assets	(18,554,925)	IRES tax	(4,453,182)	613,555	IRES tax	147,253	(17,941,370)	IRES tax	(4,305,929)
Fixed assets		IRAP tax	(950,012)		IRAP tax	31,414		IRAP tax	(918,598)
Case Passerini landfill	(5,942,374)	IRES tax	(1,426,170)	907,273	IRES tax	217,746	(5,035,101)	IRES tax	(1,208,424)
Case Passerini landfill		IRAP tax	(304,250)		IRAP tax	46,452		IRAP tax	(257,797)
Capital gains	(32,256)	IRES	(7,741)	0	IRES	0	(32,256)	IRES	(7,741)

divided into instalments		tax			tax			tax	
Provision for bad debts	33,540,993	IRES tax	8,049,838	(10,960,106)	IRES tax	(2,630,426)	22,580,886	IRES tax	5,419,413
Productivity	2,577,010	IRES tax	618,482	(86,455)	IRES tax	(20,749)	2,490,555	IRES tax	597,733
Litigation risks	1,417,808	IRES tax	340,274	126,103	IRES tax	30,265	1,543,911	IRES tax	370,539
Litigation risks		IRAP tax	72,592		IRAP tax	6,456		IRAP tax	79,048
Employee Severance Pay	921,094	IRES tax	221,063	22,368	IRES tax	5,368	943,462	IRES tax	226,431
Losses from previous years	15,973,289	IRES tax	3,833,589	10,381,033	IRES tax	2,491,448	26,354,322	IRES tax	6,325,037
Vaiano landfill	814,909	IRES tax	195,578	(112,141)	IRES tax	(26,914)	702,768	IRES tax	168,664
Vaiano landfill		IRAP tax	41,723		IRAP tax	(5,742)		IRAP tax	35,982
Vigiano landfill	2,607,112	IRES tax	625,707	1,004,156	IRES tax	240,997	3,611,268	IRES tax	866,704
Vigiano landfill		IRAP tax	133,484		IRAP tax	51,413		IRAP tax	184,897
Provision for maintenance risks	272,477	IRES tax	65,394	167,506	IRES tax	40,201	439,983	IRES tax	105,596
Provision for maintenance risks		IRAP tax	13,951		IRAP tax	8,576		IRAP tax	22,527
Provision for bad debts on loans	4,825	IRES tax	1,158	197,252	IRES tax	47,340	202,077	IRES tax	48,498
ACE (Allowance for corporate equity)	0	IRES tax	0	771,218	IRES tax	185,092	771,218	IRES tax	185,092
Actuarial gain/loss O.C.I.	1,344,733	IRES tax	322,736	871,225	IRES tax	209,094	2,215,958	IRES tax	531,830
Total deferred tax assets and liabilities	**34,944,695**		**7,394,215**	**3,902,986**		**1,075,287**	**38,847,681**		**8,469,502**

[IRES = Corporate Income Tax]
[IRAP = Regional Production Activity Tax]

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against corresponding current tax liabilities.
The receivable for deferred tax assets reported in the statement of financial position (equal to Euro 15,168 thousand) includes the receivable for deferred tax assets through OCI for Euro 532 thousand.

Tax losses will be recovered through the profits that will be offset by the Company during the period of the concession term.

Other non-current assets

Description	Balance at 31 12 2019	Balance at 31 12 2018	Change
IRAP tax credit (ACE, Allowance for corporate equity) beyond 12 months	184,389	112,462	71,928

Prepaid expenses	347,801		347,801
TOTAL	**532,191**	**112,462**	**419,729**

The amount of Euro 184 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 31/12/2018	**2,034,146**
Changes recorded during the year	675,026
Values at 31/12/2019	**2,709,172**

Inventories, amounting to Euro 2,709 thousand (Euro 2,034 thousand at 31 December 2018), 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 2019	Balance at 31 12 2018	Change
Receivables from Customers	116,149,204	104,129,043	12,020,161
Provision for bad debts	- 22,902,635	- 33,897,553	10,994,917
TOTAL	**93,246,569**	**70,231,490**	**23,015,079**

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 2019 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	31/12/2018	Increases	Uses	31/12/2019
Provision for bad debts	33,897,553	321,749	11,316,667	22,902,635

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 2019:

BALANCE OF RECEIVABLES - 2019	*OVERDUE AMOUNTS*				*AMOUNTS FALLING DUE*
	0-30	31-60	61-90	beyond 90	
116,149,204	3,331,468	1,070,453	953,256	36,832,996	73,961,030

The total amount of ageing, equal to Euro 116,149,204, only includes the amount of receivables from customers (due within and beyond 12 months) for invoices issued, net of invoices to be issued (Euro 44,397,128) and credit notes to be invoiced (Euro 3,589,573).

9) Current tax assets

The table below shows the breakdown of current tax assets:

Description	Balance at 31 12 2019	Balance at 31 12 2018	Change
IRES tax advances	2,925,173	3,276,133	-350,960
IRAP tax advances	301,715	866,702	-564,987
Withholding tax receivables from Tax Office	179,439	154,034	25,405
TOTAL	**3,406,327**	**4,296,869**	**-890,542**

The balance at 31 December 2019, equal to Euro 3,406 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 2019	Balance at 31 12 2018	Change
VAT receivables from Tax Office	133,476	539,677	-406,201
Receivables from Tax Office for VAT refund	418	418	0
Receivables for IRAP tax refund	70,499	760,858	-690,359
Other receivables	4,875,958	4,799,033	76,925
Accrued income	20,909	50,682	-29,773

Prepaid expenses	222,380	328,654	-106,273
TOTAL	**5,323,640**	**6,479,321**	**- 1,155,681**

The balance at 31 December 2019, amounting to Euro 5,323 thousand, related to other receivables for Euro 4,876 thousand, of which an amount of Euro 2,700 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 2019:

Description	Balance at 31 12 2019	Balance at 31 12 2018	Change
Current bank accounts	85,291,043	124,397,300	-39,106,257
Postal accounts	603,309	2,066,179	-1,462,870
Money and Cash on hand	16,206	11,045	5,161
TOTAL	**85,910,558**	**126,474,524**	**-40,563,965**

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 31/12/2018	Increases for the year	Decreases for the year	Balance at 31/12/2019	Possible use - (A) - Distributability (B) - Loss coverage (C)
Legal reserve	1,796,524	51,606		1,848,130	C
Share premium reserve	16,965,073			16,965,073	A,C
Extraordinary reserve	34,012,884	938,649		34,951,533	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
OCI Actuarial Loss reserve	-193,952		-662,131	-856,083	
Profits carried forward	355,229			355,229	A,B,C
Other reserves	12,866,684			12,866,684	A,B,C
Total	**73,222,546**	**990,255**	**-662,131**	**73,550,670**	

The increase recorded in 2019 essentially related to the allocation of the result for the 2018 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.

Reserve

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 (IFRIC 12)	Case Passerini landfill	Vaiano landfill	Vigiano landfill	TOTAL
Value at 31/12/2018	**3,994,818**	**272,477**	**17,786,910**	**1,342,639**	**4,218,448**	**27,615,291**
Changes for the year						
Provisions	2,652,106	350,917				3,003,023
Adjustment to the provision			-317,720	-129,434	644,541	197,387
Financial costs (income)			406,958	-12,512	74,164	468,610
Uses, reclassifications and releases	-2,612,458	-183,411	-146,874	-57,219	-258,418	-3,258,379
Value at 31/12/2019	**4,034,467**	**439,983**	**17,729,274**	**1,143,473**	**4,678,735**	**28,025,932**

The balance of provisions for risks and charges, equal to Euro 28,026 thousand, showed an increase of Euro 410 thousand compared to the previous year.
The balance at the end of the year mainly included:

- Post-landfill management provision for Euro 23,551 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 annually with the new tariffs, but they will not affect the Company’s accounts.
- Provisions for Other risks for Euro 4,034 thousand. This item has been recorded to cover future and possible risks related to pending disputes (for Euro 1,544 thousand); an amount of Euro 2,491 thousand has also been allocated for productivity bonuses payable to employees.
- Provision for restoration and replacement for Euro 440 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 3,258 thousand, related to the payment of bonuses to employees in 2019 for Euro 2,577 thousand.

Furthermore, the potential impact on the Provisions for post-closure period of landfills in terms of growth, as a result of a theoretical decrease of 50 bps in interest rates, would be equal to Euro +1,991 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 -1,660 thousand.

15) Employee severance pay and other benefits

The amount payable to employees for severance pay benefits at 31 December 2019 is shown in the table below:

Value at 31/12/2018	**19,061,749**
Interest Cost	237,557
Uses	-1,713,384
Actuarial (Gain) / Loss	871,225
Value at 31/12/2019	**18,457,147**

The item, amounting to Euro 18,457 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 2019**	**% rate used for FY 2018**
Inflation rate	1.20%	1.50%
Annual discount rate	0.37%	1.13%
Annual rate of overall pay increases	2.40%	2.63%
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 2019 which would have been reported following reasonably possible changes in actuarial assumptions:

turnover rate + 1%	18,307,722
turnover rate - 1%	18,621,970
inflation rate + 0.25%	18,703,299
inflation rate – 0.25%	18,215,455

discount rate + 0.25%	18,068,949
discount rate – 0.25%	18,859,203

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 2019	Balance at 31 12 2018	Change
Bond	49,749,098	49,672,287	76,811
Payables to banks (beyond 12 months)	10,630,373	18,634,494	-8,004,121
Payables to leasing companies (beyond 12 months)	0	427,696	-427,696
TOTAL	**60,379,471**	**68,734,477**	**-8,355,006**

Below are the changes in payables to banks for loans:

Description	balance at 31/12/2018	increase from new loans	decrease for repayments	balance at 31/12/2019
Payables to banks	18,634,494		8,004,121	10,630,373

Payables to banks: the balance also includes amounts due to banks for the medium- and long-term portion (equal to Euro 10,630 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 2019.

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

Non-current trade payables

Description	Balance at 31 12 2019	Balance at 31 12 2018	Change
Payables to suppliers due beyond 12 months	5,900,000	7,100,000	-1,200,000
TOTAL	**5,900,000**	**7,100,000**	**-1,200,000**

In reporting the 2019 financial statements, payables to suppliers due beyond 12 months were reclassified to non-current trade payables for Euro 5,900,000.00. 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 2019	Balance at 31 12 2018	Change
Deferred income beyond 12 months	4,705,799	3,987,073	718,726
Payables to Publiservizi Spa	1,440,000	1,560,000	-120,000
Provincial Tax	600,933	665,198	-64,265
Guarantee deposits	1,500		1,500
TOTAL	**6,748,232**	**6,212,271**	**535,961**

The payable to Publiservizi S.p.A., equal to Euro 1,440 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 2020 and beyond five years can be inferred from the table below:

	FROM 1 TO 5 YEARS	BEYOND 5 YEARS
TOTAL	2,397,487	2,308,312

CURRENT LIABILITIES

18) Current financial liabilities

Description	Balance at 31 12 2019	Balance at 31 12 2018	Change
Accrued Bond Interest	1,095,492	1,098,493	-3,001

Payables to banks within 12 months	29,923,805	23,822,835	6,100,971
Payables to leasing companies (within 12 months)	0	22,651	-22,651
TOTAL	**31,019,297**	**24,943,978**	**6,075,319**

The balance at 31 December 2019 amounted to Euro 31,019,297 (Euro 24,943,978 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 1,095,492, consisting of interest that accrued during the period.

19) Trade payables

The table below shows the breakdown of trade payables:

Description	Balance at 31 12 2019	Balance at 31 12 2018	Change
Payables to suppliers	59,383,923	63,479,891	-4,095,967
Payables to subsidiaries	14,861,716	7,688,806	7,172,910
Payables to associates	210,009	126,273	83,736
Payables to entities controlled by parent companies	27,215	246	26,969
TOTAL	**74,482,863**	**71,295,216**	**3,187,647**

The balance, equal to Euro 74,483 thousand (Euro 71,295 thousand at 31 December 2018), mainly includes trade payables to third-party suppliers (Euro 59,384 thousand) and to subsidiaries (Euro 14,862 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 2019	Balance at 31 12 2018	Change
VAT payables to Tax Office	82,763		82,763
Other payables	8,145,655	7,005,057	1,140,598
Accrued expenses	2,236	1,181	1,055
Deferred income	911,807	552,729	359,079
Deferred VAT – Customers	776	776	0
Withholding tax payables to Tax Office	8,653	17,347	-8,694
Employee IRPEF tax payables to Tax Office	1,972,641	1,983,379	-10,738
Payables to social security institutions	4,128,584	3,960,393	168,191

Payables to the Municipality of Florence	4,990	222,156	-217,166
TOTAL	**15,258,106**	**13,743,018**	**1,515,088**

The debt positions illustrated above relate to the tax and social security payables repaid by the Company within 12 months. The payable to the parent company (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 4,565 thousand to payables to employees for accrued holidays untaken and for Euro 1,566 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 309,090 thousand, of which an amount of Euro 280,251 thousand came from the Municipalities that are directly and indirectly shareholders of the Company. The remaining revenues related to other sales and commercial services.
The Company has charged the amount of rebalancing in line with the ATO's resolution to the income statement and to invoices to be issued.
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 8,674,717 (Euro 4,935,595 at 31 December 2018) and are broken down in the table below:

Description	Balance at 31 12 2019	Balance at 31 12 2018	Change
Set-up grants	392,093	381,246	10,847
Incentive rate	220,680	258,326	-37,646
Operating grants	13,114	27,979	-14,864
Other revenues	2,275,145	668,275	1,606,870
Capital grants	700,000	200,000	500,000
Revenues for claims compensation	735,418	481,187	254,231
Revenues for recovery of fuel excise duties	425,485	400,553	24,932
GSE electricity production incentives	264,233	310,075	-45,842
Contingent assets	1,861,429	575,029	1,286,400
Revenues from company canteen	313,125	251,273	61,852
Revenues from penalties	398,048	276,688	121,360
Recoveries and refunds	1,075,944	1,104,962	-29,018
TOTAL	**8,674,717**	**4,935,595**	**3,739,121**

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, the change in the standard has not had any significant impact on the financial statements.

23) Operating costs

Below is the breakdown of the following operating costs:

Description	Balance at 31 12 2019	Balance at 31 12 2018	Change
Fuels and lubricants	6,700,306	7,224,654	-524,348
Spare parts	2,826,918	2,491,026	335,891
Bags	1,212,695	1,389,773	-177,077
Consumables	2,190,289	2,957,720	-767,431
Chemicals	493,707	336,692	157,015
Other purchases	2,128,545	1,346,952	781,593
Consumption of raw materials and consumables	**15,552,459**	**15,746,817**	**-194,358**
Waste collection	45,434,713	38,946,672	6,488,041
Insurance	3,824,541	3,984,345	-159,803
TIA tariff collection services	1,067,050	1,019,767	47,282
Legal and notarial fees	373,839	702,742	-328,902
Third-party services	2,548,044	2,016,534	531,510
Refund to suppliers of regional waste disposal tax	3,151,672	2,185,728	965,944
Others	10,142,159	7,634,699	2,507,460
Transport, treatment and disposal services	76,857,446	68,732,826	8,124,620
Cleaning and sweeping services	6,608,031	6,396,703	211,327
Operation and cleaning of green areas and historic centres	5,996,263	5,471,721	524,542
Environmental hardship allowance	2,145,903	2,887,527	-741,624
Maintenance	8,519,992	7,228,714	1,291,277
Energy, water and gas utilities	3,883,827	3,711,797	172,030
Rentals and leases payable	4,032,986	3,189,052	843,935
Canteen	1,583,651	1,433,158	150,493
Costs for services	**176,170,116**	**155,541,983**	**20,628,133**
Wages and salaries	66,113,599	60,073,462	6,040,137
Contracted work	8,628,588	11,803,207	-3,174,619
Social security costs	23,197,729	21,386,845	1,810,885
Employee severance pay	4,229,579	3,995,235	234,344
Other personnel costs	2,490,555	2,577,010	-86,455
Personnel costs	**104,660,050**	**99,835,758**	**4,824,292**
Regional disposal tax	1,884	32,811	-30,927
Contingent liabilities	1,075,245	567,035	508,210
Sundry tax and duties	1,211,424	1,316,779	-105,354
Capital losses	768,890	121,309	647,581
Others	999,590	915,009	84,581

Other operating costs	**4,057,034**	**2,952,943**	**1,104,091**

The fees paid to directors and statutory auditors amounted to Euro 119,220 and Euro 37,445 respectively.

As regards the breakdown of the average number of employees at 31 December 2019, 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 2019	Balance at 31 12 2018	Change
Amortisation of intangible assets	*231,386*	*634,861*	*- 403,475*
Depreciation of property, plant and equipment	*2,524,109*	*2,098,671*	*425,438*
Amortisation of concession rights	*12,483,633*	*14,130,754*	*- 1,647,121*
Subtotal of amortisation and depreciation	15,239,128	16,864,286	-1,625,158
Provisions for risks	510,581	343,776	166,805
Provisions for Post-closure period of landfills	197,387	- 54,230	251,617
TOTAL	**15,947,096**	**17,153,832**	**- 1,206,736**

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

This item is broken down as follows:

Description	Balance at 31 12 2019	Balance at 31 12 2018	Change
Accrual to Provision for bad debts	519,001	361,385	157,616
TOTAL	**519,001**	**361,385**	**157,616**

25) Financial operations

Share of profits/losses of Joint Ventures and associates

The balance at 31 December 2019 came to Euro 200,787 and consists of the impact through profit or loss relating to revaluations and write-downs of equity investments in equity-accounted associates.

Financial income

The table below shows the breakdown of financial income:

Description	Balance at 31 12 2019	Balance at 31 12 2018	Change
Income from equity investments in other companies	3	3	0
Other interest income from receivables	271,572	335,820	-64,248
Interest income from current bank accounts	543,766	485,480	58,286
Financial income from discounting of provisions for post-closure period of landfills	12,512	365,630	-353,118
Interest income from subsidiaries	20,224	4,642	15,582
Income other than the foregoing		1,200	-1,200
TOTAL	**848,078**	**1,192,775**	**-344,698**

Financial costs

The table below shows the breakdown of financial costs:

Description	Balance at 31 12 2019	Balance at 31 12 2018	Change
Interest on loans	474,555	754,352	-279,797
Interest expense on Bond	1,423,810	1,421,709	2,101
Default interest expense	4,458	8,582	-4,124
Interest expense on current bank accounts	19,436	22,183	-2,747
Financial costs on discounting of provisions for post-closure period of landfills	481,122	0	481,122
Interest expense on Employee Severance Pay	237,557	273,829	-36,272
Other interest expense	46,725	36,795	9,930
TOTAL	**2,687,662**	**2,517,450**	**170,212**

26) Taxation

Below is a reconciliation of difference between production value and costs and IRAP taxable income; the rate was 5.12% in 2019 and remained unchanged compared to 2018:

Difference between production value and costs	106,852,102
Increases due to revenues	
Decreases due to revenues	2,663,845
Increases due to costs	1,261,052
Decreases due to costs	96,371,366

Taxable income	9,077,942
IRAP tax rate	5.12%
Accrued IRAP tax	464,791

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

Profit (loss) before tax	-673,716
Increases	7,753,255
Decreases	17,498,304
Tax losses	
Taxable income	-10,418,865
IRES tax rate	24%
Accrued IRES tax	

The calculation of the tax rate for 2019 is shown below:

Accrued IRES tax	-325,060
Accrued IRAP tax	598,104
Change in deferred tax	-866,193
Accrued tax	-593,149
Income before tax	-673,716

6) OTHER INFORMATION

Below is reported the Company's net financial position compared to that at 31 December 2018.

Net financial position	**Note**	**31/12/2019**	**31/12/2018**
Non-current bonds	16	-49,749,098	-49,672,287
Non-current bank loans	16	-10,630,373	-19,062,190
Total non-current financial debt		**-60,379,471**	**-68,734,477**
Current bank loans	19	-31,019,297	-24,943,978
Cash and cash equivalents	11	85,910,558	126,474,524
Total net financial debt		**-5,488,210**	**32,796,069**

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 20,630, relating to the limited audit of the Disclosure of Non-financial Information of the Parent Company.

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, as supplemented, from 2013, by the TARES (*Tassa Rifiuti e Servizi*, Waste and Services Tax)/TARI (*Tassa sui Rifiuti*, Waste Tax) legislation. The 2019 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	**15,147**	**0**	**5**	**81,902**	**514**
MUNICIPALITY OF FLORENCE	15,147		5	81,902	514
EURO*1,000	**RECEIVABLES**	**NON-CURRENT FINANCIAL ASSETS**	**PAYABLES**	**REVENUES**	**COSTS**
MUNICIPALITIES	**38,513**	**0**	**2,564**	**183,049**	**2,805**
MUNICIPALITY OF SIGNA	556		0	3,294	0
MUNICIPALITY OF SESTO FIORENTINO	1,416		616	8,515	262
MUNICIPALITY OF SCANDICCI	1,105			8,158	3
MUNICIPALITY OF CALENZANO	1,118			4,024	0
MUNICIPALITY OF BAGNO A RIPOLI	866		0	4,437	2
MUNICIPALITY OF CAMPI BISENZIO	1,719		438	8,068	178
MUNICIPALITY OF SAN CASCIANO VAL DI PESA	425		0	3,207	18
MUNICIPALITY OF IMPRUNETA	1,112		0	2,407	0
MUNICIPALITY OF GREVE IN CHIANTI	483		0	3,053	14
MUNICIPALITY OF FIESOLE	318		0	2,625	0
MUNICIPALITY OF BARBERINO VAL D'ELSA	111		0	0	0
MUNICIPALITY OF FIGLINE E INCISA			1	4,756	41

VALDARNO	626				
MUNICIPALITY OF SCARPERIA E SAN PIERO	238		0	2,294	0
MUNICIPALITY OF LASTRA A SIGNA	507		0	3,027	0
MUNICIPALITY OF EMPOLI	1,529			7,974	88
MUNICIPALITY OF VINCI	430		0	2,093	9
MUNICIPALITY OF MONTELUPO FIORENTINO	504		0	2,118	13
MUNICIPALITY OF CASTELFIORENTINO	399		0	2,240	31
MUNICIPALITY OF CERRETO GUIDI	856			1,444	3
MUNICIPALITY OF GAMBASSI TERME	176		0	762	0
MUNICIPALITY OF MONTAIONE	139		4	805	0
MUNICIPALITY OF BORGO SAN LORENZO	459		77	3,190	139
MUNICIPALITY OF CAPRAIA E LIMITE	152		0	864	0
MUNICIPALITY OF VICCHIO	1,592		0	1,187	0
MUNICIPALITY OF FUCECCHIO	679			2,939	21
MUNICIPALITY OF MASSA E COZZILE	262		0	1,275	0
MUNICIPALITY OF BARBERINO DI MUGELLO	395		0	2,121	0
MUNICIPALITY OF MONTESPERTOLI	392		172	2,031	1,090
MUNICIPALITY OF PONTE BUGGIANESE	867		0	1,450	0
MUNICIPALITY OF CERTALDO	572		18	2,130	14
MUNICIPALITY OF LARCIANO	133		0	852	0
MUNICIPALITY OF MONSUMMANO TERME	281		0	2,430	7
MUNICIPALITY OF VAGLIA	65		0	741	0
MUNICIPALITY OF PISTOIA	4,526		344	15,673	389
MUNICIPALITY OF SERRAVALLE PISTOIESE	157		0	1,293	0
MUNICIPALITY OF CHIESINA UZZANESE	81		0	664	0
MUNICIPALITY OF AGLIANA	403		0	2,999	0
MUNICIPALITY OF QUARRATA	622		0	4,813	2
MUNICIPALITY OF MONTALE	299		0	1,972	6

MUNICIPALITY OF BUGGIANO	1,506		0	1,437	0
MUNICIPALITY OF CANTAGALLO	144		7	443	0
MUNICIPALITY OF CARMIGNANO	140		0	1,925	0
MUNICIPALITY OF MONTEMURLO	890			3,746	0
MUNICIPALITY OF POGGIO A CAIANO	3,246		0	1,553	0
MUNICIPALITY OF PRATO	2,362		876	30,194	466
MUNICIPALITY OF VAIANO	110		4	1,335	6
MUNICIPALITY OF VERNIO	58		0	849	0
MUNICIPALITY OF ABETONE CUTIGLIANO	212		0	709	0
MUNICIPALITY OF MARLIANA	20		0	515	0
MUNICIPALITY OF MONTECATINI TERME	729		0	5,406	0
MUNICIPALITY OF PIEVE A NIEVOLE	412		0	1,207	3
MUNICIPALITY OF PESCIA	1,356		0	3,480	0
MUNICIPALITY OF RIGNANO SULL'ARNO	231		0	1,425	0
MUNICIPALITY OF SAMBUCA PISTOIESE	28		0	222	0
MUNICIPALITY OF SAN MARCELLO PITEGLIO	144		0	1,406	0
MUNICIPALITY OF UZZANO	78		0	815	0
MUNICIPALITY OF BARBERINO TAVARNELLE	277		0	2,447	0
MUNICIPALITY OF LAMPORECCHIO			7	10	0

EURO*1,000	RECEIVABLES	NON-CURRENT FINANCIAL ASSETS	PAYABLES	REVENUES	COSTS
Controlled by Parent Companies	**20**	**0**	**2**	**38**	**25**
Marcafir S.c.p.A.	0	0	0	0	0
S.A.S. S.p.A.	0	0	2	1	7
Firenze Parcheggi S.p.A.	19	0	0	32	13
Casa S.p.A.	0	0	0	2	0
ATAF S.p.A.	0	0	0	0	0
Silfi S.p.A.	1	0	0	3	5

EURO*1,000	RECEIVABLES	NON-CURRENT FINANCIAL ASSETS	PAYABLES	REVENUES	COSTS
Subsidiaries:	**11,811**	**4,117**	**14,932**	**14,911**	**21,182**
Programma Ambiente S.p.A.	1,036	3,417	429	109	847
Q. Thermo S.r.l.	4	0	-	7	0
Revet S.p.A.	10,134		14,425	14,150	20,322
IRMEL S.r.l.	0	0	7	0	13
Programma Ambiente Apuane S.p.A.	637	700	71	645	0

EURO*1,000	RECEIVABLES	NON-CURRENT FINANCIAL ASSETS	PAYABLES	REVENUES	COSTS
Associates	**118**	**200**	**170**	**66**	**746**
Q.Energia S.r.l.	49		38	63	0
REAL	0	0	0	0	0
METALCARTA	0	0	53	0	286
VALDISIEVE	0	0	0	0	0
VETRO REVET	0	0	0	0	0
Al.Be S.r.l.	0	0	0	0	0
Valcofert S.r.l.	2	200	79	3	460
SEA Risorse S.p.A.	67	0	0	0	0

EURO*1,000	RECEIVABLES	NON-CURRENT FINANCIAL ASSETS	PAYABLES	REVENUES	COSTS
Related parties	**4**	**0**	**1866**	**8**	**3,023**
Le Soluzioni S.c.r.l.	4		1,866	8	3,023

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.

(In Euro units)	**Financial assets / liabilities measured at fair value**	**Assets measured at amortised cost**	**Liabilities measured at amortised cost**	**Total**
CURRENT ASSETS				
Trade receivables		93,246,569		93,246,569
Other current assets		5,323,640		5,323,640
Cash and cash equivalents		85,910,558		85,910,558
NON-CURRENT ASSETS				
Non-current financial assets		4,246,041		4,246,041
Equity investments in other companies		114,326		114,326
CURRENT LIABILITIES				
Current financial liabilities			31,019,297	31,019,297
Trade payables			74,482,863	74,482,863
Other current liabilities			15,258,106	15,258,106
NON-CURRENT LIABILITIES				
Non-current financial liabilities			60,379,471	60,379,471
Non-current trade payables			5,900,000	5,900,000
Other non-current liabilities			6,748,232	6,748,232

It should be noted that there were no financial instruments measured at fair value at 31 December 2019. 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.
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	31,019,297	60,379,471		91,398,769
Trade payables	74,482,863	5,900,000		80,382,863
Other payables	15,258,106	2,997,487	3,750,745	22,006,338
Total	**120,760,267**	**69,276,958**	**3,750,745**	**193,787,970**

At 31 December 2019, "cash and cash equivalents" amounted to Euro 85,911 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 putting a strain 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 a reduction in revenues from 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.

Furthermore, it should be noted that the Company claimed the following credit lines subject to revocation: Euro 61,662 thousand (used for Euro 21,900) at 31 December 2019 and Euro 59,762 thousand (used for Euro 28,000) at 30 April 2020.

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 entails 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 aching 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 **11,956** thousand issued by Reale Mutua Assicurazioni on 27 July 2017 and supplemented for Euro 319 thousand in May 2019, for a total value of Euro **12,275** thousand for the period from 30 August 2017 to 30 August 2020;

2) bank guarantees as shown in the table below:

Bank	Type of Guarantee	Nominal Guarantee Amount (amounts in thousands of Euros) 2019
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

(*) with reference to the guarantee given in favour of Q.THERMO S.p.A. it should be noted that it is subject to a 40% indemnity on the enforcement risk held by HERA S.p.A.

3) sureties of Euro 49,847 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 litigation

Disputes with a probable risk of losing the case:

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 120,319.00 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 latter, as advised by its legal counsel, did not challenge the judgment, which thus became final. 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 695,690.00 on a prudential basis.

VAT on TIA tariff
The provision of Euro 25,000.00 is confirmed for disputes pending with some users for the refund of VAT on the TIA tariff, given the recent case law guidelines.

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 250,000.00 in 2019 too.

Labour litigation
The proceedings with the two employees, already reported in 2017, are still ongoing: therefore, it is considered appropriate to confirm the provision totalling Euro 5,500.00.
The disputes with four workers employed by one of our contractors who claim the salaries related to our contract, which are unpaid, by virtue of joint and several liability of Alia, which were reported in 2018, are still ongoing. It is considered appropriate to confirm that it is necessary to set aside the sums requested for a total of Euro 13,371.62.

Breach of contract
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 1,900.00 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 6,027.65 has been set aside.

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 many of the plants used by Alia continued during 2019 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): hence the vast "catalogue" of offences alleged to have been committed with separate acts (but all falling within the same proceedings). No significant developments emerged during 2019. Preliminary investigations have been completed but we are waiting for the notice referred to in Article 415-*bis* of the Italian Code of Civil Procedure.

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. The final decision on the action for review before the Council of State should be handed down in 2020. As reported above, Alia acquired 100% of the capital of Q.tHermo from 27 February 2020; the company will proceed with the development of activities complementary to the Concession.

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 300,000.00 in favour of Mr Bennardo's heirs. During the course of the year, the Company, together with its broker and an appointed legal counsel, actively endeavoured to cause Generali to pay damages to the aggrieved parties in the civil action and to INAIL (Italian Institute for Insurance against Accidents at Work) on the basis of the policy taken out by CIS at the time. Initially, insurance cover was denied because the accident was considered to have resulted from a work contract between CIS and Mr. Bennardo. Since it clearly emerges from the grounds for the judgment that in no way the activity Mr Bennardo was carrying out at the time of the fatal accident was connected with a work contract, 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, it is considered that the provision should be maintained from which to pay such expenses as Alia should incur.

Significant events after the reporting period

A factor of macroeconomic instability had emerged at the reporting date of these financial statements, which related to the spread of Covid 19 (hereinafter "Coronavirus").

In application of IAS 10 "Events After the Reporting Period", this event does not entail adjustments to the balance in the financial statements, because although the Coronavirus pandemic occurred in the People's Republic of China close to the reporting date of the financial statements, it was only from the end of January 2020 that the World Health Organization declared the existence of an international emergency; again from the end of January 2020, cases were also diagnosed in other countries, thus leading to the adoption of specific containment measures both in China and in other countries, including Italy. In our country, these measures became more stringent since the beginning of March 2020, initially involving some areas in the north and gradually also the rest of Italy: by a Prime Minister’s decree of 11 March 2020, all catering activities and all shops were closed throughout the country, except for shops for basic necessities or personal services. Given the subsequent provisions implemented by the government, activities were resumed gradually from 3 May 2020, in a manner still to be defined.

The operation of environmental hygiene services by the Company has not reported any discontinuance since the services performed under concession fall within the scope of essential services and for this reason have not been subject to any restrictive measures.

At present, however, there is uncertainty about the duration and geographical expansion of this epidemic, as well as the consequent impact that this scenario will have on the Company’s results of operations; however, also given the gradual resumption of production and business activities, no significant effects are expected on the results of Alia and of the Group for the 2020 financial year.

As from March 2020, the directors took a number of actions to face the national health emergency by preparing an operational plan and taking all precautions required at national level, thus ensuring the Company's full operation. Where possible, resort was made to smart working, an extraordinary holiday scheme and the adoption of operational changes to ensure that contacts between people were kept to a minimum.

Sweeping and collection operations were reorganised, while also delivering sanitisation services; bulky waste collection operations were discontinued and all offices were temporarily closed to the public. Personnel, on a rotating basis, was put on schemes for holidays, while preliminary benefitting from untaken leave from previous years, and wage support (FIS, *Fondo Integrativo Salariale*, Supplementary Wage Fund), as provided for in the Prime Minister's Decree of 23 March 2020.

At present, after having made the necessary evaluations on the basis of the information to hand, it is not possible to determine with a sufficient degree of reliability any impact that might affect the Company's performance, the economy and the target sector in the coming months - hoping that this emergency may be overcome definitively following the containment measures adopted by the governments, the competent authorities, the central banks of the countries affected by the spread of the virus, while taking account of the economic interventions in support of households, workers and businesses. It is considered that, given the countermeasures developed by our management, this circumstance does not constitute an impact on the Management's estimation process with reference to the financial statements at 31 December 2019, nor a factor of uncertainty on the Company's ability to continue to operate as a going concern.

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
MUNICIPALITY OF PRATO	LINE 6 PROJECT	09/04/2019	9,826.92 €
FLORENCE CHAMBER OF COMMERCE	CHAMBER OF COMMERCE GRANT FOR DUAL TRAINING (WORK-SCHOOL)	18/04/2019	2,878.00 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	31/01/2019	28,835.33 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	28/02/2019	19,880.40 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	01/04/2019	13,624.02 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	30/04/2019	61,695.74 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	31/05/2019	13,624.02 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	01/07/2019	17,432.37 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	31/07/2019	17,432.37 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	02/09/2019	17,432.37 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	30/09/2019	17,420.79 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	31/10/2019	17,420.79 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	02/12/2019	17,420.79 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	31/12/2019	14,635.37 €
GESTORE SERVIZI ENERGETICI	GRIN (Incentive Payment Management) AGREEMENT_000479	29/03/2019	67,754.00 €
GESTORE SERVIZI ENERGETICI	GRIN (Incentive Payment Management) AGREEMENT_000479	31/10/2019	20,356.00 €
GESTORE SERVIZI ENERGETICI	GRIN (Incentive Payment Management) AGREEMENT_000479	29/11/2019	21,328.00 €

GESTORE SERVIZI ENERGETICI	GRIN (Incentive Payment Management) AGREEMENT_000479	31/12/2019	23,042.00 €
GESTORE SERVIZI ENERGETICI	GRIN (Incentive Payment Management) AGREEMENT_000479	28/06/2020	77,797.00 €
GESTORE SERVIZI ENERGETICI	GRIN (Incentive Payment Management) AGREEMENT_000479	30/09/2020	153,225.00 €
GESTORE SERVIZI ENERGETICI	GREEN CERTIFICATES - GRIN (Incentive Payment Management) AGREEMENT __001662 (2016)	29/03/2019	94,558.00 €
ATO TOSCANA	GRANT - 2018	12/03/2019	320,000.00 €
ATO TOSCANA	GRANT - 2018	12/03/2019	480,000.00 €
ATO TOSCANA	GRANT	18/09/2019	1,082,592.33 €
TOTAL			**2,610,211.63 €**

Allocation of profit for the year
Dear Shareholders, we invite you to approve your Company's financial statements at 31 December 2019 and to cover the loss for the year equal to Euro 80,567 by using the extraordinary reserve.

Authorisation for publication
This document was published on 1 July 2020 upon authorisation by the Chairman and Chief Executive Officer.

For the Board of Directors
The Chairman
Paolo Regini

The Chief Executive Officer
Alessia Scappini

Certification of the Financial Statements under Article 81-*ter* of CONSOB regulation 11971 of 14 May 1999, as amended and supplemented

1. We, the undersigned Alessia Scappini in her capacity as Chief Executive Officer and Gustavo Giani in his capacity as Financial Reporting Manager of Alia Servizi Ambientali S.p.A. hereby certify, also taking account of the provisions of Article 154-*bis*, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998:
    - adequacy in relation to the characteristics of the business (also taking account of any possible changes that occurred during the year) and
    - actual application of administrative and accounting procedures for the preparation of the financial statements at 31 December 2019.
2. No significant issues are reported in this regard.
3. Furthermore, it is certified that the financial statements:
    a) have been prepared in accordance with the applicable International Accounting Standards acknowledged by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
    b) correspond to the results in the accounting books and records;
    c) are suitable to give a true and fair view of the financial position, results of operations and cash flows of the issuer, together with a description of the main risks and uncertainties to which they are exposed.

Date:9 June 2020

Delegated Governing Body

Alessia Scappini

Financial Reporting Manager

Gustavo Giani

Independent Auditor's Report on the Separate Financial Statements

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 2019, 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 2019, 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.

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 2019: 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 2019 amounted to Euro 23.6 million, which represented 5.8% 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. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

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 2019, 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. 58/98, with the financial statements of Alia Servizi Ambientali SpA as of 31 December 2019 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 2019 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. 39/10, 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, 12 June 2020

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