



CONSOLIDATED FINANCIAL STATEMENTS 2020

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Corporate Bodies

Board of Directors (1)

Chairman Nicola Ciolini (2)
Vice Chairman Claudio Toni (3)
Chief Executive Officer Alberto Irace(4)
Director Francesca Vignolini (5)
Director Vanessa De Feo (6)

Board of Statutory Auditors (7)

Chairman Stefano Pozzoli
Standing auditor Silvia Bocci
Standing auditor Gabriele Turelli
Alternate auditor Antonella Giovannetti
Alternate auditor Fausto Antonio Gonfiantini

Financial Reporting Manager

Francesco Natali

Independent Auditors

PricewaterhouseCoopers S.p.A. (8)

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

Notice of call of the Ordinary Shareholders' Meeting

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

Agenda:

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

The Chairman of the Board of Directors
Nicola Ciolini

Alia Servizi Ambientali S.p.A.

Registered office: Florence, Via Baccio da Montelupo 52

Share Capital: Euro 85,376,852.00 fully paid-up

Tax Code No. 04855090488

Florence Register of Companies No. 04855090488

Florence Economic and Administrative Register (REA) No. 491894

Report on Operations

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2020

INTRODUCTION

The financial year ended 31 December 2020, the third period of managing the concession of ATO Toscana Centro [Integrated Municipal Waste Management Authority], hereinafter also referred to as “ATO TC”, was a challenging one for the Alia Servizi Ambientali Group (hereinafter also referred to as the Alia Group) on 3 fronts: strengthening the transformation of services that had already been started in 2019, the pandemic variable that led to developing the new collection service from Covid-positive users and related sanitisation operations, the replanning of the development strategies for the period from 2021 to 2030.

The new industrial policy of Alia is based on a vision of **growth**, totally focused on the **maximum exploitation of waste**; substantial investments have been made in increasing the collection of sorted

waste, both in qualitative and quantitative terms, by means of systems increasingly directed at making users assume responsibility and a new method of automated collection on one hand, and the creation of chains of permanent industrial recycling plants in which to place all the waste collected.

The new industrial model considers the construction of industrial recycling chains as being open to high level business partnerships that would take the place of the purely commercial pattern of placing waste with external industrial concerns which, as we have seen over the years, have not managed to provide us with the certainty that our waste would be received, in addition to imposing continual increases in costs on us. According to the objectives in the Plan, the “Municipal Waste Circular Economy Plan” will be fulfilled when the recycling objectives for 2025 are attained in advance of the term set out by the Circular Economy Package objectives (EU Directive of 30 May 2018).

The main activities carried out in 2020, which were aimed at putting Alia's industrial policy into practice, were as follows:

- Developing a “**smart**” platform that traces user behaviour for all the fractions disposed of in street bins and in the entire network of collection systems, in order to make the population more responsible, raise the quality and quantity of waste sorting and introduce reward tariffs for users. *The first prototypes were already positioned in February 2020; the purchase of the first 7,000 items was in progress in April 2021.*
- Boosting the “**glass chain**” through the new company - Vetro Revet - in partnership with the Zignago Group, the leading Italian player in glass production, +1.5% of tons recycled *in 2020, more than 113,000 tons sent for recycling.*
- Expanding the “**biomethane chain**”, which processes organic waste, by building biodigesters at Montespertoli, the biggest for this technology in Italy, and Peccioli for the new company Albe S.r.l. established with Belvedere S.p.A.. With these Alia will become self-sufficient and recycle a part of waste from Coastal Tuscany, producing quality compost (biofertilisers) and biomethane for transport for almost 20 million cubic meters per year, while continuing with the conversion of the biomethane waste collection fleet. *These projects already obtained the Integrated Environmental*

Authorisation [AIA, Autorizzazione Integrata Ambientale] by Decree 17031 of 23 October 2020; the work site is operational and the plant is expected to enter into service in 2022.

- Boosting the “**plastic granule chain**”, upgrading the Pontedera plant of Revet S.p.A. in terms of quantity and quality (Tuscany area) and building an industrial plant for the production of recycled mixed plastic granules to replace the production of virgin materials, which is also thanks to the partnership with the Montello S.p.A. group, a major industrial operator in the sector. *The enlargement of the Pontedera plant is in progress, with a business plan started in 2019, which will be completed in 2021.*
- Creating the “**paper chain**”, by establishing ReAl with the Benfante/ReLife group, a major industrial operator in the sector. *In 2020, ReAL completed the merger by incorporation into Metalcarta S.r.l., a company which owns a sorting platform located in the Municipal district of Empoli, is already authorised to treat various types of waste and was acquired at the end of 2019.*
- Creating the “**bulky and textile waste chain**”, implementing the platform at Ferrale in the Municipal district of Florence. *The authorisation to manage waste at the plant site is in the process of being issued.*

Finally, it should be noted that the launch of a bond issue listed on financial markets (EUROBOND 50 €/Mil - on the Irish Stock Exchange in Dublin - Republic of Ireland) in 2017 qualified the Parent Company as a PIE [Public Interest Entity] under Article 16 of Legislative Decree 39/2010, as amended and supplemented), thus submitting it to compliance with all the provisions laid down in the relevant regulatory framework for the new subjective legal status.

In accounting terms, the Parent Company adopted the International accounting standards (IFRS) with effect from the financial statements at 31 December 2017 and prepares the Consolidated Financial Statements.

The financial data set out and commented on below have been prepared on the basis of the Consolidated Financial Statements at 31 December 2020 to which reference should be made, since, in accordance with current legislation, it has been considered more appropriate to prepare a single report on operations and

therefore to provide an analysis of the economic and financial performance that is regarded as more significant, which indeed consists of consolidated data.

CONSOLIDATION AREA AND METHODS

Below are the equity investments held directly and indirectly by Parent Company Alia S.p.A.:

SUBSIDIARIES	PROGRAMMA AMBIENTE S.p.A.	100.00%
	PROGRAMMA AMBIENTE APUANE S.p.A.	100.00%
	Q.THERMO S.r.l.	100.00%
	Q.ENERGIA S.r.l.	100.00%
	REJET S.p.A.	51.00%
ASSOCIATES / JOINT VENTURES	ALBE S.r.l.	50.00%
	VALCOFERT S.r.l.	46.50%
	IRMEL S.r.l.	36.00%
	SEA RISORSE S.p.A.	24.00%
	REAL S.r.l.	50.10%
	Valdisieve S.C.a.R.L.	25.00%
	Vetro Rejet S.r.l.	25.00%
OTHER EQUITY INVESTMENTS	LESOLUZIONI S.C.A.R.L.	18.69%
	TIFORMA S.C.R.L.	0.50%
	PROGETTO ACQUE S.p.A.	0.42%
	VAIANO DEPUR S.p.A.	0.50%
	C.E.T. s.c.r.l. (CONSORZIO ENERGIA TOSCANA)	1.51%
	Arzano Multiservizi S.p.A. in Liquidation	13.00%
	HELENA PAESTUM S.p.A. in Liquidation	10.00%
	Consorzio Italiano Compostatori	5.28%
	Ente Cambiano S.p.A.	0.01%
	CHIANTI BANCA S.c. a r.l.	0.02%

The Alia Group consolidates the following operating companies on a line-by-line basis in these financial statements:

- (i) Revet S.p.A is the company that owns the industrial hub for the recycling of plastics, glass, aluminium, tinplate and poly laminate materials of the Tuscany region and its purpose is to maximise the value of these materials to the benefit of the person delivering the waste, i.e. the informed citizen. It is a Hub of materials ready to be reused in the industrial chains that possibly operate in the region.
- (ii) Programma Ambiente S.p.A. is active in the special waste management sector and in particular in collecting and sending waste generated from firms operating in the manufacturing sector in the district of Prato for recovery and disposal, as well as in sending non-recoverable soil waste and asbestos cement for disposal;
- (iii) Programma Ambiente Apuane S.p.A., which is indirectly controlled through Programma Ambiente S.p.A., operates a landfill for non-hazardous inert waste and asbestos cement products;
- (iv) Q.Energia S.r.l., a wholly-owned company that is responsible for the management of biogas produced by the landfill at Certaldo, for its transformation into electricity. After the repurchase of the quota held by the former industrial partner Certaldo Energia and the acquisition of full control, the process was started for it to be incorporated into Alia with the approval of the merger Plan on the part of the respective Boards of Directors on 28 September 2020;
- (v) Q.THermo S.r.l., a wholly-owned special purpose joint venture established following a public tender for the construction of the Waste-to-energy Plant located in Case Passerini in the Municipal district of Sesto Fiorentino. Following the cancellation of the Single Environmental Authorisation [AUA, *Autorizzazione Unica Ambientale*] and the subsequent Regional Government's Resolution rejecting the application for a new procedure on environmental mitigation, a settlement agreement was signed with the Hera Group on 27 February 2020; the agreement provides for the repurchase of 40% of the value of the investment and therefore the acquisition of full control over the company in question. Subsequently the

process was started for the incorporation into Alia with the approval of the Merger Plan on the part of the respective Boards of Directors on 28 September 2020.

The associates and joint ventures reported below have been consolidated according to the equity method:

- (i) AL.BE S.r.l.: this company was established between Alia S.p.A. (50%) and Belvedere S.p.A. (50%) in 2018 for the design, construction and operation of an anaerobic digestion plant with the production of biomethane for the treatment of organic and green fractions at the Legoli plant site in the Municipal district of Peccioli.
- (ii) Valcofert S.r.l.: operates in the sector of products for soil and agriculture. It is engaged in the production and sale of soil improvers, fertilizers and compost in general, deriving from organic matrices coming from waste sorting.
- (iii) Irmel S.r.l.: the company, which is 36% associated, operates in the recovery and recycling of waste from building demolition.
- (iv) SEA Risorse S.p.A.: operates in the waste sector. Its business includes the collection and transport of sorted waste, the operation of waste-to-energy plants, the recovery of industrial waste and the maintenance of public green areas.
- (v) REAL S.r.l.: was established in a 49.90% partnership with RELIFE S.p.A. on 4 November 2019. The company's purpose is exploiting waste paper and cellulose packaging for recycling in paper mills.
- (vi) Valdisieve Società Consortile: the 25% quota is held directly by Alia Servizi Ambientali S.p.A.. It is a holding company controlling entities operating in the waste sector.
- (vii) Vetro Revet S.r.l.: this is an associated company that is 49% directly owned by Revet S.p.A.. It operates in the sorting and transformation of glass so that it can result as a raw material for the glassware recycling chain.

For consolidation purposes, we have used the subsidiaries' financial statements at 31 December 2020 prepared by their respective Boards of Directors for approval on the part of the Shareholders' Meeting. The consolidated financial statements at 31 December 2020 show a loss of Euro 5,729,334, after having

recorded a positive tax balance equal to Euro 3,529,943, having considered the positive effect arising from the recognition of Deferred tax assets and liabilities through profit or loss, equal to Euro 3,850,858. It should be noted that the final result differs from the algebraic sum of the results reported by the companies included in the consolidation area as a result of the adoption of the accounting standards that regulate the measurement of equity investments in the preparation of consolidated financial statements. For the breakdowns of the items making up the Balance Sheet and Income Statement in the Group's Consolidated Financial Statements, reference should be made to the specific schedules of the Financial Statements reported in the Explanatory Notes.

LEGAL FRAMEWORK OF THE PARENT COMPANY AND CORPORATE OBLIGATIONS

The qualification of Parent Company Alia S.p.A. as a PIE submits it to compliance with the following rules:

- Consolidated act of the provisions on financial intermediation - Consolidated Finance Act (Legislative Decree 58/1998), with the limitations on the interim reporting obligations laid down in Article 83 of the Issuers' Regulation;
- Provisions relating to the Financial Reporting Manager under Legislative Decree 262/2005;
- Provisions governing disclosures of non-financial information under Legislative Decree 254/2016;
- Provisions of Regulation (EU) No. 596/2014 "Market Abuse Regulation" (MAR) regarding insider trading;
- Compliance with the Transparency Directive (Directive 2013/50/EU) on mandatory disclosures of listed companies.

The Shareholders' Meeting of 24 January 2018 approved an amendment to the Articles of Association regarding a new corporate purpose in accordance with the new legal status of Concessionaire, as well as the appointment of the Financial Reporting Manager in accordance with Legislative Decree 262/2005.

As a result of having been awarded the integrated waste management concession by ATO TC following the competitive tender launched by the granting authority, Alia S.p.A. is to be qualified as a "public service concessionaire", following a competitive tender, pursuant to and for the purposes of the

combined provisions of Article 1, paragraph 2.d and Article 3, paragraph 1.q, of Legislative Decree 50 of 18 April 2016, as it is subject to public disclosure obligations only for "public works [...] that are strictly functional to the operation of the service".

It is worth noting that the following provisions are added to the framework referred to above: (i) in accordance with Section 3 of the Service Contract (SC), the concession term granted to the concessionaire is equal to twenty years, with effect from 31 August 2017, the date of execution of the contract; (ii) the territorial scope of the service concession - as defined in Section 9 of the Service Contract - includes the institutional territory of Municipal Authorities that are not members of Alia S.p.A.; (iii) the articles of association of Alia S.p.A. do not provide for restrictions on holding or maintaining a public shareholding in the share capital; (iv) the mechanism for the remuneration of the Service Contract was changed as from 2020 by including the integrated waste service within the scope of regulation by the Italian Regulatory Authority for Energy, Networks and Environment, ARERA [*Autorità per la Regolazione per Energia Reti e Ambiente*], in particular by enacting the regulations specified at the bottom of these notes; as a result, ATO TC's General Meeting passed resolution 17 of 28 September 2020, concerning the "Full approval of the ARERA Tariff Method for integrated waste management service (WTM, Waste Tariff Method) [MTR, *Metodo Tariffario Rifiuti*] under the concession scheme".

The main measures for the regulation of the integrated waste service are reported below:

RESOLUTION nos. 713/714/715/2018/RIF whereby the regulation of the waste sector by ARERA has begun;

RESOLUTION no. 443/2019, which sets out the new waste tariff method (WTM), valid for the first regulatory period from 2018 to 2021;

RESOLUTION no. 444/2019/R/rif, relating to "provisions on transparency in municipal and similar waste management service";

RESOLUTION 3 MARCH 2020 no. 57/2020/R/RIF: this measure provides, with reference to economic and financial plans and the fees for the integrated waste service, or for each service that constitutes a management activity, for a procedure to be started, aimed at establishing whether the acts, data and documentation submitted in accordance with resolution no. 443/2019/R/rif comply with the regulations;

RESOLUTION no. 362/2020/R/rif concerning the “start of procedures for the preparation of service contract forms for the regulation of relations between granting authorities and operators of the integrated waste management service, including sorted, urban and similar waste, or one of the services that make it up”;

RESOLUTION 24 November 2020 no. 493/2020/R/rif: the measure provides for updates to the WTM (for the purposes of preparing the EFP [Economic and Financial Plan] for 2021), with particular reference to the adjustment to monetary values according to the provisions already laid down in Resolution no. 443/2019/R/rif, as well as to extending some of the rights and powers granted by the Authority by Resolution no. 238/2020/R/RIF until 2021 in order to cope with the COVID-19 epidemiological emergency.

- CONSULTATION DOCUMENT: 72/2021/R/RIF: it describes the initial guidelines that the Authority intends to apply in regulating certain contractual and technical quality issues of the urban waste management service, in order to ensure an adequate quality level of service against the tariff paid (OS 9) for the protection of all categories of users (both domestic and non-domestic).

CONSULTATION DOCUMENT: 196/2021/R/RIF: it describes the preliminary guidance for setting out the waste tariff method for the second regulatory period (WTM -2).

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

The results of operations and financial position are summarised in the operational Consolidated Income Statement and Statement of Financial Position reported below.

It should be noted that the summary income statement figures shown can be easily reconciled with those shown in the schedules of financial statements. As regards alternative performance indicators, Alia reports, within the scope of these Consolidated Financial Statements, the financial data required by IFRS, as well as certain figures derived therefrom, although not required by IFRS (Non-GAAP Measures).

These figures are shown in order to allow a better assessment of the Group's performance of operations

and should not be considered as alternative to those provided for by IFRS. In particular:

- the interim EBIT (Earnings Before Interest and Taxes) coincides with the Operating Result reported in the Income Statement;
- the interim PBT (Profit Before Tax) coincides with the Profit Before Tax reported in the Income Statement;
- for the purposes of a better measurement of the Group's results of operations, the Group has deemed it useful to show some interim results, i.e. "Adjusted EBITDA" and "Adjusted EBIT", in this Report. For more details on the determination of the results in question, reference should be made to the information provided hereinbelow.

The interim EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) or Gross Operating Margin consists of EBIT before depreciation, amortisation and provisions. In general terms, it should be noted that the interim results shown in this report are not defined as accounting measures under IFRS and that, therefore, the criteria used to determine these interim results might not be consistent with those adopted by other companies.

INCOME STATEMENT	(€/mil.)	31/12/2019	31/12/2020	Change Cons.Fin.Stats. 2020 vs 2019	Change (%)
Revenues from sales and services		337.9	336.7	-1.2	-0.4%
Change in inventories of finished products, semi-finished products and work in progress		0.0	-0.3	-0.3	>100%
Other revenues and income		11.5	7.5	-4.0	-34.8%
Consumption of raw materials and consumables		-19.1	-18.1	0.9	-4.9%
Costs for services		-185.3	-181.2	4.1	-2.2%
Labour costs		-116.1	-111.2	4.9	-4.2%
Other operating expenses		-5.2	-4.0	1.2	-23.3%
Capitalised costs		0.1	0.3	0.2	>100%
Adjusted EBITDA(*)		23.9	29.7	5.8	24.4%
Amortisation, depreciation, provisions and write-downs		-20.8	-27.8	-7.0	33.6%
Adjusted EBIT(*)		3.1	1.9	-1.2	<100%
Non-recurring components (*)		0.0	-9.0	-9.0	>100%
EBIT		3.1	-7.1	-10.2	<100%
Write-downs and reinstatements of financial assets and liabilities		0.0	-0.1	-0.1	>100%
Share of profits (losses) of joint ventures and associates		0.1	0.7	0.6	>100%
Financial income		0.8	0.6	-0.3	-33.4%
Financial costs		-3.5	-3.4	0.2	-4.3%
FINANCIAL OPERATIONS		-2.6	-2.2	0.4	-14.7%
PROFIT BEFORE TAX		0.5	-9.3	-9.8	<100%
Taxes		0.9	3.5	2.6	<100%
NET PROFIT/LOSS FOR THE YEAR		1.4	-5.7	-7.1	<100%

(*)Adjusted EBITDA and Adjusted EBIT are obtained by adjusting the above-mentioned interim results, as shown in the Consolidated Income

Statement, by the "non-recurring" components reported in the 2020 financial year by adjustments made to revenues from the application of the ARERA WTM Resolution no. 443/19. In the Consolidated Income Statement these adjustments have been stated among Revenues.

STATEMENT OF FINANCIAL POSITION (€/mil.)	31/12/2019	31/12/2020	Change Cons.Fin.Stats. 2020 vs 2019	Change (%)
Fixed assets	234.5	268.0	33.4	14.3%
Property, plant and equipment	100.5	108.0	7.5	7.5%
Concession assets	127.0	149.1	22.1	100.0%
Intangible assets	1.9	5.5	3.6	186.5%
Goodwill	0.3	0.3	0.0	100.0%
Equity investments and other financial assets	4.9	5.2	0.3	5.6%
Net Working Capital	23.6	14.6	-9.0	<100%
Provisions for Risks and Charges	-34.8	-38.3	-3.5	10.1%
Provision for Employee Severance Pay (TFR)	-19.3	-17.1	2.2	-11.3%
TOTAL NET INVESTED CAPITAL	204.0	227.1	23.1	11.3%
Shareholders' Equity	183.7	176.2	-7.5	-4.1%
Net Financial Position	20.3	50.9	30.6	<100%
TOTAL FUNDING	204.0	227.1	23.1	11.3%

Consolidated Income Statement

During the current financial year Revenues recorded a slight reduction equal to -0.4% (- Euro 1.2 million) compared to 2019; it should be noted that the Parent Company's Revenues from Concession Fees have been measured in accordance with ARERA resolution no. 433/19 RIF. The main effects of the application of the new tariff method [WTM] consist of the reversal of the Economic and Financial Rebalancing components of 2018 and 2019 under Article 22 of the Service Contract, as allocated by ATO TC's General Meeting resolutions no. 4 of 24 February 2019 and no. 5 of 9 June 2020. These effects, which can be associated with the adjustments to 2018 and 2019 revenues, have been reported among revenues as negative "non-recurring" components.

Other revenues and income recorded a decrease of Euro 4.0 million relating to "non-recurring" revenues in financial year 2019.

The most significant changes in operating costs compared to 2019 concerned:

- costs for Consumption of raw materials and consumables, which totalled Euro 18.1 million and

recorded a decrease of Euro 0.9 million, mainly due to a reduction in the Parent Company's fuel consumption for a lower amount of services delivered in local areas during the lockdown period linked to the Covid-19 emergency;

- **Costs for services**, totalling Euro 181.2 million, recorded a decrease of Euro 4.1 million (-2.2%), which was mainly affected by:

- I. lower costs for the treatment of waste to be sent for recycling, amounting to Euro 4.6 million, due in particular to a reduction in the amount of waste in local areas due to the Covid-19 epidemiological emergency;
- II. lower costs for the hire of motor vehicles as a result of their repurchase for ownership, Euro 2.0 million;
- III. higher outsourcing costs for the extension of the door-to-door service, Euro 2.5 million;

- **Labour costs**, equal to Euro 111.2 million, recorded a decrease of Euro 4.9 million (-4.2%) mainly due to the use of the Supplementary Wage Fund [*Fondo di Integrazione Salariale*, FIS], a reduction in overtime, a reduction in premiums paid by INAIL [Italian Institute for Insurance against Accidents at Work] for a lower number of accidents and the use of INPS [Italian Social Security Institute] leave applied during the periods of lockdown following the outbreak of the Covid-19 pandemic;

- **Other operating expenses**, amounting to Euro 4.0 million, recorded a decrease of Euro 1.2 million, due to "non-recurring" cost elements, (in particular due to the failure to recognise the capital loss linked to the decommissioning of the former gasification plant at Testi);

Adjusted EBITDA, equal to Euro 29.7 million, recorded an increase of Euro 5.8 million (+24%), compared to 2019, as an "adjusted" metric (calculated by excluding from EBITDA reported in the Consolidated Income Statement, any "non-recurring" components arising from adjustments made to revenues from the application of the ARERA WTM Resolution no. 443/19).

Amortisation, depreciation, provisions and write-downs, totalling Euro 27.8 million, recorded an increase of Euro 7.0 million in consideration both of the greater volume of capitalisation that can be amortised and depreciated as a result of the investments made, and of higher costs due to a considerable reduction in interest rates for discounting-back the outlays expected for the post-closure operation of

company-owned landfills. This item also includes the write-down of the assets of subsidiary Q.tHermo S.r.l. for an amount of approximately Euro 3.0 million as a result of the settlement agreement signed with the HERA Group on 27 February 2020.

The share of **Profits/losses of joint ventures and associates** recorded a balance of Euro 0.7 million in 2020, showing an increase of Euro 0.6 million, due in particular to including, in the perimeter of associates, Irmel which had been consolidated on a line-by-line basis in 2019, since it was a subsidiary, as well as to the revaluation of Real as a result of a change in equity recorded in 2020.

Financial income, equal to Euro 0.6 million, mainly consisted of interest income on bank and postal accounts for Euro 0.2 million, as well as of interest income on amounts collected on TIA [*Tariffa di Igiene Ambientale*, Environmental Hygiene Tariff] taxpayer's rolls for Euro 0.1 million and other interest income for Euro 0.3 million. The decrease of Euro 0.3 million recorded compared to 2019 was mainly attributable to a significant decline in liquidity that can be remunerated and a substantial reduction in the level of remuneration of surplus assets.

Financial costs, totalling Euro 3.4 million, included interest on the bond issue for Euro 1.4 million and interest expense on loans and short-term facilities (hot money) for Euro 0.7 million, interest expense arising from actuarial valuations relating to the Bond, Provisions for post-closure operation of landfills and Employee Severance Pay [TFR, *Trattamento di Fine Rapporto*] (Euro 1.1million), interest expense on leases for Euro 0.1 million, in addition to other interest expense for Euro 0.1 million. There was an overall decrease of Euro 0.2 million compared to 2019.

In 2020 **Taxes** reported a positive balance of Euro 3.5 million, which was mainly due to the recognition of the release of deferred tax liabilities (as a result of the realignment between tax and accounting values of some assets of subsidiary Revet) and the recognition of deferred tax assets on the Parent Company's tax losses.

The result for the period showed a loss equal to -Euro 5.7 million, down by Euro 7.1 million compared to 2019.

Consolidated Statement of Financial Position

Fixed assets, equal to Euro 268 million, recorded an increase of Euro 33.4 million (+14.3%) as a result of

new investments. This item includes the separate measurement of the contract **Concession Asset** for Euro 149.1 million, which increased by Euro 22.1 million between 2019 and 2020. This aggregate consists of the set of capital goods necessary to operate the Concession service, which must all be returned to the granting authority when it expires, according to the terms and conditions laid down in Section 13 of the Service Contract.

Net Working Capital recorded a decrease of Euro 9.0 million, due on the one hand to an increase in Trade Receivables (+Euro 7.3 million) and on the other hand to an increase in Trade Payables for Euro 16.3 million.

Provisions for Risks and Charges recorded an increase of Euro 3.5 million, due in particular to higher accruals to provisions for charges for the post-closure operation of landfill sites.

Changes in **Shareholders' Equity** were mainly due to the change due to the loss posted for 2020.

Net Financial Position recorded a negative balance between Cash and cash equivalents and Financial Payables for Euro 50.9 million, showing a deterioration of Euro 30.6 million compared to 31 December 2019. The rise in debt was mainly due to a decline in cash flows from operating activities, which were not sufficient to cover the investments made, as well as in general to a slowdown in cash financial inflows brought about by the pandemic.

Below are the economic, equity and financial **ratios**:

		U/M	2019	2020
<i>Solvency ratios</i>				
	<i>calculation method</i>			
Financial solidity ratio	Equity capital/(total liabilities-equity capital)	%	0.67	0.59
Shareholders' equity ratio	Equity/non-current assets	"	0.78	0.66
Coverage of fixed assets with equity and debt	(Equity+payables due after 12 months)/fixed assets	"	1.36	1.18
<i>Liquidity ratios</i>				
Current ratio	Current assets/Short-term liabilities	"	1.55	1.20
Quick ratio	(Current assets-Inventories)/Short-term liabilities	"	1.53	1.17

		U/M	2019	2020
Financial ratios		<i>calculation method</i>		
Cash flow from operating activities	Profit (or loss) + amortization and depreciation + provisions	€/000	22,181	22,023
Average stock turnover	(Closing inventories) * 360 / (consumption of materials)	days	74	80
Average maturity of receivables from tariff	(Trade receivables) * 360 / Revenues	"	114	120
Average maturity of payables to supplies	Payables to suppliers * 360 / (consumption of materials + costs for services + other operating costs)	"	131	169
Working capital cycle	average stock turnover + average maturity of receivables from tariff - average maturity of payables to suppliers	"	57	31

		U/M	2019	2020
Profitability ratios		<i>calculation method</i>		
ROE net profit/equity	Profit (or loss)/ equity	%	0.8%	-3.3%
ROI operating income/invested capital	EBIT / total assets	"	0.7%	-1.5%

		U/M	2019	2020
Productivity ratios		<i>calculation method</i>		
Core business revenues per capita	Revenues / average total employees	€/000	131.99	127.32
Value added per capita	Value added / average total employees	"	54.57	51.00
Cost of labour per capita	(Personnel costs)/ average total employees	"	45.34	43.19
Operating income per capita	EBIT / average total employees	"	1.20	-2.75

The staff cost per head showed a reduction as a result of the Covid-19 emergency (Supplementary Wage Fund, Covid-19 leave).

		U/M	2019	2020
Economic ratios		<i>calculation method</i>		
Cost of sales/revenues	(consumption of materials) / Revenues	%	5.6%	5.4%
Personnel cost/revenues	Personnel costs / Revenues	"	34.3%	33.9%
Operating income/revenues	EBIT / Revenues	"	0.9%	-2.2%
Financial costs/revenues	Financial costs / Revenues	"	1.0%	1.0%
Net profit/revenues	Profit (or loss) / Revenues	"	0.4%	-1.7%
Average number of total employees		no.	2,560	2,574

Income statement and balance sheet highlights of the Parent Company

€/mil.	2019	2020	Change	% Change
REVENUES	317.8	304.9	-12.88	-4%
EBITDA	17.4	12.6	-4.78	-27%
EBIT	1	-6.3	-7.27	-727%
NFP	5.5	31.8	26.27	478%
Profit (loss) for the year	-0.1	-8.3	-8.24	8240%
Comprehensive income (loss)	-0.7	-8.4	-7.68	1096%

The Parent Company's comprehensive income shows a loss of Euro 8.4 million.

DEVELOPMENT ACTIVITIES

The Parent Company Alia S.p.A. carried out the following development activities during the year:

- "SMART CONTAINER DEVELOPMENT PROJECT" for Euro 139,158, relating to the construction of "smart" waste collection equipment, namely equipment fitted with innovative software that records the amount of waste delivered to containers, monitors their condition and transmits all the data gathered.

SHARES OR QUOTAS OF PARENT COMPANIES

It should be noted that the companies included in the Group at 31 December 2020 did not hold any treasury shares, or shares or quotas of parent companies, not even through trust companies or third parties and had not purchased or disposed of such shares or quotas during the year. Alia S.p.A. is

controlled by the local Municipality of Florence.

SIGNIFICANT EVENTS DURING THE 2020 FINANCIAL YEAR

The significant facts, events, decisions for the corporate management are listed below in chronological order:

- **January 2020**: Programma Ambiente Apuane has reinstated the 70% soil, 30% asbestos ratio, which enables, with the permit from the competent authorities, to resume disposing of the asbestos component.
- **27 February 2020**: there was the signature of the deed of purchase of the quotas of Q.Thermos S.r.l. and of the preliminary conditional reconveyance contract, whereby SAT S.r.l. transferred 40% of quotas to Alia. Hera S.p.A., Herambiente S.p.A., SAT S.r.l. and Alia settled all outstanding matters in connection with the transfer, including accounts, on the same date.
- **March 2020**: certain measures were put in place to cope with the Covid-19 health emergency through the preparation of an operational plan in accordance with all the precautions provided for at national and regional level, which ensured the continuation of the business activity, while limiting the delivery of some services in agreement with ATO Toscana Centro.
- **5 March 2020**: the Council of State adjourned the proceedings for a decision in the matter of Q.tHermo's application for a review of the Council of State's own judgment, which had cancelled the Single Authorisation for the Waste-to-Energy Plant at the time.
- **14 July 2020**: Revet S.p.A. completed the procedure to obtain from the Tuscany Regional Government the entire set of authorisations to increase the production capacity of the District Centre [*Centro Comprensoriale*, CC] and Sorting Centre [CSS, *Centro di Selezione Secondario*] plants and their revamping aimed at maximising amounts in sending waste for recycling.
- **28 September 2020**: the General Meeting of ATO Toscana Centro approved the Resolution no.17, whereby it made an amendment to the Service Contract in relation to the method of determining the Concession fee (Articles 20 and 22 of the Service Contract), opting for the

application, as early as from 2020, for the national regulatory system known as ARERA WTM in accordance with Resolution no. 443/19. Following this resolution, talks were started with ATO TC in order to agree on a method of integrating the WTM into the Service Contract that was shared by the parties as far as possible.

- **28 September 2020:** the BoD of Alia S.p.A. passed a resolution on the recapitalisation of the loss incurred by subsidiary Programma Ambiente S.p.A. at 30 June 2020, by converting, on account of capital, the interest-bearing loan expiring on 31 December 2020 for Euro 600 million; at the same time there was the approval of the 2021/2023 Business Plan of the company in question, which provided for conditions of economic and financial equilibrium in the three-year period of reference. At the same session a resolution was passed for the subscription of the capital increase in the Albe JV for Euro 600,000, aimed at acquiring the plots of land on which the anaerobic biodigestion plant had to be built.
- **28 September 2020:** the Boards of Directors of Alia S.p.A., Q.tHermo and Q.Energia approved the plan for the merger of the latter entities by incorporation into the former, with legal and accounting effects as from 1 January 2021; the related meeting resolutions are expected to be passed in order to complete the transaction.
- **5 November 2020:** the Municipal Government of Rosignano Marittimo approved, at a City Council meeting, the transaction providing for Alia S.p.A. to acquire, through a capital increase reserved for it, a quota in the capital of Scapigliato S.r.l., which is wholly owned by the Municipal Government; the extraordinary quotaholders' meeting of Scapigliato S.r.l. is expected to be convened on 24 November for implementing the capital increase.
- **November 2020:** within the general scenario that showed a significant growth in the spread of the Covid-19 epidemic in the areas served, Alia found itself in the position of having to bring its methods of delivering services into line with a number of regulatory measures issued by the Italian, Tuscany Region and Municipal Governments in the field of hygiene and healthcare, with a significant increase in operating costs.
- **11 December 2020:** the General Meeting of ATO TC approved the 2020 EFP, as prepared

according to ARERA resolution no. 443/19 WTM by resolution no. 19.

- **14 December 2020**: the Company filed an appeal, against the following measures, since it considered them as being prejudicial to the economic and financial equilibrium of the concession:
 - ATO TC General Meeting's Resolution no. 17 of 28 September 2020, preliminary to the subsequent resolution applying the WTM:
 - no. 19 of 11 December 2020, "Approval of the validation of the economic and financial plans for 2020".
- **22 December 2020**: the Shareholder's Meeting of Alia S.p.A. renewed the corporate bodies by appointing the new BoD and the new Board of Statutory Auditors.

Collection and Sweeping Services Management

Introduction

During 2020, the process of unification, integration and standardisation of collection and sweeping services continued, which to date is still in progress. The subdivision of the territory into Local Departments, which interact with each other in order to create synergies and improve the system efficiency, has seen close cooperation in the management of services, in the areas on the borders between one local department and another or in the performance of integrated services in order to achieve significant economies of scale.

However, the Sars-CoV-2 coronavirus pandemic has also had substantial effects on the services delivered by Alia. The enactment of the Decrees of the Prime Minister and the subsequent Regional Governments' Orders have modified the operations of economic activities and social habits, while also entailing changes in urban hygiene services. From March to May 2020, to cite a few examples, the collection centres were closed to the public, bulky waste collection was suspended and sweeping services were reduced and partly replaced by sanitation services. Finally, the work of the environmental inspectors and the eco-van

were also suspended.

Collection Service

The collection service was the object of a vast and complex redesign aimed at the full implementation of the projects covered by the collection and sweeping service Concession.

The type of collection adopted depends on the characteristics of the local area but among its main objectives are always an increase in sorted waste and an improvement in its quality. According to these particular characteristics, one of the four standard collection procedures or a combination of these procedures (hybrid models) can be chosen: door-to-door collection, collection from bins in close proximity to the street, collection from underground containers or collection from street bins fitted with volumetric control systems.

Waste collection performance

During 2020, the services delivered under the Concession agreement in 58 municipal districts produced a total of 834,784 tons of waste, with waste sorting of 66%. Among the most important recovery chains subject to subsequent exploitation were the flows of Paper (113.4 thousand tons, net of agreements) and Packages (118.4 thousand tons), but we should also note the collections of Wood, Metals and WEEE (32 thousand tons), clothing, vegetable oil and lead accumulators (for a total of 5.8 thousand tons).

Waste production showed a decrease compared to the previous year (-6.0%), which was heavily conditioned by the evolution of the pandemic emergency, the consequences of which still affect the social and economic environment, modifying the quantity and type of waste intercepted.

An additional characteristic element from which the trend in flows can be noted consists of the result of the transformations put in place in 2019 following the implementation of the Door-to-Door collection service, as well as hybrid and volumetric control collection systems: the lower reduction in sorted waste collection flows (-4.1%) compared to unsorted Residual Waste is the positive feedback of the transformations put in place, resulting from a greater involvement of the users in specific projects for the collection of sorted waste.

It is important to point out that a portion, albeit minimal, derives from the collections made from Covid-

19 positive users, to whom the specific service mentioned below has been dedicated, which has produced approximately 1,140 tons of unsorted waste as a result of collections from users in home quarantine or at healthcare facilities and care and rest homes [RSA, *Residenze Sanitarie Assistenziali*] and/or healthcare hotel facilities, carried out according to the methods set out in the Orders issued by the Tuscany Region Government.

	ALIA SERVIZI AMBIENTALI SPA					
	2016	2017	2018	2019	2020	2020/2019
BULKY MUNICIPAL WASTE	378,506	333,310	351,996	314,147	283,825	-9.65%
SORTED WASTE	476,547	485,376	537,399	574,218	550,959	-4.05%
MUNICIPAL WASTE	855,053	818,686	889,395	888,365	834,784	-6.03%
WASTE SORTING %	55.70%	59.30%	60.40%	64.64%	66.00%	

Note: 2020 data are provisional; 2016-2017-2018-2019 data are reconciled.

Each local area, in terms of waste sorting performance, target the objectives set with the projects implemented so far, but the trends observed for each Department, in relation to total production and unsorted residual waste data, deserve clarification in consideration of each design and management operation, as well as of the social and economic environment in which it is carried out.

	Local Department DT1					
	2016	2017	2018**/****	2019**	2020	2020/2019
BULKY MUNICIPAL WASTE	197,364	192,899	150,190	144,845	128,388	-11.36%
SORTED WASTE	231,684	231,696	193,987	200,197	182,249	-8.97%
TOTAL	429,048	424,595	344,177	345,042	310,637	-9.97%
	54.00%	54.60%	56.36%	58.02%	58.67%	
	LD 2-4					
	2016	2017	2018****	2019	2020	2020/2019
BULKY MUNICIPAL WASTE	89,708	81,246	105,116	79,904	79,286	-0.77%

SORTED WASTE	127,314	126,982	150,746	169,558	168,019	-0.91%
TOTAL	217,022	208,228	255,862	249,462	247,305	-0.86%
	58.70%	61.00%	59.40%	67.97%	67.94%	
Local Department DT3						
	2016	2017	2018***	2019	2020	2020/2019
BULKY MUNICIPAL WASTE	91,434	59,165	99,342	89,398	76,151	-14.82%
SORTED WASTE	117,549	126,698	193,395	207,945	200,691	-3.49%
TOTAL	208,983	185,863	292,737	297,343	276,842	-6.89%
	56.20%	68.20%	66.06%	69.93%	72.49%	

Note: 2020 data are provisional; 2016-2017-2018-2019 data are reconciled.

* unbundled flow data of the Municipal districts in the Piana Fiorentina area passed under the management of Local Department DT3 from 1 October 2018

** data including the flows of the Barberino area in the Municipal district of Barberino Tavarnelle

*** Local Department DT3 overall data including the Municipal districts of the Piana Fiorentina area

**** data including the flows of January and February of the eight new Municipal districts managed under the concession agreement as from 1 March 2018 and unbundled flow data of the Municipal district of Barberino Tavarnelle managed by Local Department DT1 from 1 January 2019

In the Piana Fiorentina Area and in Chianti areas, corresponding to Local Department DT1, 2020 was marked by a substantial decrease in commuter and tourist flows with a consequent reduction in waste produced. Actually, the reduction recorded in waste was close to 10%, weighing in a balanced manner between Sorted Waste flows and unsorted residual waste. In absolute terms, approximately 34 thousand tons less were collected than in the previous year. A total of 310,637 tons of waste was collected in the area covered by the department and the percentage of sorted waste remained stable compared to the previous year. A total of 182,249 tons of waste was sent for recovery (- 18 thousand compared to 2019), while 128,388 tons were sent for disposal (- 16 thousand compared to 2019).

The area managed by Local Department DT2-4 in 2020 recorded a total production equal to 247,305 tons. The overall decrease, compared to 2019, was equal to 0.9%, while also reporting a reduction of about 0.8% in Bulky Municipal Waste [RUI, *Rifiuti Urbani Ingombranti*] and about 0.9% in sorted waste. It should

be noted that the total amount of Bulky Municipal Waste was 79,286 tons in 2020. Actually, the lockdown periods and the commuting residents remaining at home entailed a limited reduction in flows from one year to another, thus balancing the decline in the production of non-domestic waste in the areas under management.

Waste collected in the Municipal districts of Local Department DT3 showed a decrease which was due to both the completion of the transition to the Door-to-Door, either full or mixed street bins and door-to-door collection service, as well as the effect of the health emergency that is currently in progress. The total reduction in the Local Department DT3 area was 6.9%, compared to a reduction of 3.5% in Sorted Waste, but significantly less than that in residual waste, which was greater than 14%. In particular, the decrease was substantial in the Piana Fiorentina area, where there was a reduction of more than 11,000 tons, as well as in the Municipal District of Prato, where there was a substantial decrease of almost 9,000 tons.

The percentage of average sorted waste, calculated in the 58 Municipal districts managed at 31 December 2020, came to 66% out of 835 thousand tons of waste collected, down by 6% compared to 2019.

This is calculated in application of the standard method of certification of the percentages of municipal waste sorting required by the Tuscany Regional Council's Resolution no. 1272/2016, i.e. considering a model that takes account of the calculation of domestic flows coming from Demolition and Construction (inert waste) of street sweeping grit sent for recovery, as well as of an equivalent quantity of organic waste deduced from the number of home compost bins being used in the local area, to which a nominal productivity figure according to containment volume is assigned. According to this rule, the compost bins (or self-composting systems) used in the relevant local area, have determined the quantity of 22,951 tons of equivalent Organic waste from domestic composting.

Waste sorting percentages remained in line with the work progress of collection projects in the areas of the three Local Departments. The launch of additional services during the year and the good performance of actions taken in previous years, allowed significant Waste Sorting results to be achieved. The Local Departments achieved the following results: 58.7% in DT1, 67.9% in DT2/DT4, 72.5% in DT3, respectively, with all the percentages being higher than in the previous year.

The performance of the percentages of the waste intercepted separately in the macro-areas managed can be summarised as follows. The three provincial capitals Florence, Prato and Pistoia recorded Waste Sorting percentages of 52.5%, 70.9 % and 38.9% respectively, but only Prato appeared to have completed the transformation of its collection services. The provincial sub-areas also reported different data depending on the state of the transformations: Empolese and Valdelsa 84.8%, Valdinievole 85.1%, Mugello 80.8%, Piana Fiorentina 75.6%, Florentine Area 74.6%, Piana Pratese and Pistoiese 71.1%, Chianti and Valdarno 71.9%, Montecatini - Pescia 41.1%, Montagna Pistoiese 37.1%. It is worth to stress that the new projects which were started in the last months of the year still do not offer results that would affect the performance recorded in each area.

Macro-Area	Year	Quantity [tons]	% Change	% Sorted Waste
1 - Florentine Area	2019	47,164.20		70.40%
	2020	43,526.21	-7.7%	74.60%
10 - Valdinievole	2019	39,172.50		85.20%
	2020	40,403.54	3.1%	85.10%
11 - Montagna Pistoiese	2019	8,727.20		36.30%
	2020	8,552.60	-2.0%	37.10%
12 - Montecatini - Pescia	2019	27,280.20		40.70%
	2020	25,225.39	-7.5%	41.10%
2 - Chianti and Valdarno	2019	51,636.50		67.40%
	2020	48,772.76	-5.5%	71.90%
3 - Piana Fiorentina	2019	101,323.90		65.90%
	2020	90,189.37	-11.0%	75.60%
4 - Florence	2019	246,698.20		53.80%
	2020	218,338.01	-11.5%	52.50%
5 - Mugello	2019	27,532.10		77.90%
	2020	27,040.54	-1.8%	80.80%
6 - Empolese Valdelsa	2019	91,460.20		85.20%
	2020	90,239.88	-1.3%	84.80%
7 - Pistoia	2019	54,843.40		40.30%
	2020	55,842.40	1.8%	38.90%
8 - Pratese Area and Piana Pistoiese	2019	71,975.10		71.40%
	2020	71,198.01	-1.1%	71.10%
9 - Prato	2019	124,044.40		72.40%
	2020	115,455.40	-6.9%	70.90%

Note: 2020 data are provisional; 2019 data are reconciled.

The quality of the materials obtained from sorted waste appears to be different for each local area under management. The studies conducted on door-to-door collection, confirm that the matter left after the collection of sorted waste is less contaminated by foreign matter, is in the highest quality bracket and is more valuable financially. On the other hand, the areas involved in collection from street bins subject to subsequent transformation and, in some cases, the areas where the service has been transformed according to hybrid models, suffer substantially from incorrect disposal of non-domestic waste (above all textiles and leather) some even coming from neighbouring Municipal districts: not infrequently even the composition of sorted materials, especially paper and organic fraction, is altered by other waste that degrades their quality irremediably.

SERVICE MANAGEMENT AND STATE OF TRANSFORMATIONS

LOCAL DEPARTMENT DT1

The delivery of services in 2020 was heavily impacted by the spread of the Covid-19 virus, particularly in the Municipal district of Florence, where the fall in tourist flows affected the amount of waste produced; the effects then impacted sweeping services, which were reduced, partly offset by sanitation services, and collection services, which were also rescheduled as a result of lower flows. Part of the structure was then devoted to the operating unit set up for services to Covid-19 positive users and the care and rest facilities affected by the virus.

During 2020, work continued on the process of transformation of services in the municipal districts of Local Department DT1 in accordance with the provisions of the service contract, by expanding the door-to-door model that characterises the collection systems adopted by medium-small sized Municipal districts in the Florentine area; in particular, operations were started for door-to-door collection services in the Municipal district of Figline Incisa (about 13,000 users) in January, after negotiations had taken place in 2019, following which the Municipal district of Bagno a Ripoli (about 13,000 users) in July and the Municipal district of Rignano sull'Arno (about 4,500 users) in September were subject to the transition of the service to door-to-door collection.

At the same time, work was completed on the process of transforming services in the Municipal district of Scandicci, which provided for the implementation of a hybrid system combining different collection models in the various areas of the municipal district.

In the Municipal district of Florence, new underground containers were set up as part of the UWC (Underground Waste Collection) project, and specifically, in the UNESCO area, the two stations at Piazza Indipendenza and the stations at Piazza Tasso and Piazza dei Mozzi, while in the area outside the UNESCO perimeter, the stations at Via del Ghirlandaio, Via Pertini in the San Donato area, Viale Spartaco Lavagnini and Via Cimabue. These works were preparatory to the implementation of the "Florence circular city" Project, which will be developed in 2021 and in subsequent years.

The control over local areas assumes is an essential key to the phases of transformation; the environmental inspectors' work has been strengthened in a significant manner in the last period, integrating and supporting the actions to contrast waste abandonment and improper disposal, taken by local authorities. During 2020, 11,787 interventions (about 70% in the Municipal district of Florence) were carried out in the Local Department DT1 area, resulting in 511 reports, 352 of which in the Municipal district of Florence.

LOCAL DEPARTMENT DT 2-4

The health emergency led to a reduction in waste production, although it recorded a lower amount as a whole. However, this had a significant impact in those Municipal districts where tourism and trade are the main economic sectors, including the Municipal district of Montecatini that saw a decrease of about 13% in total waste production and the Municipal district of Abetone Cutigliano where the overall reduction in waste produced in 2020 was about 15% compared to 2019.

Waste deliveries recorded by tracking systems in relation to each user in the door-to-door/PAYT [Pay As You Throw] collection models adopted in most of the Municipal districts under management totalled 7,419,591.

The pandemic and the restrictions imposed by the health emergency have postponed the conversion of services scheduled in 2020. 2021 will be therefore the year that will see the transformation of the

collection models in the Municipal districts of Pistoia, Marliana and Montagna Pistoiese (Sambuca P.se, San Marcello Piteglio and Abetone Cutigliano), for which a special communication campaign will be launched as early as from spring/summer, while in the Municipal district of Montecatini the new services will be started in the autumn.

The collection model, implemented in this portion of the local area, will mainly be the hybrid model characterised by the interception of flows of valuable material (light multi-materials and paper) to be sent for recovery, through door-to-door collection; this method allows in fact to identify users who carry out improper disposal through the control of each delivery and to adopt corrective measures necessary to achieve higher quality standards. Sorted organic waste will instead be collected with street bins that will allow the control of accesses, including through the reading of adhesive tags placed on individual bags whereby it will be possible to identify the assignee user. Following the transformation of the collection method, a growth and a qualitative improvement in sorted waste will be obtained in the local area concerned. In this model, collection from street bins will remain for unsorted waste and glass.

Between 2019 and 2020, the number of environmental inspectors dedicated to activities in the Local Department DT2-4 areas increased, ensuring greater supervision at a local level and allowing more than 4,000 interventions to be recorded for a total of 128 reports issued and 38 operational reports forwarded to the Local Police Authorities competent for each Municipal district.

LOCAL DEPARTMENT DT 3

The Pratese Local Department also continued its work on both domestic and non-domestic users in terms of both transforming the service and paying attention to compliance with the proper performance of waste sorting, which brings benefits both in environmental terms, with greater attention to producing less waste with more responsible deliveries, and with operational benefits aimed at reducing the number of disposals, i.e. with a higher amount sent for recovery and recycling. In the meantime, the "Pratese Area" department continued its work on increasing the quality of deliveries and the quality of waste sorting with training and information projects throughout the area and with the assistance of Environmental Inspectors. Furthermore, during 2020, the Pratese Area Department, at the request of the

Municipality of Prato, increased the number of Environmental Inspectors who had already operated in 2019 and who joined those operating in the Piana Fiorentina area. Therefore, in the Pratese Area, the number of Environmental Inspectors increased up to 10 units as a whole. During 2020, in the Municipal district of Prato the Environmental Inspectors imposed 294 administrative sanctions and carried out 49 interventions jointly with the Municipal Police forces. 141 sanctions were instead imposed in the Piana Fiorentina area, against 9 interventions carried out jointly with the Municipal Police forces.

Sweeping Services

Combined street sweeping services, which are delivered by using sweepers and road workers, are carried out as indicated in street signs in the various areas served and are scheduled for the basic cleaning of streets and squares according to the arrangements in the tender projects and in the subsequent estimate for change reports provided for in agreement with ATO and with the Municipal Authorities, which are then put to use by orders issued by the latter.

Manual sweeping services are instead performed by operators charged with cleaning the busiest municipal areas every day or several times a day - areas such as historical centres, parks and gardens, shopping districts and markets, in which bin liners are replaced and road and pavement surfaces are swept thoroughly.

Liners in street litter bins are replaced at fixed intervals in order to keep urban areas clean and tidy.

As regards Local Department DT1, the sweeping methods required by the change projects in the tender offer became fully operational, in accordance with Section 7 of the Service Contract. Improvements to the service were made: personnel were used more efficiently and at the same time certain types of work were performed more frequently, such as the cleaning of waste collection stations and parks and gardens and the quality of the service delivered was enhanced. A major revision of the sweeping service was linked to optimising operations in the municipal district of Barberino Tavarnelle thanks to the unification of the two municipal areas.

In the Local Department DT2-4 area the combined sweeping project was presented for the city of Pistoia, which is currently in the process of being approved, following which temporary no-parking signs will be placed, the full operation of which is expected by the end of 2020.

In the Local Department DT3 area, the amount of the sweeping service was increased where requested by the municipal authorities through a formal request sent to ATO TC, thus extending the service to new urban areas or newly- built roads, or the frequency of the service was increased in the valuable areas of the city. The frequency was also increased in the valuable areas, i.e. those that are highly frequented by citizens, in relation to weeding operations aimed at waste collection and, therefore, the maintenance of the city's public green areas.

All Local Departments jointly started the development of the company's Local Information System, which was populated by the latest (Manual and Combined) Street Sweeping database. This process, to which careful area surveys contributed, enabled personnel's operational support equipment (Service Orders) to be standardised, as well as the implementation of the Web Portal that allowed the public dissemination of information on the service to ATO Toscana Centro as early as from 2019.

Significant management events

In putting in place measures for protection from Coronavirus, Alia has activated the first service in Italy dedicated to the collection of waste produced by Covid-19 positive users in quarantine at their homes and by residential healthcare facilities hosting patients suffering from Covid-19, in order to meet the need to remove from the city any waste at risk of infection, thus ensuring health safety for citizens and workers involved.

The service organised by Alia has complied with the guidelines of the Italian National Institute of Health, Civil Protection authorities and Tuscany Regional Government, regarding the management of medical waste generated by users affected by COVID-19.

From 19 March to 29 November 2020, the Covid-19 waste collection service was carried out with home pickup of bags for infectious waste packed by assisted users and placed on the floor. Any intervention

was recorded with georeferencing through an appropriate App realised by Alia.

The recrudescence of the epidemic in the autumn led to an exponential increase in the cases to be managed with a peak of over 18,000 assisted users. In order to meet these needs, Alia reorganised the service with collection on public roads at night time, according to a pre-set schedule including 2 weekly operations, as soon as the emergency measures put in place under regional governments' orders allowed it.

The staff employed in the Covid-19 waste collection service, provided with appropriate PPE, use special vehicles that are sanitised on a daily basis and have dedicated changing rooms with separate dirty/clean compartments.

A total of approximately 48,000 positive patients were handled during 2020.

The design of new services, in relation to the requests submitted by the municipal authorities, continued for both routine and non-routine operations, such as requests for transformation in accordance with Article 7 of the service contract.

At the same time as the completion of the related operations in the Municipal districts of Campi di Bisenzio, Calenzano, Sesto Fiorentino and Signa, the transformation of services, managed in collaboration with the External Relations and Communication [REC, *Relazioni Esterne e Comunicazione*] function, involved, for various reasons, about 30,000 users in the Municipal districts of Scandicci (hills) and Florence (Lot 1 - north area - door-to-door collection), as well as the already mentioned Municipal districts of Bagno a Ripoli and Rignano; to this must be added the new development of holding meetings in web-in-air mode due to the restrictions imposed by the Covid-19 pandemic. However, the year that has just ended, which was marked by the health emergency, hindered other scheduled operations of collection service transformation due to limiting interpersonal relationships and movement within local areas; in fact, the operations scheduled in the Municipal districts of Pistoia, Montecatini, Pescia and Montagna Pistoiese were postponed to 2021. In addition, the spread of Covid-19 also caused a reduction in the delivery of services, such as the sweeping of green areas, closed to the public by orders of municipal authorities and access by users to collection centres.

In most of the municipal districts, work on the evaluation and control of the management of waste from non-domestic activities and proper waste sorting successfully continued in 2020 too. In particular, despite a break for the Covid-19 pandemic, work continued in the Municipal district of Prato for participating in the systems of inspections that the Regional Government, the Prefecture and the Municipal Authorities decided to conduct in the area. There were numerous different kinds of checks involving over 900 personal contacts with a view to the optimisation of the service. Work also continued to scrutinise the handling of special waste, which is carried out by Alia in the local area together with the Provincial Police forces, with more than 70 inspections carried out.

Finally, we must note the performance of non-routine work that saw the involvement of significant resources for several weeks during 2020; in particular, the operations to clear the area of the former Campo Volo in Pistoia, which had been started in 2019, were completed in July and the same operations were started in the Poderaccio area in Florence from October 2020 and not yet completed.

REVET collection area

In 2020 work continued, in the local areas under the responsibility of ALIA, on the transition from heavy multi-material waste collection in bell-shaped containers to light multi-material (bell-shaped container, Nord Engineering container or Door-to-Door collection) and mono-material glass (bell-shaped or Nord Engineering containers) collection. In addition to this development, 2020 saw the continuation of the project to shift from classic double-hook containers to new containers with Nord or Kinshofer lifting systems, which allows the transition from a traditional form of collection with a crane and a third-party operator to automated collection, which should lead Revet's service collection to being fully automated by 2022. Furthermore, the innovative project for the tracking and reporting of collection vehicles became fully operational in April 2020.

REMOVALS			
REMET	Type of Collection	2020	
Light multi-materials [n]	Traditional	26,794	228,342
	Automated	201,549	
Heavy multi-materials [n]	Traditional	9,020	20,252
	Automated	11,232	
Mono-material glass [n]	Traditional	114,394	174,829
	Automated	60,435	
TOTAL		423,423	
% of TOTAL		39.89%	

THIRD-PARTY CARRIERS	Type of Collection	2020	
Light multi-materials [n]	Traditional	80,623	80,623
	Automated	0	
Heavy multi-materials [n]	Traditional	441,457	441,457
	Automated	0	
Mono-material glass [n]	Traditional	116,019	116,019
	Automated	0	
TOTAL		638,099	
% of TOTAL		60.11%	

TOTAL	Type of Collection	2020	
Light multi-materials [n]	Traditional	107,417	308,965
	Automated	201,549	
Heavy multi-materials [n]	Traditional	450,477	461,709
	Automated	11,232	
Mono-material glass [n]	Traditional	230,413	290,848
	Automated	60,435	
TOTAL			1,061,522

In the year just ended, Revet's staff members carried out about 201 thousand removals of light multi-material (against 180 thousand in 2019), almost 20 thousand removals of heavy multi-material (against 9 thousand in 2019) and almost 175 thousand removals of mono-material glass (against 150 thousand in 2019), as well as collection services carried out by the sites spread through the territory. The differences were mainly due to:

1. Higher removals carried out directly by Revet, as a result of insourcing services at the same time as changing the collection system from a traditional form of collection with a crane to automated collection;
2. Insourcing the services that were critical to ensure that they were carried out correctly and on time.

In 2020, Revet acquired 686 new containers in order to meet the operators' requests. Maintenance work continued to be outsourced and this service remained efficient and performed on time.

The washing of containers located throughout the territory was carried out for each operator, except in the provincial districts of Arezzo and Grosseto for the operator Sei Toscana (since they are not provided

for in the ATO Sud / Sei Toscana agreement) and of the Geofor area since it is not provided for in the contract.

Waste treatment plants: recycling, recovery and disposal

The production plants transferred by ATO Toscana Centro under the management of Alia according to the Concession agreement are:

- the plant hub at Paronese (sorted waste mechanical treatment and exploitation), Prato;
- the plant hub at Casa Sartori (composting), Montespertoli;
- the plant hub at Case Passerini (composting, mechanical biological treatment and landfill), Sesto Fiorentino;
- the composting plant at Faltona, Borgo San Lorenzo;
- the DANO mechanical biological treatment [MBT] plant in Pistoia;
- the San Donnino plant hub (sorted waste exploitation and transfer of municipal waste), Florence.

In addition to the operation of the transferred plants listed above, the Concession agreement covers operating and/or management activities to be carried out at sites that are no longer operational (for example, landfills subject to post-closure operation).

The management of the waste collected in these areas, therefore, is largely made possible by Plant Managers' work. 2020 was marked by improvement works, both infrastructure and operational - in terms of plant efficiency, more especially with reference to environmental and management issues -, implementing some of the guidelines laid down in Alia's business plan. This scope of action also includes the various works carried out (including, but not limited to, the replacement of the primary shredder at the Via Paronese plant, replacement of the biocell doors at the Casa Sartori composting plant, non-routine maintenance on the roofs of the Case Passerini plant to ensure the necessary vacuum, thus avoiding potential fugitive emissions of malodours, the start of the final capping operations at the Casa Sartori landfill) and the successful completion of the complex authorisation procedure concerning the anaerobic digester, which will be built at the Casa Sartori plant hub by 2022, upstream of the composting plant.

The year 2020 was also characterised by an improvement in the in-house treatment capacity of the Case Passerini and Faltona composting plants, thus actually increasing the amount of compost produced compared to 2019.

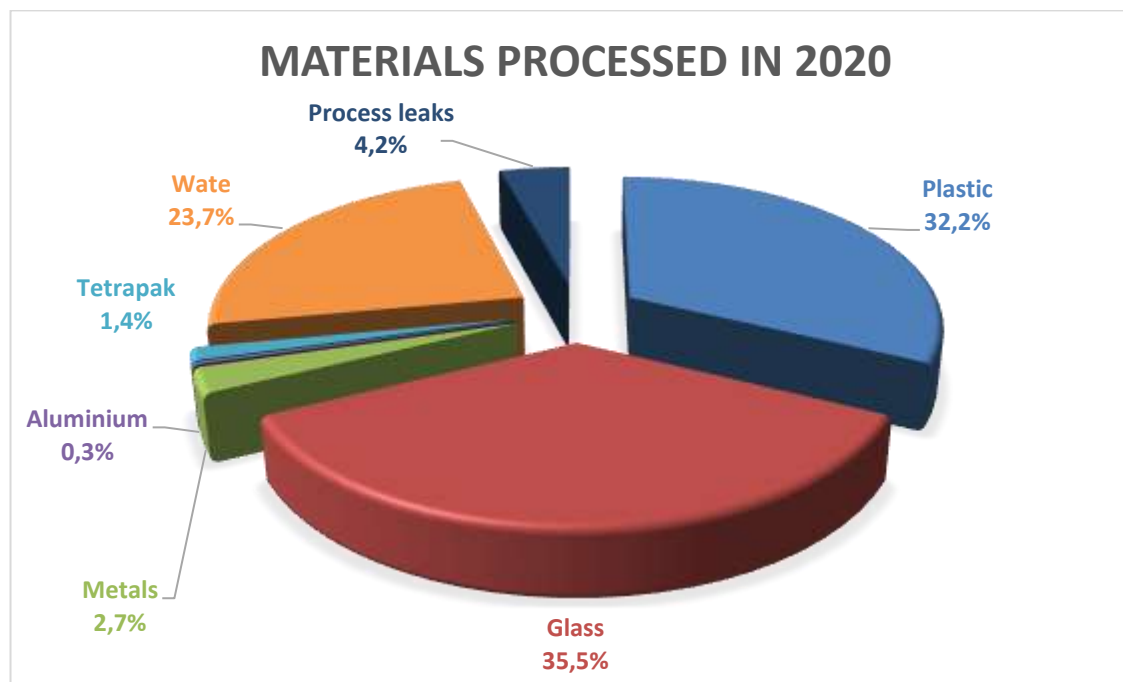
REVET plant area

In 2020 Revet S.p.A. worked 4,690 hours against 4,770 hours in 2019 to process materials entering the Sorting Centre [CSS, *Centro di Selezione Secondario*] at Pontedera. Productivity at the Sorting Centre was 10.5 actual tons an hour with an average efficiency of 86.5%.

The multi-material waste sorting plant - District Centre [*Centro Comprensoriale*, CC] worked 5,526 hours against 5,395 hours in 2019.

Productivity at the multi-material waste sorting plant - District Centre was 21.9 tons an hour against 16.60 tons an hour in 2019 with an average efficiency of 70%. As regards the District Centre's activities, there was a big increase in waste and less outgoing glass, also as a result of the change in the collection system.

INCOMING MATERIALS (tons)	2020	2019	Change 2020/2019	% change
Sorted Waste	216,865	214,043	2,822	1%
Special and similar waste	20,595	21,426	-831	-4%
TOTAL	237,460	235,469	1,991	1%



Materials processed at plants (tons)

PLANTS	2020	2019	Change 2020/2019	% change
RENET plants	95,434	92,191	3,243	3.52%
Renet District Centres to third-party Sorting Centres	22,031	10,624	11,407	107.37%
Third-party plants (*)	44,913	57,794	- 12,881	-22.29%
Other plants	-	-	-	0.00%
TOTAL OUTGOING WASTE	162,378	160,609	1,769	1.10%

(*) this value does not take account of mono-material glass.

	2020	%	2019	%	Change 2020/2019	% Change
Products	12,801	28.36%	12,588	26.44%	213	1.69%
By-products	32,339	71.64%	35,023	73.56%	- 2,684	-7.66%
TOTAL SORTED PLASTIC MATERIALS	45,140	100%	47,612	100%	- 2,472	-5.19%
Tetrapak containers	2,556	5.08%	1,687	3.78%	869	51.54%
Tinplate	5,179	10.30%	4,799	10.77%	379	7.90%
Aluminium	399	0.79%	556	1.25%	- 157	-28.20%
Metals	252	0.50%	259	0.58%	- 7	-2.56%
Glass	13,093	26.03%	11,013	24.70%	2,080	18.88%
Miscellaneous waste	28,815	57.29%	26,266	58.92%	2,550	9.71%
TOTAL other products	50,294	100.00%	44,580	100.00%	5,714	12.82%

General output - Pontedera	95,434		92,191		3,243	3.52%
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As shown in the table above, there was a slight increase in products compared to 2019: despite a continuing decline in PLCs (plastic liquid containers), there was an increase in the MPMs (mixed polyethylene materials) stream as a result of some improvements to the sorting process, which also led to the extraction of the FIL/S (plastic films) product, which will feed the new recycling line.

The table also shows a reduction in by-products compared to the previous year, due to the exploitation of FIL/S as a product, decreasing the quantities of PLASMIX intended for energy recovery or disposed of at landfills.

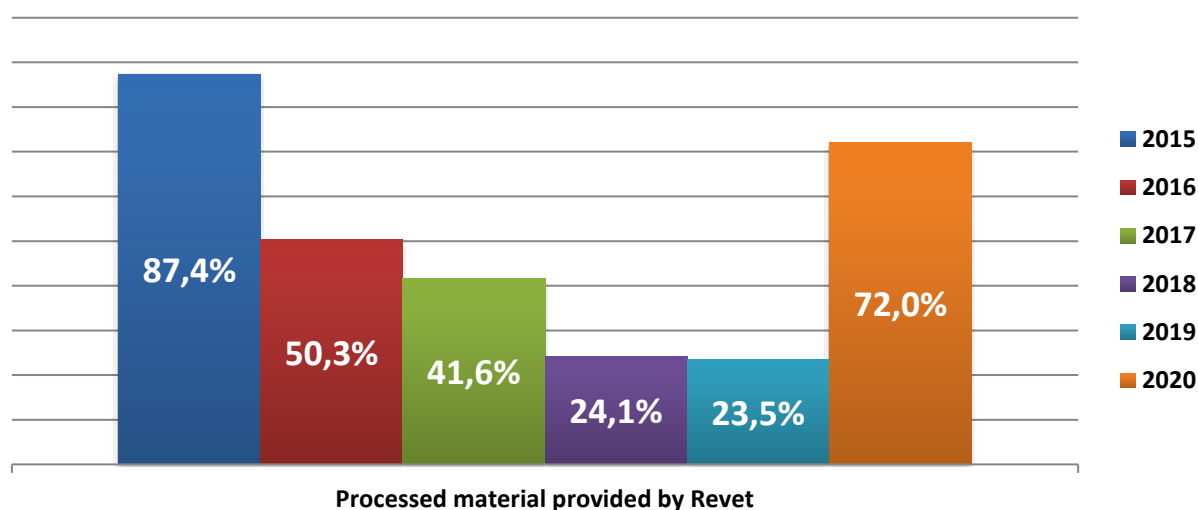
Recycling area

The effects of the Covid-19 health emergency have led to a significant impact on consumption of plastics on the part of processors. The lockdown of production activities that was imposed in Italy in the two-month period from March to April 2020 did, in fact, entail a slowdown in the demand for granules both for virgin and post-consumer polymers.

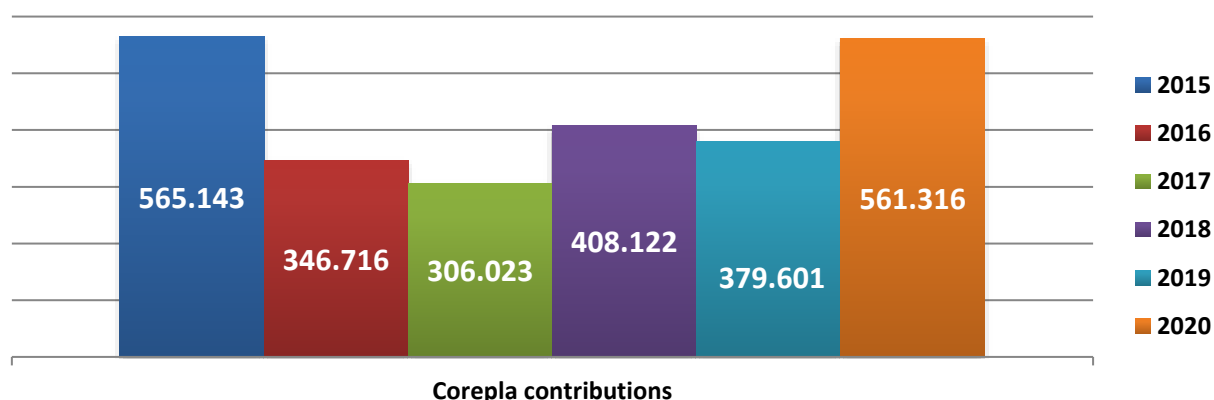
The stockpiles of the major granule manufacturing companies have reached their full capacity due a substantial reduction in purchase demand.

For this reason, the company has decided to stop production, to anticipate the execution of non-routine maintenance work on the existing line and to start work for the installation of the new Erema granulation line.

It has been also decided to use only the post-consumer material manufactured by the Revet Sorting Centre plant for the production of granules.

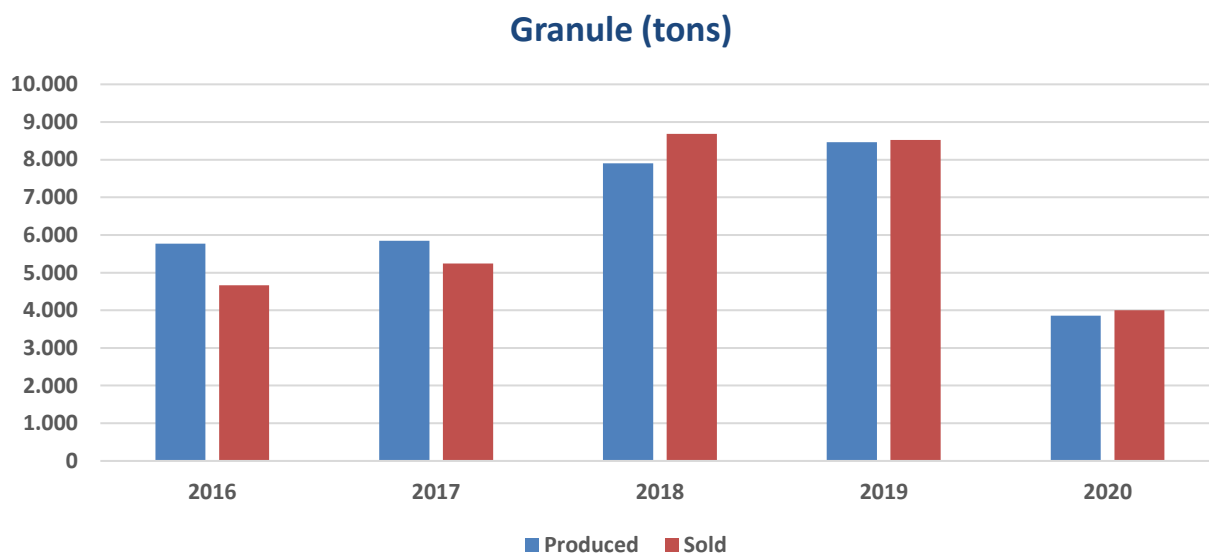


This has also maximised revenues from recycling fees paid by Corepla [Italian Consortium for collection, recycling and recovery of plastic packaging], which reached the economic level observed in 2015.



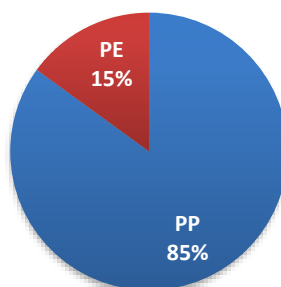
In 2020, the quantities of granule sold showed a decrease compared to 2019 but were still greater than those produced, thus drawing on stocks manufactured in 2019.

Sales sectors included the construction sector, where the company has gained its market share, in addition to markets already served such as the domestic or floriculture markets. In the year just ended there was no customer turnover, considering that the relationships with existing customers were maintained by trying to apply the best financial conditions allowed by the market.



In 2020 too, PP-based granule accounted for a large part of Revet’s production; although there is growing demand for LDPE [Low-Density Polyethylene]-based materials, in fact, we have preferred not to increase the quantities we produce of this type of granule in view of the difficulty in processing filmy material in the production line that is currently in use, for which the second line is under construction, which will be much more performing.

2020 Production



In relation to market trends, there was a fair decrease in average sale price, compared to 2019, thus reaching the same level as the peak in 2018.

In view of the start-up of the second line and the consequent production of polyolefin granule with LDPE prevalence, samples were sent to various processors in order to be able to establish new business relationships according to the expected increase in productivity and the different type of polyolefin blend produced. This activity was carried out with the support of the Development and Research office function in those cases in which the companies with which to commence collaborating involved compound manufacturers.

Information, communication and relations with users

In 2020 too the annual communication and awareness-raising campaign, "*Chiudi il Cerchio*", was carried out, which was also broadcast, for the first time, on Google Ads and Facebook, as well as through web banners, newspapers, local TV and radio stations and traditional billboards. The topics dealt with related to sorted waste and circular economy, focusing on how the active contribution and conscious participation of everyone are important and how waste can be transformed into resources, thus creating new products.

In 2020 work was strengthened on the company communication strategies and the development of the social media area, from the **Twitter** profile to the **Youtube** channel, in addition to Google ADS campaigns. The platforms that are used allow the Company to convey its values and mission, as well as to be open to sharing and any possible criticism, with the aim of improving the company performance on an ongoing basis. The development of Alia's presence on the Twitter platform from June 2017 has been organised with a more stringent schedule of content and themes, using corporate and educational topics on a daily basis, together with news on services, in addition to insights and curiosities on environmental sustainability issues. The presence on the video platform, Youtube, was also boosted by the pandemic in terms of views, traffic and content; in order to inform users of collection systems and convey the concepts that operators provide to users during normal door-to-door negotiation activities, Alia created

information tutorials, mini-clips on recycling chains and sustainability issues, which it disseminated by using any and all available digital and communication media in a strategic manner. During 2020, 77 videos were published, playlists were created and the material recorded 51,378 views, with an average viewing time of 1.15', and more than 198 subscribers, from the opening of the channel in November 2019.

The company newsletter was sent every month with the latest news on general, strategic and services matters. About 30 issues of the newsletter were produced in the period from the start of the project to date. The number of subscribers is increasing and varied: users, investee and associated companies, chain consortia, public administration personnel, trade associations, media operators.

The disruption due to the lockdown and the pandemic have swept away many habits, thus completely changing people's behaviours and the way they use digital devices. For this reason, the website www.aliaserviziambientali.it has acquired an even more key role among communication channels. It is a tool to engage citizens on a daily basis, which is clear, usable, multichannel and responsive, and was updated on an ongoing basis during 2020, while also complying with the guidelines provided by ARERA, including pages and sections diversified by content and target audience. On the home page contacts (web form and phone numbers) are easily accessible, in addition to the "Where do I throw waste", a user-friendly dictionary for proper waste sorting. During the year all the digital educational offering was implemented on the portal; the staff of the communication function also started work on making the door-to-door collection service schedules more effective, accompanied by information about the services for each Municipality. The home page is completed by a space dedicated to information, where the most recent short pieces of news are published, which are of particular importance to users and operators in the information sector. In analysing the web traffic on the portal in 2020, connected users were 702,722, with more than 1.4 million sessions, for 57.9% from mobile devices. Among the topics of greatest interest and therefore with the highest page views are the home page (870,276), the contact form (324,761), street cleaning services (228,831) and information on bulky waste collection services (253,906).

In 2020 the website www.sportellotariffa.it was modified in line with the new guidelines of ARERA and the notice with the new graphic layout was sent to users together with the payment amount to be settled in 2020.

A customer satisfaction survey was conducted in September and October 2020 through more than 1,500 telephone interviews with users drawn from the waste tax - TARI [*Tassa sui Rifiuti*] - database, broken down by Province. Topics linked to the level of user satisfaction were dealt with in relation to the services delivered and the level of perception of the quality to price ratio of such services. The results were more than satisfactory.

In February an event on waste sorting, "*La raccolta differenziata...corre*", was held at the Mugello Circuit in order to present the results achieved by the door-to-door collection service in the Mugello area and talk about it together with the students from local schools, which gave their contribution to the event by telling their point of view on recycling.

Unfortunately, it was no longer possible to participate in trade shows and events from March, given that the Covid-19 pandemic imposed the cancellation of public events.

In the Municipal districts affected by the transformation of services, the reorganisation projects were accompanied by specific information campaigns and contacts with users, so as to provide useful clarifications and information to citizens. Since it was not possible to ensure information activities in person, due to the imposed restrictions, meetings were held in streaming mode and video tutorials were realised, which explain the services in an exhaustive and amusing way, both of which are available on the YouTube channel of Alia. As regards transformations, 2020 saw the start of the Florence Circular City project, which aims to implement the new waste management plan for the City of Florence. In order to accompany this change, a dedicated communication plan has been designed, with the creation of a website, www.firenzecittacircolare, and dedicated social media accounts have been opened, both on Instagram and Facebook. In addition, a working group of social communicators and facilitators - the A-team - has been formed, which operates in the municipal area on a daily basis in order to capture the feelings of citizens and help people find information on the new waste collection service. Again within the scope of the communication plan of Florence Circular City there are fixed columns, both on Lady radio and on the newspaper La Nazione, and a set of video formats created for the web and social networks.

The other key activity work in 2020 related to the “*Pistoia al Centro*” project, which provides for the gradual transformation of the waste collection system in the entire municipal district, from the historic centre of Pistoia (first and second circle of walls) with the construction of new **underground containers** (6 of which are already operational and 3 of which are being completed). The users concerned took part in information meetings (organised together with the Municipal Authority in compliance with safety regulations), while the phase of contacting users and distributing collection tools and information materials in the historic city centre was carried out with staff provided with two electric cargo bikes. In the rest of the city area, above-ground containers will be added to underground containers, with new bins equipped with electronic control systems (Alia bins) for the collection of organic, glass and residual waste. The remaining fractions (paper and cardboard and light multi-materials) will be collected with the door-to-door system.

Furthermore, a new communication activity was carried out in 2020, which was aimed at large companies operating in the local area and involved the creation of information material with a double logo, both of Alia and of the company concerned in order to explain to employees waste sorting and good practices regarding the management of waste produced at the office or, more generally, during working hours. This activity, which was carried out in collaboration with the local departments, allows the Company to strengthen its position as a reference point for environmental issues and to establish collaboration relationships. The companies we have worked with to reorganise waste sorting at their offices and communicate with employees are Fendi, Menarini and Nuovo Pignone.

During the course of the year, the press office continued its work which was firstly targeted at the Municipal districts joined to the scheme and at the local areas involved in the transformations. Likewise, media relations concerned the dissemination of inside information with the circulation and storage of price-sensitive press releases, as well as press conferences and specific radio and television services.

In 2020 the press office issued 72 press releases, published 130 short pieces of news on the portal and organised 14 conferences and "presentations" to the press in safe conditions, mainly disclosing basic service information, as well as corporate information on ongoing and future projects of the Company, in order to ensure a high level of information. As regards the financial issues concerning the Group's business

plan, the work relating to Regulated Information saw the issue of 3 price sensitive press releases (both in Italian and English) in 2020, which were disseminated and stored through the *1INFO system* (www.1info.it) that is operated by *Computershare S.p.A. based in Milan and authorised by CONSOB*. Our commitment to environmental education was also significant, which involved 19,300 students through specific projects. This result was made possible despite the pandemic since it had already been decided, from September 2019, to present a fully dematerialised training offer and usable in distance learning mode. In particular, the following projects were proposed:

- *Colora la raccolta differenziata*, for preschools;
- Small actions for great results, for the first, second and third grades of elementary schools;
- Waste Travel, for the fourth and fifth grades of elementary and medium schools.

Work was then performed on the implementation of a specific project for high schools to be submitted for the 2020/2021 school year.

Of particular importance was the management of relations with users, which was carried out through the correspondence system and the Call Center service. During the year 24,644 applications were handled, which were received from the various Alia channels, and the Call Center was confirmed as the most popular channel for users to contact the company, for a total of 747,655 incoming calls processed.

Technical Resources (Fleet and Property) Management, Procurement and Logistics

The year 2020, the third one of the Concession term, was initially marked by the continued acceleration of the service transformation processes and, as it is well known, by the Covid-19 pandemic as from March. This entailed the need for an amount of extraordinary efforts, especially in the 2nd quarter, in support required from the Technical Resources, Procurement and Logistics Department towards all company departments. In particular, a large amount of the investments in vehicles and equipment launched during 2019 was actually realised for the renewal of the fleet; at the same time the Company was faced with difficulties in procuring spare parts and materials (especially PPE) due to the crisis triggered by the pandemic. The Company never stopped its operations, not even during the period of lockdown in the spring, since they provided essential services of public utility; nevertheless, work had to be suspended in

April and May, at 30% of monthly hours, applying both the complete use of the residual 2019 vacations and recourse to the Supplementary Wage Fund.

Nevertheless, despite the difficulties stated above, work continued on the procurement process management according to the new private-sector guidelines provided by the Organisational, Management and Control Model [OMCM] : during the year, approximately 1,000 long-term contracts were signed for a total of about Euro 210 million. In the meantime, all the necessary information was exchanged with ATO as prescribed in the Service Contract (applications to sub-contract, reports on the activities performed under the contract, etc.), all of which entailed patient and painstaking efforts. During the year ATO officers could not conduct the special audit of the declarations issued in connection with the sub-contracts due to the restrictions imposed for the pandemic.

The fleet, which increased from 1,317 to 1,519 (+15%) vehicles and operating machines and was deployed at logistics offices and treatment plants, was kept efficient and safe through scheduled and routine maintenance on the part of in-house and authorised third-party workshops distributed throughout the territory. The growth was driven by both a massive renewal of the collection vehicle fleet (some of the obsolete vehicles were decommissioned in 2021) and the expansion of door-to-door collection service (requiring more small- and medium-sized vehicles, compared to a few large vehicles in street collections), and by mechanised sweeping.

With regard to investments in vehicles and equipment, in 2020 we continued the renewal with a view to bringing the fleet of operating vehicles (in particular, the average age decreased from 6.3 to 5.6 years) into line with the provisions laid down in the Concession Plan and the Service Contract (5 years) to a greater extent. Investments accelerated sharply (during 2020, 297 new vehicles for an amount of over Euro 20 million).

Among the most important renewals are to be mentioned:

- the completion of the upgrading of the fleet of tanker trucks of more than 2.2 tons, light (3.5 t) and medium (6.5 to 7.5 t) compactor dump trucks, which are necessary for the door-to-door system, purchasing the last 33 vehicles to complete the planned equipment. It is notable that the new vehicles, apart from being EURO 6 and therefore much less polluting, are fitted with power assisted lifting

devices (bags) to reduce the amount of manual handling of loads by the staff members responsible for door-to-door collection;

- the renewal of the medium category of rear-mounted compactors with 20 new Mercedes Atego 120 EURO 6 with Iride compactor, scrapping the old Eurocargo EURO 2 vehicles;
- the commencement of the renewal (to be completed in 2021) of the heavy vehicle category of rear-mounted compactors with 38 new Mercedes Econic 260 EURO 6 vehicles (20 of which run on methane) with Farid or AMS compactors, scrapping the old Econic EURO 2 vehicles;
- the increase of additional 5 methane-powered Up-Loader heavy compactors on the basis of an increase in underground containers in Florence and for the new installation in Pistoia;
- the purchase of 25 new Ravo 540 hydrostatic road sweepers to replace the old sweepers and upgrade the mechanised sweeping service, bringing it up to the standard required by the Service Contract;
- the renewal of the fleet of operating machinery at the treatment plants, through the purchase of 33 excavators and wheel loaders for an investment of more than Euro 6 million.

In the meantime, contracts were concluded for the rental of vehicles to be used for the implementation of the transformation projects for services and changes under Section 7 in advance of the arrival of the motor vehicles that had been purchased.

In 2020 there was then an increase in the fleet of gaseous methane (CNG, Compressed Natural Gas) and liquid methane (LNG, Liquefied Natural Gas) fuelled vehicles up to 59 heavy vehicles, thus allowing fuel savings of around Euro 800,000 and reducing pollutant emissions in a considerable manner.

The project providing for underground containers in the Historic Centre of Florence continued in 2020, although not as expected, and only 5 stations with 6/8 bell-shaped containers each were built. At the same time, the UWC project continued to be developed in the Municipal district of Pistoia: 8 stations were built with 4/6/8 bell-shaped containers.

Among the actions taken were routine and non-routine maintenance of the 74 company offices and of the installations other than plant engineering systems of the treatment plants. In particular, during the year:

- work was completed on the transformation of the Ferrale treatment plant (Florence) intended to receive textile, leather, bulky and WEEE waste, as was on the premises for the new technical offices and the centralised document archive;
- new men's and women's changing rooms were built at the MBT plant in Case Passerini, bringing them into line with current hygiene standards (separation of dirty and clean areas);
- at the logistics base in Monsummano, which is adjacent to the Collection Site [CS], the parking area for operational vehicles was enlarged, thus mitigating crowding at the Pieve a Nievole facility, which had created disagreements with the neighbours;
- the Company completed the purchase of the Municipal Worksites in Pescia, adjacent to our headquarters. This will allow us to expand the logistics facilities in Pescia and to be able to take over all the staff working at Pieve a Nievole, where we operate under a lease agreement;
- as regards Collection Sites (33 planned by the ATO Service Contract in the first 3 years), work continued on the complex organisational procedure with the Municipal governments and ATO: we had 6 projects in the process of being approved at the end of 2020. The only project we have been able to complete is the revamping of the Collection Site in Tavarnelle val di Pesa, which has been completely renovated.

Prevention, Health and Safety at Work, Integrated Quality Management System - Safety - Environment

During 2020 the Safety, Environment and Quality Department [DSA, *Direzione Sicurezza, Ambiente e Qualità*] retained its key role within the company organisation with the aim of implementing uniform operational methods for Alia as a whole, which are increasingly effective in ensuring compliance with requirements in the matter of health, safety and environment at workplace. The fact of strengthening these methods has helped Alia to adopt a systemic approach that also ensures that other regulatory obligations are observed, such as the Organisational, Management and Control Model [OMCM] under Legislative Decree 231/2001 (as amended and supplemented), Law 262/2005 (as amended and supplemented), the disclosure of non-financial information regulated by Law 254/2016 (as amended and

supplemented), and privacy and GDPR issues. All this with a view to adopting a broader and broader vision on strategy and the standardisation of waste management and environmental hygiene services delivered in the areas of competence.

The year 2020 clearly saw the entire Safety, Environment and Quality Department strongly committed to the management and organisation of the measures to avoid infections due to the COVID-19 epidemic, so as to ensure the safe execution of the activities carried out by the Company. In any case, despite the difficulties in operations caused by the ongoing pandemic, the various activities under the responsibility of the Department were carried out, including the maintenance of an effective implementation of the Integrated Management System, confirmed by the conformity to ISO 9001-14001-45001 - issued by the accredited body SGS -, the performance of internal audits of the various company processes and sites and supporting the continuous improvement of the organisation, for example by keeping under control the actions designed to manage risks and opportunities, as well as any non-conformity that had been found.

Finally, during 2020 the Management System monitored the objectives resulting from the analysis of risks and/or strategic opportunities carried out by each Department according to the criteria required by the General Procedure PG 27 procedure regarding the "Scenario analysis and risk management." The competent department staff also held periodical meetings with the top Managers responsible for each company organisational unit, so that each of them could confirm the key issues considered following the previous analysis of the scenario and update its objectives in line with the new company strategies or with a view to improving its processes assessed in the light of any possible risks and opportunities.

Billing, Collection, Economic and Financial Plans of TARI waste tax

In 2020, the issuance and collection of the TARI waste tax payment notices were ensured for the following Municipal districts : Capraia e Limite, Castelfiorentino, Cerreto Guidi, Certaldo, Empoli, Figline-Incisa, Fucecchio, Gambassi Terme, Montaione, Montelupo Fiorentino, Montespertoli, Vinci, Lamporecchio, Larciano, Lastra a Signa, Monsummano Terme, Pistoia, Serravalle Pistoiese, Bagno a Ripoli, Calenzano, Campi Bisenzio, Fiesole, Florence, Greve in Chianti, Impruneta, San Casciano Val di Pesa, Scandicci,

Signa, Barberino Tavarnelle, Carmignano, Montemurlo, Poggio a Caiano, Prato, Vaiano, Agliana, Montale, Quarrata. As regards the Municipal district of Lamporecchio, the TARI Quantity-based Fee waste tax was handled through Alia directly issuing a tax document (invoice), while the TARI waste tax LEVY had been applied for the other municipalities. Following the merger with Tavarnelle ValdiPesa, actions were taken to take over the management of the positions and the subsequent complete management of the TARI tax service for Barberino ValdiPesa.

The Municipal districts asked Alia to manage the TARI waste tax in accordance with Additional Service 18 of the Service Contract entered into with ATO Toscana Centro, which provides for the management of this tax including relations with users and all billing, i.e. back office and front office work in addition to a freephone service and the TARI and digital TARI waste tax portals. The issue of ordinary notices only continued for the Municipality of Borgo San Lorenzo during 2020. Alia managed the enforcement stage directly only for the Municipal district of Lamporecchio, while the necessary information for the years after 2013 (set out according to the agreed scheme) were sent to the other municipalities to be passed on to their respective operators in charge of debt collection. Only for the years from 2014 to 2017, and only for the Municipal districts of Capraia e Limite, Castelfiorentino, Cerreto Guidi, Certaldo, Empoli, Fucecchio, Gambassi Terme, Montaione, Montelupo Fiorentino, Montespertoli, Vinci, we selected and appointed an entity qualified to recover TARI waste tax debts which will be supervised directly by ALIA, as we were appointed as TARI Waste Tax Manager at the time and are thus responsible for all stages in collection including enforcement.

The Municipalities adopted the following collection methods in 2020:

- Form F24: Capraia e Limite, Castelfiorentino, Cerreto Guidi, Certaldo, Empoli, Fucecchio, Gambassi Terme, Montaione, Montelupo Fiorentino, Montespertoli, Vinci, Larciano, Lastra a Signa, Monsummano Terme, Pistoia, Serravalle Pistoiese, Carmignano, Montemurlo, Poggio a Caiano, Prato, Vaiano, Agliana, Montale, Quarrata and Signa. Figline-Incisa passed from mail order form to Form F24;
- Form F24 and current account debit: Fiesole;
- Mail order form: Prato and Lamporecchio;

- Current account form and debit: Bagno a Ripoli, Calenzano, Campi Bisenzio, Florence, Greve in Chianti, Impruneta, San Casciano Val di Pesa, Scandicci, Barberino Tavarnelle.

During 2020, electronic invoicing was carried out for users in the Municipal district of Lamporecchio and procedures were implemented for issuing and receiving amounts collected through the PagoPA payment system (in particular for the Municipalities in the Florentine area, which indicated SILFI S.p.A. as their technology partner).

In 2020 work continued on the execution of the Cerbero Project in collaboration with the Municipal Authority of Prato and the Local Health Unit for the direct inspection at production facilities in order to check for compliance with regulations, safety rules and proper registration with the TARI waste tax service.

In 2020 various services were outsourced to third-party providers: printing and enveloping, mailing, transmission of judicial documents, paper archives, process serving, call center and support to front and back office activities.

In 2020, approximately 1,300,000 notices and invoices were issued for an amount of about Euro 290,000,000 and a total of approximately 63,000 payments were managed via current account direct debit (SEPA).

As regards debt collection, a total of 101,443 payment orders were served.

In 2020 actions were taken to issue the following:

- 23,303 notices of assessment for non-payment;
- 10,529 notices of assessment for failure to report;
- 5.741 notices of presumptive assessment.

The trend of tax collection affects the Alia Financial Statements only for the documents issued by the Municipality of Lamporecchio and the residual amounts of TIA tariff before 2013; for the other municipalities this is limited to enforcement only.

The relevant Unit provided the Municipal Authorities with what they require to calculate the tariffs to apply according to their resolutions as required by Presidential Decree 158/1999.

The litigation with users remained substantially limited and was managed in agreement with the municipal authorities for the TARES (*Tassa Rifiuti e Servizi*, Waste and Services)/TARI waste tax portion.

In 2020, the Front Office Unit coordinated and operated the branches open to the public and proceeded with the acquisition of 140,082 documents filed by users, of which 121,460 were reports on TARI waste tax; reports were also prepared in response to 13,512 letters/emails/Certified Emails.

The measures connected with the Covid-19 pandemic entailed the rescheduling of back-office operations, as provided for by subsequent provisions enacted during the year, and of front-office operations, especially for branches open to the public, which led to a reorganisation of logistics in order to ensure compliance with the rules, to strengthen and spread all possible channels of contact by users (emails, Certified Emails, letters, registered letters, etc), to manage dates scheduled for users and to monitor accesses according to very stringent protocols. Timetables, access procedures and the locations of the branches in the Municipal districts were planned and managed during the year in agreement with each Authority.

In 2020, work continued on finding TARI waste tax evaders, both domestic and non-domestic, through a massive cross-referencing of databases and precise audits; requests for information were in fact sent to 21,761 potential tax evaders. During 2020, a total amount of concerning was reported for about 722,471 sq. m. for "domestic users" and 532,731 sq. m. for "non-domestic users". We worked in collaboration with the municipal offices to design and verify the operating methods to be used in setting the parameters required for presumptive assessments in the event that the users contacted had not proceeded with the settlement of their position.

With regard to the Digital TARI waste tax system, which allows users to check their TARI position on-line and make any changes to their utility accounts; at present as 24,657 users are registered and 1,459 users have subscribed to the on-line alert service.

During 2020, work continued on the service performed by the Le Soluzioni investee consortium: through its call center (178,931 calls received from users), requests for information were handled in relation to the positions of individual users on behalf of all the municipal districts served and their TARI waste tax accounts were operated remotely.

Personnel, recruitment and training policy

The table below shows the consolidated statement of workforce in service, broken down for each of the Companies consolidated on a line-by-line basis:

Workforce

The average headcount in the Alia Group during the year was **2,574 units** as detailed below:

	ALIA S.p.A.	Revet S.p.A.	Q.Thermo S.r.l.	Q.Energia S.r.l.	Programma Ambiente S.p.A.	Programma Ambiente Apuane S.p.A.	Alia Consolidated Financial Statements
Executives	10	2	-	-	-	1	13
Middle managers / Office workers	587	56	-	-	12	2	657
Manual workers	1,567	150	-	-	7	2	1,726
Temporary workers	168	10	-	-	-	-	178
Total	2,332	218	-	-	19	5	2,574

During the year, employment relationships were terminated with 112 employees at the Parent Company. In the same period 62 employees were hired on permanent employment contracts. In 2020 a total of 342 employment contracts were signed at the Parent Company, 62 of which regarding subordinate employment and 280 relating to temporary employment.

The use of temporary workers has been necessary to meet the needs required to replace staff who are absent on holiday as per the annual schedule or for long periods and the needs due to the management of the service to pick up COVID-19 waste during the entire period of emergency, as well as for other temporary requirements and non-recurring operations.

Industrial relations

The year 2020 was characterised by the management of relations with trade unions concerning the problems that emerged as a result of the COVID-19 epidemiological emergency.

Of particular importance are the union agreements of 2 and 30 April 2020, regarding the recourse to the Supplementary Wage Fund (SWF) for the period from 6 April to 7 June 2020, and the union agreement of 18 March and 26 November 2020 regarding the pay conditions of employees working for the service of waste collection from homes where people who are COVID-19 positive live.

The trade union agreement was also signed in the matter of holiday scheduling, thus standardising the different methods used by the Local Departments.

Personnel recruitment

With the aim of fostering the professional growth and development of subordinate employees, the following in-house recruitment procedures were carried out during 2020:

DEPARTMENT	SERVICE ORDER - ISSUANCE OF NOTICE	JOB POSITION
DT	75/2020	DRIVER - PICKER
DT	71/2020	COLLECTION SITE ASSISTANT
DRT	72/2020	WORKSHOP MANAGER
DRT	72/2020	WORKSHOP SERVICE MANAGER
DT	124/2020	COMMERCIAL SERVICES ASSISTANT
DT	124/2020	COMMERCIAL SERVICES DRIVER
DT		COORDINATOR AREA MANAGER

In order to recruit candidates to fill positions who could not be found solely in house, the following external searches were conducted and a notice was also published on the company website or were entrusted to operators in the sector.

DEPARTMENT	JOB POSITION
DT	DRIVER - PICKER
DT	ECOLOGICAL OPERATOR
DRT	HEAVY VEHICLE MAINTENANCE WORKER
DIM	CONTACT PERSON FOR THE PLANT
REC	ALIA INFORMATION POINT ADVISOR
DSA	COVID-19 SAFETY OFFICER
DRT	MAINTENANCE ENGINEER/ OFFICE DESIGN
ICS	SAP IT EXPERT
DRU	HR MANAGER

Training and Organisational Development

During 2020, 28,702 training hours were delivered, which involved **2,059** employees, as broken down in the table below:

% trained workers	%	79%
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ALIA GROUP PERSONNEL TRAINING

TOTAL TRAINING HOURS	28,702
IN SAFETY	13,169
IN OMCM	91
IN OPERATIONAL TRAINING	8,335
IN CONTINUOUS TRAINING	7,107
TRAINED WORKERS BY TYPE OF COURSE	2,059
SAFETY	1,072
OMCM	94

OPERATIONAL TRAINING	711
CONTINUOUS TRAINING	1,443

Trained workers by gender and position	
Trained workers	2,059
of which men	1,574
of which women	485
of which executives	11
of which middle managers	28
of which office workers	468
of which manual workers	1,552

Average employee training hours per head		
Total per head	hours	9.37
of which men	hours	10.37
of which women	hours	6.52
of which executives	hours	11.20
of which middle managers	hours	13.13
of which office workers	hours	9.56
of which manual workers	hours	907

Average temporary workers training hours per head		
Total per head	hours	25.56
of which men	hours	27.54

of which women	hours	20.87
of which executives	hours	0
of which middle managers	hours	0
of which office workers	hours	4.88
of which manual workers	hours	26.74

In 2020 training activities were largely affected by the management of the pandemic that, as from March, forced periods of work stoppage in the delivery of corporate training, which was followed by the need for a different method of working, moving from 100% in-person to 95% webinar mode. The significant reduction in the number of training hours delivered in 2020 (from 45,736 hours in 2019 to 28,702 in 2020) was due to both the periods of stoppage in the delivery of training, and the need to provide useful tools and spaces - rooms/classrooms and computers to be made available to learners without computers and workstations in the delivery in distance learning mode.

Despite the slowdown in training activities, the year 2020 was still characterised by the implementation of projects, which would have probably required a much longer time of execution in the absence of a lockdown period. 2020 was, therefore, the year in which it was possible to give shape to the project for the implementation of the e-learning course catalogue of Alia. As many as 20 operational procedures were enhanced for adult learning by transforming them from "written" to "descriptive" mode, using video footage, photographs, etc.. The enhancement and transformation work was designed and carried out directly by the Training and Development Service staff members. In adopting the same approach, and taking advantage of the lockdown, certain e-learning modules for training in safety were also created: a general safety training module - 4 hours - and a specific safety training module for office workers - 4 hours. The two modules required a scientific coordination team to be formed for the purpose, made up of a group of in-house experts, including staff members from the Training and Organisational Development Service and the Safety and Environment Service. The entire course described above was then approved by the Fondazione Rubes Triva Bilateral Body and, therefore, the in-house training courses delivered by

means of this tool were recognised for all purposes in accordance with Law 81/2008; at present, it is therefore possible to issue the certificate of training signed by Alia.

The management of Covid-19 contaminated waste made it necessary to structure a training course in order to allow staff members in charge of collecting Covid-19 special waste to manage stress and anxiety and to be provided with useful tools for managing relations with users who were faced with a situation of total isolation and uncertainty. The course was carried out and delivered directly by the staff members of the Training and Organisational Development Service, since no third-party consultants were authorised to access the company premises during the first phase of the pandemic (skills were acquired for the management of the Psychological First Aid (PFA) unit and were then adapted to the needs of the Covid-19 waste collection service). Therefore, Alia made use preliminarily of the training support from a third-party psychologist and delivered a course on "how to communicate in an emergency", which involved 27 employees.

The actions described above confirm that at Alia the role of the Training and Organisational Development Service is increasingly a lever for change, engagement and motivation, as well as for the development of its human resources. All the training activities that have been planned and delivered pursue the objective of relying on resources who are aware of the environment in which they operate, competent and equipped to deal with complex issues both inside and outside their organisation; this is, in fact, also confirmed by the implementation of projects for the development of role skills. The work to enhance, acquire and strengthen professional skills, both hard and soft, was, in fact, carried out throughout the year by structuring Excel courses, targeted at 140 employees, as well as individual coaching programmes that involved 11 employees with managerial and executive roles, a training programme for the role for a total of 93 hours, which involved all the staff members of the operational management of the 4 Local Departments from September. Finally, in order of time only, we must note the Leadership 4.0 webinar project, which is being attended by the Executives of Alia, to provide useful tools to deal with the complexity of the new working environment, which is increasingly characterised by an increased use of smart working.

As far as Apprenticeships and Internships are concerned, 8 university apprenticeships were started in 2020 (no work experience applications were received due to the pandemic); at present agreements are in place with the Universities of Florence and Pisa. The apprenticeship agreements entered into with each of the Universities in question are described below:

- UNIVERSITY OF FLORENCE: 5 curricular internships were started, all with students from the Engineering Faculty, four of which are students of the Master's degree course in Environmental and Territorial Engineering and one student of the Bachelor's degree course in Civil and Environmental Engineering. Given the health emergency, we are experimenting, together with the University, internships in distance learning mode;
- UNIVERSITY OF PISA: 3 curricular internships were started, all with students from the Faculty of Energy and Land use Systems Engineering.

IT systems and infrastructure

The year 2020 was characterised by the health emergency due to the Covid-19 pandemic and, therefore, by a large-scale adoption of agile working and the subsequent need to review the organisation and delivery of IT services.

In the first ten days of March, Alia was able to deploy approximately 600 workstations remotely by expanding the virtualisation infrastructure, which was in place as early as from 2018 on a limited number of workstations, thus enabling as many users to work remotely.

The revision of the working and organisational model, and the consequent large-scale adoption of remote working, led to an overloading of data communication infrastructures, i.e. the servers that ensure remote and virtual workstations and the security systems that control access to company systems.

According to the evidence described above, in April 2020 work started on the plans for the redesign and implementation of geographical connectivity (WAN), the expansion of the processing and data management capacity of the servers and the modernisation of local networks (LAN) at all the company's offices: these three projects were concluded at the end of 2020.

At the infrastructure level, 2020 also saw the completion of the project that involved the unification of company switchboards and the migration of fixed telephony systems from analogue to VoiceOverIP (VOIP) technology by adopting an integrated Unified Communication and Collaboration (UC&C) solution.

In the field of cyber-security and security in general, work was completed on the Business Impact Analysis and the project that redesigned the backup/disaster recovery strategy and model for company data.

The ERP SAP system continued to be improved during the year by carrying out a complete migration to the new SAP S4/Hana technology; among others, we must note the project that led to adopting the SAP BPC module for budget planning and the project that will lead to starting the SAP PM system in the field of system maintenance during the first half of 2021.

In 2020 work also continued on the development of the new unified services management program, which will enter into production during the first half of 2021 because of a delay due to the emergency that arose during the year and that put particular pressure on the areas of operations.

In 2020 the phase was completed for the analysis required to develop the new unified and integrated system in the field of user traceability, billing, debt collection and CRM (TXRT Project - Traceability - XRM-Tari waste tax), for which it was decided to use the SAP technology.

In 2020 the Help Desk service handled about 20,000 requests for opening tickets and distinguished itself for the great and profitable work carried out during the emergency phase of the pandemic, during which it ensure service continuity to the entire company and the shift of about 800 workers to the remote working mode.

Remote and field training courses were given to staff members in order to continue with the agreed and scheduled training programme.

Control Systems, Transparency, Code of Ethics and Litigation

Introduction

Work continued on managing the ATO Toscana Centro Concession during 2020. The Covid-19 pandemic had a profound impact on all the company operations and the organisation itself.

The year just ended saw the Company's ongoing commitment - while necessarily taking account of the important variables imposed by the health emergency in progress - to implementing the new business plan as per updates illustrated to the Shareholders at the Shareholders' Meeting held on 1 July 2020, and the process of corporate reorganisation outlined in 2019.

Board of Directors' proceedings

On 20 February 2020 the Board of Directors approved the new organisational chart by which work had to be started on internal restructuring.

On 7 April 2020 the Board of Directors was informed of the decision to submit a request to access the Supplementary Wage Fund (SWF) scheme benefits following a reduction in the number of services and resources due to the ongoing pandemic and the periods of lockdown ordered under decrees enacted as from March 2020.

At the same meeting the Board of Directors approved the proposed purchase of Certaldo Energia S.r.l.'s 50% quota held in the capital of Q.Energia S.r.l., in order to bring the post-closure operation of the Certaldo landfill within the structure of Alia, as provided for by the obligations of the concession. By a deed of purchase of quotas dated 23 June 2020, Alia became the sole quotaholder of the subsidiary.

On 9 June 2020 the Financial Statements for the Financial Year ended 31 December 2019 were approved.

On 17 June 2020 the reverse merger was completed, with effect from 1 August 2020, for the incorporation of ReAl S.r.l., a company invested in by Alia at 50.1% and by Relife (Benfante group) at 49.9% into Metalcarta S.r.l., while at the same time changing its name to ReAl S.r.l..

On 26 June 2020 the Board of Directors approved the updated version of the business plan, which was to be presented to the shareholders at the Shareholders' Meeting of 1 July 2020 on occasion of the approval of the Financial Statements at 31 December 2019.

At the same meeting the Board of Directors approved the revamping plan for the company systems in order to obtain a unitary framework of the waste management system.

On 30 July 2020, the Board of Directors approved the plan providing for Alia joining the corporate structure of Scapigliato S.r.l. through the execution of a capital increase, from a minimum quota of 15%

to a maximum quota of 20% of the capital. In implementing the Memorandum of Understanding signed with the Tuscany Regional Government, Rea Impianti S.r.l. and Belvedere S.p.A., Alia's Board of Directors approved, at the same meeting, a commercial agreement with Scapigliato S.r.l., providing for their strategic collaboration and the delivery for urban and special waste treatment at landfills. At the meeting held on 28 October 2020 the Board of Directors then approved the assumption of an unsecured loan to service the transaction for the purchase of the quota.

On 28 September 2020 the Board of Directors approved the plan for the merger of subsidiaries Q.Thermo S.r.l. and Q.Energia S.r.l. by incorporation into Alia, with the mandate to call the Extraordinary Shareholders' Meeting.

During the meeting held on 28 October 2020 the Board of Directors approved the proposed shareholder loan in favour of subsidiary Programma Ambiente S.p.A., to be implemented through a partial waiver of the existing claim for an amount of Euro 600,000.

On the same date, the Board of Directors also approved a capital increase of associate ALBE S.r.l. for Euro 600,000 to be borne by Alia, in order to provide the associate with the resources required to purchase the plots of land on which the biodigester will be built.

On 9 December 2020 the Board of Directors approved the filing of the appeal connected with the procedure for the preparation of the concession EFP for the concession year 2020, aimed at cancelling ATO TC's Resolution no. 17/2020 and the memo dated 7 December 2020 and with any subsequent and related act, while also extending the appeal to ARERA's acts, if necessary.

At the same meeting the Chairman was granted the mandate to call the Shareholders' Meetings for each category and the General Ordinary Shareholder's Meeting for the renewal of corporate bodies.

On 22 December 2020 the Shareholders' Meetings for each category and the General Ordinary Shareholder's Meeting took steps, each of them within the sphere of its competence, to appoint the Board of Directors and Board of Statutory Auditors for the three-year period from 2020 to 2022, in addition to determining their fees. The newly-appointed Board of Directors and Board of Statutory Auditors took office on the same date; the newly-appointed Board of Directors proceeded, in its turn, with the appointment of the Chief Executive Officer.

Organisational, Management and Control Model under Legislative Decree 231

1) Changes in the Alia model

By a resolution dated 26 May 2020, the Board of Directors approved the amendments to Alia's Organisational Model, as a result of the entry into force of Law 3 of 2019 and Law 157 of 2019, which extended the scope of predicate offences.

For this purpose, there was a review of both the general and the special parts of the Organisational Model; in particular, the review set out the processes at risk of committing predicate offences and the general principles of conduct that are required to be complied with by company employees and third parties who maintain contractual relationships with the company, while delegating powers to the Supervisory Board to check for the effective implementation of the OMCM and related protocols.

2) Changes in the Organisational, Management and Control Models of investees

Programma Ambiente Apuane S.p.A.: on 8 October 2020, the company's Board of Directors approved the review of its Organisational Model, which adopted the general principles and rules complied with by the parent company, without prejudice to the specific requirements prescribed by Legislative Decree 231 of 2001, as well as the Disciplinary Code, as a tool to ensure the actual implementation of the OMCM.

As for Alia, appropriate amendments were made to the general and special parts of the OMCM, due to the introduction of the crime of trafficking in unlawful influence and tax crimes in the catalogue of predicate offences.

Moreover, the company obtained the Environmental Quality Certification, which is a further prerequisite for the recognition of the exempting effectiveness of the 231 Model.

Programma Ambiente S.p.A.: the Organisational Model is in the process of being reviewed.

Revet S.p.A.: on 21 December 2020, the Board of Directors approved amendments to the Organisational, Management and Control Model, as a result of both the provision, under Legislative Decree 231 of 2001,

for Article 25-*quiquiesdecis*, and by virtue of the new provisions of Article 24 “*Misappropriation of funds, fraud against the State, a public body or the European Union or for the obtainment of government grants, computer fraud against the State or a public body and fraud in public procurement*”, Article 25 “*Embezzlement, extortion, undue induction to give or promise benefits, corruption and abuse of office*” and Article 356 of the Criminal Code, “*Fraud in public procurement*”.

3) Training courses delivered by Alia

In 2020, courses were delivered on occupational health and safety in compliance with the regulations in force.

All commercial partners also receive news on the fight against corruption and paying and receiving bribes. In fact, all entities, whether public or private, that maintain relations with the Company undertake to comply with the Code of Ethics, since it is an indispensable requirement for the initiation or merely the continuation of any relationship whatsoever with the Company.

This principle is stated in the General Conditions of Contract of the tenders awarded (published on the institutional website).

4) Training courses delivered by investees

In 2020, Revet S.p.A. delivered training sessions in relation to legislative Decree 231 of 2001 to all new hires.

5) Audits at Alia

In 2020, the Supervisory Board appointed by Alia, carried out 10 audits, mainly aimed at controlling the processes concerning the management of tenders and contracts, plants, environmental issues and in the

matter of occupational health and safety. The activities related to the preparation of separate and consolidated financial statements were also audited.

6) Audit of Investees

The Supervisory Board carried out:

- 7 audits at Programma Ambiente S.p.A.;
- 9 audits at Revet S.p.A..

7) Critical issues reported by the Supervisory Board at Alia

It should be noted that, during the inspections carried out by the Supervisory Board in 2020, no facts, acts or events emerged which revealed atypical or critical issues with respect to the Code of Ethics, the Company's Organisational Model, Rules and procedures.

In this regard, it should be noted that the Supervisory Board received interim (quarterly) information flows from the company Departments or functions concerned, which did not show any issue worthy of note, especially with reference to environmental crimes, offences against Public Authorities and corporate crimes.

Moreover, taking account of the historical period, which is affected by the health emergency, it was found that the Company has adopted the measures required by the protocols signed by the Government with social partners and the competent Bodies, ensuring their compliance with the regulatory developments that have followed.

Main litigation

For more information on the main litigation, reference should be made to the related paragraph of the explanatory notes.

Accidents at work

With reference to the disputes pending for accidents at work, the insurance policies in place at the time of the events provide for limits of liability that are sufficient to cover any possible compensation claim in civil actions:

- Rgnr. (General Register of Notices of Offences) 5117/2017: the Trial (accident at work) is in the first instance and in the phase of discussion; any claims for damages which have been and can be submitted in civil proceedings are covered by the Third-party Liability/Employer Liability insurance policies held by the Company.
- Rgnr. (General Register of Notices of Offences) 2464/2017: the Trial (accident at work) is in the first instance and in the phase of discussion; no claims for damages have been submitted in civil proceedings, but if they did, they would be covered by the Third-party Liability/Employer Liability insurance policies held by the Company.
- Rgnr. (General Register of Notices of Offences) 6461/2016: the Proceedings (accident at work) are at the preliminary investigation stage and, the questioning having been carried out, we are waiting for the Court to lift the reservation as to whether to dismiss or refer the case to trial. In this case too, the Third-party Liability/Employer Liability insurance policies have potential capacity to cover any possible claims for damages in civil proceedings.

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

According to Article 123-*bis* of the Consolidated Finance Act (Legislative Decree 48 of 2008), the companies issuing transferrable securities admitted to trading on regulated markets must provide, in a specific section headed "Report on corporate governance and ownership structure" of the report on operations, the detailed information required by paragraphs 1 and 2. According to Paragraph 5 of the aforementioned Article, "the companies that do not issue shares admitted to trading on regulated markets or in multilateral trading systems are not obliged to publish the information referred to in paragraphs 1 and 2, except for that required by paragraph 2.(b)".

The information required by Article 123-*bis*, paragraph 2.(b), of the Consolidated Finance Act is therefore provided below, concerning the existing risk management and internal control systems in relation to the financial reporting process with reference to the Organisational, Management and Control Model under Legislative Decree 231/2001 and the application of Legislative Decree 262/2005.

The Organisational, Management and Control Model under Legislative Decree 231 forms an integral part of the risk management and internal control system in relation to the financial reporting of Alia, due to the type of the model itself. According to Article 6, paragraph 2, of Legislative Decree 231/2001, in fact, the Model must "identify the areas in which offences may be committed".

Alia has analysed the types of offences and identified the company processes or areas in which there is a risk of the offences provided for in the Decree being committed, including the offences of false corporate communications (Articles 2621 and 2621-*bis* of the Italian Civil Code) and false corporate communications of listed companies (Article 2622 of the Italian Civil Code).

For each of these processes/areas the individual sensitive activities have been identified and the rules of control and conduct have been laid down, which all those operating therein must comply with.

It should be noted that in 2020 the Company continued its work to update, on an ongoing basis, the procedures set out in the Organisational, Management and Control Model and the compliance with the Code of Ethics adopted in the application of Legislative Decree 231/2001, as amended and supplemented, as already reported in the section relating to the Model itself.

The second part of the risk management and internal control system in relation to financial reporting is being prepared in order to comply with Legislative Decree 262/2005, laying down provisions on the appointment of the Financial Reporting Manager.

The Financial Reporting Manager, assisted by an external consultant, continued the implementation of the internal control system that attests to the truthfulness and correctness of the financial reporting (financial position and results of operations for the financial year) produced by the Company.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- **29 January 2021**: Alia sent ATO TC the "draft 2021 EFP", as a database for starting the procedure for ATO TC's approval of the 2021 EFP;
- **18 February 2021**: by a memo with file no. 8441, Alia sent 'ATO TC the "Explanatory report on the 2020 economic and financial imbalance";
- **19 April 2021**: GSE (the Italian state-owned energy service company) notified Q.tHERmo of the release of the surety of Euro 12.4 million, which had been initially issued on 14 March 2017 as security for the incentive system linked to the WTE plant project at Case Passerini;
- **10 May 2021**: the "final" draft EFP was delivered to ATO TC following the preliminary inquiry procedure conducted by ATO TC (January- April 2021) for the completion of the 2021 EFP under ARERA resolution no. 443/19;
- **10 May 2021**: by a memo with file no. 1612, ATO TC notified Alia of the results of the "closure of the preliminary inquiry procedure to check for the economic and financial equilibrium for the 2020 financial year";
- **11 May 2021**: the closing was completed for the Scapigliato transaction, with the execution of the capital increase reserved for Alia S.p.A. in order to join the corporate structure of Scapigliato S.r.l., with an outlay of approximately Euro 8.5 million, equal to 16.50% of the company quotas;
- **11 May 2021**: the Board of Directors granted a mandate to proceed with the merger by incorporation of the wholly-owned company Programma Ambiente S.p.A., dating accounting and tax effects back to 1 January 2021;
- **25 May 2021**: the Board of Directors of Alia S.p.A. approved the 2021/2030 Business Plan;
- **26 May 2021**: by Decision no. 96, ATO TC notified Alia of the closure of the preliminary inquiry procedure concerning the review of the Contract Service, aimed at making it consistent and coordinated with the WTM and in general with the new regulatory framework; the new contract form will be submitted for approval by ATO TC's General Meeting scheduled on 14 June 2021;

- **27 May 2021**: Alia Servizi Ambientali S.p.A. was served with a preventive seizure order involving the areas and yards located within the San Donnino Technological Hub in order to prevent the commission of other crimes. At this stage, to ensure operational continuity in waste management, Alia is taking steps to comply with the requirements of the Judicial Authority. The actual measure was issued following investigations started in 2016 concerning the assessment of alleged environmental crimes, which involved, for various reasons, the Top Managers of the companies incorporated into Alia and Alia itself, and which led to issuing an order of application of precautionary prohibitory measures against some of them. Therefore, in compliance with the provisions of the Judicial Authority and in accordance with the principle of loyal collaboration, the Company immediately revoked all the proxies and powers of attorney granted to the Executives and Managers involved, reallocating functions and responsibilities to in-house staff members, as provided for in the "Emergency Business Continuity Plan", which was approved by the Company in March 2021;
- **28 May 2021**: given that, by ATO Toscana Centro's file memo no. 1612 of 10 May 2021, as submitted, on the same date, for approval by ATO's General Meeting scheduled on 14 June 2021, Alia's Board of Directors believed that the elements that were prejudicial to its interests had been removed, which had originated the appeal against ATO Toscana Centro's General Meeting resolutions no. 17 of 28 September 2020 and no. 19 of 11 December 2020, concerning the "Approval of the validation of the 2020 economic and financial plans"; it therefore started the procedure for withdrawing the appeal in question. For more information on the relations maintained with ATO during 2021, reference should be made to the paragraph on "General information and significant events during the year" in the explanatory notes to the financial statements.

OUTLOOK

For Alia the 2021 financial period - the fourth year of the term of concession management - will be a crucial year for the developments expected with regard to a whole set of issues that will presumably redesign its identity and with it its corporate mission in a radical manner. As early as in the first part of 2021, the Company was strongly committed to outlining a new 2021/2030 Strategic Business Plan, which was approved by the Board of Directors on 25 May and which defines the reference outlook within the regulatory framework set out by ARERA, in gradual evolution on an ongoing basis. The Plan is aimed at setting out a balance point for evolution towards waste collection models that optimise the ratio between costs, investments and economic exploitation of sorted fractions, capable of freeing up savings in the medium term on the one hand, and, on the other, making up for the structural lack of system equipment, while finding innovative solutions consistent with the principles of circular economy oriented towards gasification with medium-sized plants intended for the production of biofuels for motor vehicles. The year 2021 will be the last year of the first regulatory period from 2018 to 2021 and the period during which the Company will strengthen its experience in the first-time application of ARERA Resolution no. 443/19, which took place in 2020 and was finalised with the definition of the economic and financial rebalancing for 2020. This experience has given rise to an in-depth analysis, conducted in agreement with the contract counterparty, as well as the 2nd level regulatory body ATO TC about the guidelines for the operation of the concession. The change in the reference criteria for the determination of the Concession fees through the WTM, towards which a substantial convergence of the parties has been arrived at, given the opportunity to ensure, through it, certainty and stability to the fees itself, has triggered an equally important convergence of intentions towards the need to supersede the current service contract, which has proved to be extremely complex and poorly intelligible in its actual application from various points of view; in particular, the current structure has proved to be inadequate, which, precisely because of its extremely prescriptive nature, severely limits the possibility for the operator to realise operational efficiencies that may be ultimately passed on to end users. ATO TC's General Meeting to be held on 14 June 2021 will consider a proposal for a review of the contract shared with ATO TC, which will constitute the prerequisite for identifying and putting into practice levers to optimise the operation of the concession. The other virtuous element that will have to arise from

compliance with the Italian regulatory framework is that of incorporating the impulse aimed at supporting, through the WTM, the construction of the plant infrastructures necessary for the closure of the cycle, an element of very high criticality and weakness of the ATO TC concession scheme, in particular after having superseded the strategic project concerning the construction of the WTE in the Florentine area. The outlook of the Business Plan outlines the economic and financial sustainability of the projects on the plant engineering front, which are essential to mitigate the risk to which the concession is currently exposed, namely that of having to make recourse, in a substantial manner, to third-party plants for after-collection activities, thus exposing itself to the extreme volatility of the target market. The prospect is therefore that of a major effort on the part of Alia towards strengthening its plant equipment in compliance with the guidelines provided by the regulatory framework, which fully confirms this direction even at the level of the Consultation Document [DCO, *Documento di Consultazione*] on the second regulatory period from 2022 to 2025.

As regards infrastructure investments, it should be noted that Alia is going to incur to a significant extent, as early as from 2021, the costs for the work site set-up for the Biodigester at Montespertoli; the related tariff recognition would take place from 2023, given the time limit of two years during which the Company may provide for plant capex to be charged to the tariff; the Group will monitor the future developments of the regulatory approach that ARERA will set out for the four-year period from 2022 to 2025, while taking measures, in consideration of the well-established practice to regulate the recognition of investment costs among revenues, to update reporting criteria tending to attenuate the misalignment produced by the tariff lag on the income statement and balance sheet financials.

Another guideline for the 2021 financial year will be to strengthen the Parent Company's management and coordination activities with regard to the entire perimeter of investee companies, with particular reference to the subsidiaries within the scope of line-by-line consolidation, by making provision for appropriate "Group Rules".

RISK MANAGEMENT

The Alia Group 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 main operational risks are reported below, which affect the Alia Group; for more information on financial, credit and equity risks, reference should be made to the related paragraph of the explanatory notes to the financial statements.

Operational risks

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

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

Risks associated with the environment, health and safety

The Group has various production sites throughout Italy and consequently it is exposed to the risk of not being able to ensure a safe working environment, with the risk of causing potential damage to property or persons and exposing the Group to regulatory sanctions, legal actions on the part of employees, compensation costs and reputational damage. In order to mitigate these risks, the Group aims to

implement a model of sustainable development that is based on environmental sustainability, to be understood as the ability to safeguard natural resources and the ecosystem's capacity to absorb the direct and indirect impact generated by production activities.

Risks associated with processes and procedures adopted

The Group is exposed to the risk arising from shortcomings in the design of business processes or from errors and failures in performing operations. In order to cope with this risk, the Group has adopted a framework consisting of the system of organisational communications and of Manuals and Policies, as well as Management Procedures, Operating Procedures and Work Instructions.

Risks relating to human resources

The main risks associated with Human Resource Management, to which the Group is exposed, concern the ability to find the skills, professionalism and experience required to pursue its objectives. In order to mitigate these risks, the Group has set out specific selection, development, career, training, remuneration and talent management policies that are applied in all the countries in which the Group operates according to the same principles of meritocracy, fairness and transparency, paying particular attention to issues that are relevant to local culture. Moreover, the Group has always maintained a relationship of confrontation and dialogue with trade unions.

Legal risks

As part of its normal operations, the Group is involved in legal and tax proceedings. In relation to some of them, the Group may not be able to quantify the potential liabilities that could result in an effective manner. A detailed analysis of the main disputes is provided in the specific paragraph of the Explanatory Notes to the Consolidated Financial Statements.

Risks associated with unlawful acts committed by employees

The Group is exposed to risks arising from unlawful acts committed by employees, such as fraud, paying and receiving bribes, acts of vandalism or damage, which could have adverse effects on the results of operations for the financial period in which they occur, in addition to undermining the Company's image and integrity in terms of reputation. In order to prevent such risks, the Group has adopted an

Organisational Model under Legislative Decree 231/2001 and a Code of Ethics, which describes the principles and values that inspire the work of the entire organisation.

Risks associated with ICT Systems

The main risk factors that could compromise the availability of the Group's ICT systems include cyber attacks, which may result in a possible stoppage of production and sales support activities or endanger the confidentiality, integrity and availability of personal data processed by the Group. In order to mitigate the occurrence of such risks, the Group has implemented a centralised control system aimed at improving the Group's IT security.

Florence, 28 May 2021

For the Board of Directors

**The Chairman
Nicola Ciolini**

**The Chief Executive Officer
Alberto Irace**

Consolidated Statement of Financial Position

STATEMENT OF FINANCIAL POSITION - ASSETS	NOTES	2020	2019
Property, plant and equipment	1	107,973,441	100,450,184
Concession rights	2	149,059,655	126,985,509
Other intangible assets	3	5,477,517	1,911,925
Goodwill	3	250,481	250,481
Equity investments in associates and joint ventures	4	4,655,747	4,278,681
Other equity investments	4	256,280	272,829
Non-current financial assets	5	279,310	363,201
Deferred tax assets	6	12,569,403	8,839,871
Non-current derivative assets	21	8,095	33,149
Non-current trade receivables	7	3,249,744	4,458,282
Other non-current assets	8	1,257,437	604,143
Total non-current assets		285,037,108	248,448,253
Inventories	9	4,046,893	3,910,425
Trade receivables	10	109,157,045	102,763,583
Current financial assets	11	-	54,811
Equity investments	11	1,770	1,770
Current tax assets	12	2,440,028	3,406,552
Other current assets	13	6,040,327	7,417,358
Cash and cash equivalents	14	66,286,659	90,545,359
Total current assets		187,972,722	208,099,858
TOTAL ASSETS		473,009,830	456,548,111

STATEMENT OF FINANCIAL POSITION - LIABILITIES	NOTES	2020	2019
Share capital	15	85,376,852	85,376,853
Reserves	16	88,647,734	88,974,618
IFRS FTA Reserve	16	7,896,006	7,896,006
Profit (loss) for the year		-5,729,334	1,403,325
<i>of which: Equity attributable to minority interests</i>	17	15,692,489	16,409,329
<i>of which: Net profit (loss) attributable to minority interests</i>		1,532,544	1,015,325
Total shareholders' equity		176,191,258	183,650,802
Provisions for risks and charges	18	38,346,338	34,817,351
Employee severance pay and other benefits	19	17,090,846	19,268,413
Non-current financial liabilities	20	72,038,407	68,174,480
Derivatives	21	63,446	219,319
Other non-current liabilities	22	7,192,515	7,767,080
Non-current trade payables	23	5,066,666	5,900,000
Total non-current liabilities		139,798,217	136,146,643
Current financial liabilities	24	45,145,477	42,700,064
Trade payables	25	95,654,298	76,008,860
Current tax liabilities	26	31,626	117,599
Other current liabilities	27	16,188,953	17,924,143
Total current liabilities		157,020,355	136,750,666
TOTAL LIABILITIES		296,818,572	272,897,309
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		473,009,830	456,548,111

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

Consolidated Income Statement

INCOME STATEMENT	NOTES	2020	2019
Revenues	28	327,733,707	337,891,349
Construction revenues - concession rights	2	28,096,067	15,350,333
Change in inventories of finished products, semi-finished products and work in progress	28	-291,230	-3,525
Other operating revenues	28	7,483,873	11,482,922
Consumption of raw materials and consumables	29	18,143,947	19,076,376
Costs for services	29	181,193,408	185,251,935
Personnel costs	29	111,174,311	116,061,722
Other operating expenses	29	4,029,240	5,230,540
Construction costs - Concession rights	3	28,096,067	15,350,333
Capitalised costs	3	-287,425	-106,327
EBITDA		20,672,869	23,856,500
Amortisation, depreciation, provisions and write-downs	30	27,617,787	20,357,088
Net value write-backs (write-downs) of trade and other receivables	30	134,799	420,933
Operating income (EBIT)		-7,079,716	3,078,479
Write-downs and (reinstatements) of financial assets	31	61,099	1
Share of profits (losses) of joint ventures and associates	32	694,758	128,172
Financial income	33	561,661	842,546
Financial costs	33	3,374,880	3,526,932
Financial operations		-2,179,561	-2,556,215
Profit before tax		-9,259,277	522,264
Tax	34	-3,529,943	-881,061
Net profit (loss) for the year		-5,729,334	1,403,325

Of which: minority interests

<i>Net profit (loss) attributable to minority interests</i>	1,532,544	1,015,325
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Attributable to

Shareholders of the Parent Company	-7,261,877	388,000
<i>Minority shareholders</i>	1,532,544	1,015,325

Consolidated Statement of Comprehensive Income

STATEMENT OF COMPREHENSIVE INCOME	2020	2019
Components that can be reclassified to profit or loss		
Fair value of derivatives, change in the period	155,873	234,432
Tax effect related to other comprehensive income that can be reclassified	-37,410	-56,264
Components that cannot be reclassified to profit or loss		
Actuarial gains (losses) from provisions for employee benefits	-78,424	-945,869
Tax effect related to other comprehensive income that cannot be reclassified	18,821	227,009
Total comprehensive income (loss) for the year	-5,670,474	862,633
Attributable to:		
shareholders of the Parent Company	-7,255,006	-212,197
minority shareholders	1,584,532	1,074,830

Consolidated Cash Flow Statement

CASH FLOW STATEMENT	NOTES	31/12/2020	31/12/2019
OPENING NET CASH AND CASH EQUIVALENTS	14	90,545,359	130,130,919
Result for the year (A)		-5,729,334	1,403,325
Depreciation of property, plant and equipment	30	7,388,074	6,702,967
Amortisation of intangible assets	30	13,800,621	12,848,383
Accrual to provision for bad debts	30	134,799	420,933
Accrual to provision for risks	18	8,923,223	3,490,882
Non-monetary adjustments related to changes in equity investments (including effects of valuation at Equity)	32	-33,487	-78,121
Effect of deferred tax assets/liabilities through profit or loss	34	-3,850,858	- 1,448,366
Provision for current tax	34	320,915	567,305
Capital (Gains) / Losses from disposals / (contributions)	34	-81,704	273,021
Financial (Income) / Costs	33	2,813,219	2,684,386
Accrual to the provision for Employee Severance Pay	19	4,811,755	4,688,795
Other adjustments for non-cash elements		-255,950	359,803
Non-monetary adjustments (B)		33,970,607	30,509,989
Cash flow from current operations (C)=(A)+(B)		28,241,273	31,913,314
(Increase)/Decrease in Inventories	9	-145,643	- 595,935
(Increase) / Decrease in Trade receivables	10	-6,843,611	- 23,073,209
(Increase) / Decrease in Current tax assets	12	966,524	1,055,109
Increase / (Decrease) in Current tax liabilities	24	-85,973	81,477
(Increase) / Decrease in Other current assets	13	1,377,031	4,112,309
Increase / (Decrease) in Trade payables	25	19,918,066	- 7,913,126
Increase / (Decrease) in Other current liabilities	27	-1,735,190	1,794,988
Other changes		3,822,457	484,939
Change in Net Working Capital (D)		17,273,662	-24,053,448
Increase / (Decrease) in Non-current assets	7-8	555,245	- 520,681

(Increase) / Decrease in Non-current liabilities	22-23	-1,407,899	-	1,065,641
Interest collected / (paid)	33	-2,365,860	-	1,780,396
Change in deferred tax assets / liabilities	34	-3,752,026	-	1,595,057
Use of Provisions for risks / Provision for Employee severance Pay	18 - 19	-12,714,624	-	9,830,490
Current tax paid	34	-230,888		52,150
Other operating changes (E)		-19,916,053	-	14,740,115
Cash flows from operating activities (G)=(C)+(D)+(E)		25,598,882		-6,880,250
(Investments in) Property, plant and equipment	1	-25,318,903		-19,326,805
Disinvestments from Property, plant and equipment	1	3,159,281		774,980
(Investments in) Intangible assets	3	-32,844,652		-15,869,439
Disinvestments from Intangible assets	3	279,503		1,462,035
(Investments in) Non-current financial assets	4	-44,550		-2,218,825
Disinvestments from Non-current financial assets	4	113,064		4,674
(Acquisition) / net disposals of subsidiaries	4	-110,666		
Cash flows from investing activities (H)		-54,766,923		-35,173,380
Free cash flows (I)=(G)+(H)		29,168,042		-42,053,630
New loans	20	13,900,000		4,700,000
Repayment of loans	20	-6,919,414		-13,844,659
Increase (decrease) in short-term payables to banks	24	-671,246		2,243,453
Financing activities - Net worth	24	-1,844,129		9,369,276
Payments for acquisition of minority interests		1,400,000		-
Cash flows from financing activities (J)		4,909,340		2,468,070
Net change in cash and cash equivalents (L)=(I)+(J)	14	-24,258,701		-39,585,560
CLOSING NET CASH AND CASH EQUIVALENTS	14	66,286,658		90,545,359

Consolidated Statement of changes in Equity

	<i>Share capital</i>	<i>Share premium reserve</i>	<i>IFRS FTA reserve</i>	<i>Extraordinary reserve and other revenue reserves</i>	<i>Other reserves</i>	<i>Profit for the year</i>	<i>Equity</i>	<i>Of which attributable to minority interests</i>
Balance at 31 December 2018	85,376,852	16,965,073	7,896,006	53,905,312	7,420,104	1,900,920	173,464,267	7,039,352
Profit (loss) for the year						1,403,325	1,403,325	1,015,325
Other comprehensive income (loss) at 31 December 2018:							0	
Profits (losses) on hedging derivatives				178,168			178,168	87,302
Actuarial gains (losses) from provisions for employee benefits and Fair value of derivatives				-718,860			-718,860	-27,797
Comprehensive income for the year				-540,692		1,403,325	862,633	1,074,830
Other changes				9,323,901			9,323,901	9,310,472
Allocation of 2018 profit:							0	
Allocation to other reserves				1,900,920		-1,900,920	0	
Balance at 31 December 2019	85,376,852	16,965,073	7,896,006	64,589,441	7,420,104	1,403,325	183,650,801	17,424,652
Profit (loss) for the year						-5,729,334	-5,729,334	1,532,544
Other comprehensive income (loss) at 31 December 2019:							0	
Profits (losses) on hedging derivatives				118,463			118,463	58,046

Actuarial gains (losses) from provisions for employee benefits and Fair value of derivatives				-59,603			-59,603	-6,058
Comprehensive income for the year				58,860		5,729,334	-5,670,474	1,584,532
Other changes				-1,789,069			-1,789,069	-1,784,153
Allocation of 2019 profit:							0	
Allocation to other reserves				1,403,325		-1,403,325	0	
Balance at 31 December 2020	85,376,852	16,965,073	7,896,006	64,262,557	7,420,104	-5,729,334	176,191,258	17,225,033

Explanatory notes

1) GENERAL INFORMATION AND SIGNIFICANT EVENTS DURING THE YEAR

The Alia Servizi Ambientali S.p.A. Group (hereinafter also referred to as the “Group” or “Alia Group”) is a group of companies that manages environmental services such as the collection, treatment and disposal of municipal waste in Central Tuscany.

At the end of 2017, the transitional period ended, which was regulated by the 20-year concession service contract signed by the parent company Alia Servizi Ambientali S.p.A. (hereinafter also referred to as “parent company”, “Alia S.p.A.” or “Alia”) 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 company-owned assets functional to the service were transferred from former operators not incorporated into Alia, such as AER Ambiente, Energia Risorse S.p.A. and COSEA Ambiente S.p.A. to the area operator Alia. These assets were therefore added to the Operator's assets at the residual book value as at the date of transfer.

The Group, particularly through Alia's subsidiaries, also operates in sectors that are complementary to that of the Parent Company; for more details, reference should be made to the information reported below and in the report on operations.

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

Specifically, note:

- a decrease of about Euro 0.9 million in costs for materials, mainly due to a reduction in consumption of fuels by the Parent Company due to a reduction in the services delivered in local areas during the period of lockdown;
- lower costs for services in relation to charges for treatment of waste and sending it for recycling, equal to about Euro 4.6 million, due in particular to a reduction in waste in local areas as a result of the Covid-19 epidemic emergency.

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

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

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

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

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

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

For more details, reference should be made to notes no. 2, no. 28 and to the paragraph on "Significant events after the reporting period" of these explanatory notes.

The Group's Structure

As of **31 December 2019**, the Group was composed as follows:

Parent Company Alia Servizi Ambientali Spa

Subsidiaries

Q.Thermo Srl, 60% owned

Irmel Srl, 51% owned

Programma Ambiente Spa, 100% owned

Programma Ambiente Apuane Spa, 80% owned by Programma Ambiente Spa

Revet Spa, 51.00% owned

Associates and joint ventures

Q.Energia Srl, 50% owned

Valcofert Srl, 46.50% owned

Sea Risorse Spa, 24% owned

Vetro Revet Srl, 49% owned by Revet Spa

Albe Srl, 50% owned

Real Srl, 50.10% owned

Valdisieve SCArL, 25% owned

As of **31 December 2020** the Group was composed as follows:

Parent Company Alia Servizi Ambientali Spa

Subsidiaries

Q.Thermo Srl, 100% owned

Q.Energia Srl, 100% owned

Programma Ambiente Spa, 100% owned

Programma Ambiente Apuane Spa, 80% owned by Programma Ambiente Spa

Revet Spa, 51.00% owned

Associates and joint ventures

Irmel Srl, 36% owned

Valcofert Srl, 46.50% owned

Sea Risorse Spa, 24% owned

Vetro Revet Srl, 49% owned by Revet Spa

Albe Srl, 50% owned

Real Srl, 50.10% owned

Valdisieve SCArL, 25% owned

During 2020 the Parent Company Alia acquire full control over Q-Thermo S.r.l. and Q:Energia S.r.l., while it partially transferred quotas held in Irmel S.r.l., which is now actually an associate and the investment in subsidiary Q.Thermo is now increased up to 100%.

The following information is provided as to the activities carried out by subsidiaries.

Revet S.p.A is the company that owns the industrial hub for the recycling of plastics, glass, aluminium, tinfoil and poly laminate materials of the Tuscany region and its purpose is to maximise the value of these materials for the benefit of the person transferring the waste, i.e. of the informed citizen. It is a Hub of materials ready to be reused in the industrial chains that possibly operate in the region.

Q.Thermo S.r.l. is the special purpose joint venture established for the construction and operation of a waste-to-energy plant located in the Municipal district of Sesto Fiorentino; however, the procedure has suffered a setback following the Council of State's judgment, as detailed in the section on "guarantees and commitments".

Programma Ambiente S.p.A. holds an 80% interest in Programma Ambiente Apuane S.p.A., the company that operates a landfill site for non-hazardous inert waste and asbestos cement products. Programma Ambiente operates in the special waste collection sector.

Q.Energia S.r.l. operates in the energy sector. Its business concerns exclusively the production of electricity through the operation of the plant for the recovery and use for energy purposes of the biogas produced by the landfill of S. Martino a Maiano (Certaldo - Florence)

Among associates and joint ventures note:

- Irmel S.r.l. operates treatment and waste-to-energy plants for inert waste from construction in the provinces of Pistoia and Florence, respectively. It is registered as an associated company following the execution of the deed of transfer of quotas dated 14 May 2020, which actually reduced the investment held by the Parent Company, Alia, from 51% to 36%.
- Sea Risorse S.p.A. operates in the waste sector in two municipal districts of the Versilia area. Its business includes the collection and transport of sorted waste, the operation of waste-to-energy plants, the recovery of industrial waste and the maintenance of public green areas.
- Valcofert S.r.l. operates in the sector of products for soil and agriculture. It is engaged in the production and sale of soil improvers, fertilizers and compost in general, deriving from organic matrices coming from waste sorting.
- 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.
- REAL S.r.l. was established in a 49.90% partnership with RELIFE S.p.A. on 4 November 2019. Its business consists of the collection, processing, sorting, transformation and storage of waste paper. The Company has considered that the partnership agreement that is currently in place with its partner Relife S.p.A. falls within the scope of joint ventures.
- Valdisieve Società Consortile: the 25% quota is held directly by Alia Servizi Ambientali S.p.A.. It is the holding company of entities operating in the waste sector.
- Vetro Revet S.r.l. is an associated company that is 49% directly owned by Revet S.p.A.. It operates in the sorting and transformation of glass so that it can result as a raw material for the glassware recycling chain.

The companies included in the consolidation area are located in Tuscany and operate waste management, collection, treatment and disposal services.

CONSOLIDATED FINANCIAL STATEMENTS

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

The financial statements of the Alia Group at 31 December 2020 are presented in Euro units.

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

FINANCIAL STATEMENT SCHEDULES

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

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

Alia Servizi Ambientali S.p.A. 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 Parent 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 Group 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 Group 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) CONSOLIDATION PRINCIPLES

The companies are consolidated on a line-by-line basis, which consists of incorporating all the asset and liability items in their entirety. The main consolidation criteria adopted for the application of this method are shown below.

- Subsidiaries are consolidated from the date on which control was effectively transferred to the Group, and cease to be consolidated on the date on which control is transferred outside the Group.

- The assets and liabilities, costs and income of companies consolidated on a line-by-line basis are fully included in the consolidated financial statements; the book value of the investments is derecognised against the corresponding share of equity of investees by attributing their current value at the date of acquisition of control to each asset and liability item (purchase method as defined by IFRS 3 - *Business Combinations*). Any residual difference, if positive, is stated in "Goodwill" among assets; if it is negative, in the income statement.
- The mutual debt and credit, cost and revenue relationships between consolidated companies and the effects of all significant transactions between them are derecognised.
- The shares of equity and the results for the period attributable to minority shareholders are shown separately in consolidated equity and income statement: this interest is determined on the basis of the percentage held by them in the fair values of assets and liabilities recognised at the date of original acquisition and in changes in equity after that date.
- Subsequently, profits and losses are attributed to minority shareholders based on the percentage held by them and losses are attributed to the minorities even if this implies that the minority interests have a negative balance.
- Changes in the parent company's ownership interest in a subsidiary that do not result in loss of control are accounted for as capital transactions.
- If the parent company loses control over a subsidiary, it:
 - derecognises assets (including any goodwill) and liabilities of the subsidiary,
 - derecognises the book values of any minority interest in the former subsidiary,
 - recognises the fair value of the consideration received,
 - recognises the fair value of any interest held in the former subsidiary,
 - recognises any profit or loss in the income statement,
 - reclassifies the parent company's share of the components previously recognised through comprehensive income, profit or loss or as profits carried forward, as appropriate.

Consolidation area

The consolidated financial statements at 31 December 2020 included the financial statements of the Parent Company Alia, as well as those of the companies over which it holds control, directly or indirectly. Control is acquired when the parent company is exposed or has rights to variable returns from its involvement with the investee and, at the same time, has the ability to affect those returns through its own power over the investee. Specifically, the investor acquires control when it has:

- power over the investee (i.e. the investor has existing rights that give it the ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect the amount of the investor's returns.

Generally, there is a presumption that the majority of voting rights entails control. In support of this presumption and when the Group holds less than the majority of voting rights (or similar rights), the Group considers all relevant facts and circumstances to determine whether it controls the investee, including:

- Contractual arrangements with other holders of voting rights;
- Rights arising from contractual arrangements;
- Voting rights and potential voting rights of the Group.

The Group reconsiders whether or not it retains control over an investee if the facts and circumstances indicate that there have been changes in one or more of the three elements used to define control.

The consolidated financial statements have been prepared based on the accounts at 31 December 2020 prepared by the companies included in the consolidation area and adjusted, where necessary, for the purpose of bringing them into line with the accounting standards and classification criteria applied by the Group in accordance with IFRS.

Associates and joint ventures reported in paragraph 1 above of this note are consolidated using the equity method.

3) ACCOUNTING POLICIES AND BASIS OF PREPARATION

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

The accounting standards, policies and estimates adopted in preparing the consolidated 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 since there are no doubts.

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

Based on auditing whether the residual useful lives of the assets from an accounting point of view are consistent with the actual physical, technical and technological life of each asset, while also taking account of the study carried out by ARERA (the Italian Regulatory Authority for Energy, Networks and

Environment) against which the useful lives of different types of assets were presented, the depreciation rates applicable to the following categories of assets for the 2020 financial year were set out only for the Parent Company.

Therefore, the useful lives adopted in preparing the 2019 Financial Statements are confirmed for the Parent Company in 2020.

Below is the scheme showing the (minimum and maximum) rates used for any different type of tangible assets:

DESCRIPTION	DEPRECIATION RATES
Civil and industrial buildings	2.50% - 3%
Light-weight constructions	10% - 14.29%
Landfill - operating machines and mechanical shovels	6.67%
Landfill- other systems	6.67%
Sorting and composting plant - pre-treatment	8.33%
Sorting and composting plant - composting and anaerobic digestion	5.00%
Sorting and composting plant -biogas and leachate collection and processing	4.00%
Sorting and composting plant - other systems	6.67%
Other systems	10.00%
PV plant	10.00%
Miscellaneous and small workshop equipment	14.29% - 25%
Other miscellaneous and small equipment	10% - 14.29%
Motor vehicles	12.50% - 20%
Cars	20.00% - 25%
Miscellaneous door-to-door collection equipment	20.00%
Dumpsters	12.50%
Bell-shaped containers	12.50%
Bins	20.00%
Office furniture and ordinary machines	12% 14.29%
Electromechanical office machines	20.00%
Fully-depreciable assets	100.00%

Intangible assets

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

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

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

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

Intangible assets with a definite useful life are stated net of accumulated amortisation and any permanent impairment loss determined according to the same methods as those described above for property, plant and equipment. Changes in expected useful lives or in the ways in which the future economic benefits associated with the intangible asset are achieved by the entity are recognised by changing the amortisation period or method and are treated as changes in accounting estimates. The amortisation rates on intangible assets with a definite useful life are recorded through profit or loss in the cost category consistent with the function of the intangible asset.

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

If there is objective evidence of permanent impairment losses, intangible assets are subjected to Impairment Test according to the criteria set out in the paragraph on the "Impairment". Any write-downs may be subject to subsequent value reinstatements if the reasons that led to impairment cease to exist. Profits or losses arising from the disposal of an intangible asset are determined as the difference between the disposal value and the carrying amount and are recognised through profit or loss at the time of the sale.

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

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

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

Restoration or replacement are not capitalised and are included in the estimate of the provision described below.

The 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.

DESCRIPTI ON	FOR ALIA		FOR OTHER COMPANIES	
	Useful life - ARERA (years)	AMORTISATION RATES	DESCRIPTION	AMORTISATION RATES
Intangible assets	7	14.29%	SOFTWARE	20
			SOFTWARE LICENCES	33
			DEVELOPMENT COSTS	20
			OTHER LONG-TERM COSTS	20

Impairment

At each reporting date, the Group 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

An impairment loss is recognised immediately through profit or loss.

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

Leases (for lessee)

The Group 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 Group 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 Group assesses whether or not it is reasonably certain that the extension or termination options will be exercised, while taking account of any and all relevant factors that create an economic incentive relating to such decisions.

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

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

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

Lease agreements that are part of the asset under concession are managed outside the scope of application of IFRIC 16.

Leases (for the lessor)

Lease agreements under which the Group is the lessor are classified as operating leases or as finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards attached to the ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards attached to the ownership of an underlying asset.

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

As regards operating leases, the Group 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.

Business combinations

Business combinations are accounted for by applying the acquisition method provided for in IFRS 3 revised. The Company has carried out a business combination transaction in relation to the acquisition of control over Q.Energia S.r.l..

In this regard, it should be noted that on 23 June 2020, by a deed with file no. 26645, Alia S.p.A., holding 50% of the quota capital of Q.Energia S.r.l., acquired from Certaldo Energia S.r.l. the ownership of the entire quota the latter held, equal to 50% of the quota capital, thus becoming the sole quotaholder of Q.Energia S.r.l..

23 June 2020 is the date from which Q.Energia S.r.l. became a subsidiary of Alia S.p.A., in accordance with IFRS 10: as a result, the consolidated income statement values only concern the last period of six months.

In consideration of the above information, the current value of acquired assets and liabilities was determined as at the date of acquisition, since the book value was regarded as consisting of their fair value.

The fair value of the quota held before the acquisition of control was determined by setting it as equal to the purchase price of the second quota, again equal to 50% of the quota capital, and then of Euro 100,000. Against a cost value of the aforesaid quota, the consolidated financial statements have reported costs of Euro 25 thousand for adjusting the value of the investee at fair value.

Equity investments in associates and joint ventures

These are stated among non-current assets and are valued according to the Equity method.

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

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

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

Non-current assets held for sale

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

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

Inventories

These are recognised when the risks and rewards associated with the assets acquired are transferred and are stated at the lower of purchase cost, including any and all directly attributable additional costs and charges and indirect costs relating to in-house production, and the presumed realisable value inferable from market trends.

These mainly include spare parts, in addition to goods for resale and finished products (recycled plastic granule) 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

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

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

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

- the financial asset management model consists of holding the asset for the sole purpose of collecting the related cash flows; and
- the financial asset generates, at predetermined contractual dates, cash flows that consist exclusively of the return on the asset itself.

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

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

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

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

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

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

Trade and other receivables

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

The Group measures any impairment or write-downs of receivables using an Expected Loss method. As regards trade receivables, the Group 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 Group 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.

Derivatives

The Group's assets are primarily exposed to financial risks arising from changes in interest rates. The Group uses derivatives to hedge any risk arising from changes in interest rates in certain irrevocable commitments and forecasted future transactions. As permitted by IFRS 9, the Group has opted to continue to apply the provisions governing hedge accounting in IAS 39 instead of the provisions of IFRS 9.

Derivatives are initially recognised at fair value, consisting of the initial consideration and adjusted at fair value at each subsequent closing date. Derivatives are used solely for hedging purposes, in order to reduce exchange, interest rate and market price risks. In compliance with the provisions of IAS 39, derivatives may be accounted for according to the hedge accounting method only when, at the inception of the hedge, there is formal designation and documentation of the hedging relationship, the hedge is presumed to be highly effective, its effectiveness can be measured reliably and the hedge is highly effective during the various accounting periods for which it is designated. When financial instruments qualify for hedge accounting, the following accounting treatments are applied:

Cash flow hedge: if an instrument is designated as a hedge of the exposure to changes in cash flows of a recognised asset or liability or a highly probable forecasted transaction that could affect profit or loss, the effective portion of gains or losses on the financial instrument is recognised in the Statement of comprehensive income. The cumulative gain or loss is reversed from the Statement of comprehensive income and accounted for in the income statement in the same period in which the hedged transaction is recognised. Any gain or loss associated with a hedge or that part of a hedge that has become ineffective is recognised immediately in the Income Statement. If a hedging instrument or a hedging relationship is terminated, but the hedged transaction has not yet taken place, any cumulative gains and losses, recognised in Equity up to that time, are recognised in the Income Statement when the related transaction takes place. If the hedged transaction is no longer regarded as probable, any unrealised gains or losses deferred in the Statement of comprehensive income are recognised immediately in the Income statement. If hedge accounting cannot be applied, any gains or losses arising from the measurement of the derivative at its present value are recognised immediately in the Income Statement.

Employee benefits

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

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

- service costs are recognised among personnel costs in the Income Statement;
- net financial expenses on the defined benefit liability or asset are recognised in the Income Statement as Financial income/(expenses), and are determined by multiplying the value of the net liability/(asset) by the rate used to discount the obligations, taking account of the payments of contributions and benefits made during the period;
- the remeasurement components of the net liability, which include actuarial gains and losses, the return on assets (excluding interest income recognised in the Income Statement) and any change in the limit of

the asset, are recognised immediately in Other comprehensive income (loss). These components must not be reclassified to the Income Statement in a subsequent period.

Provisions for risks and charges

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

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

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

Provision for restoration and replacement

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

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

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

After-closure provisions

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

Grants

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

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

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

Revenues

The Group 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 Group 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 Group may identify the rights of each party with respect to the goods or services to be transferred;
- c) the Group 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 Group 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 Group 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 Group applies the rules of recognition described below.

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 charges 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 charges 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 the provisions in force or substantially approved at the reporting date, taking account of any applicable exemption and of any tax credit due.

Deferred tax assets and liabilities

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

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

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

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

Use of estimates

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

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

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

Revenue Recognition

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

Recoverable value of non-current assets

Non-current assets include Property, plant and equipment, Concession rights, Other intangible assets, Equity investments and Other financial assets. The Group 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 Group 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 Group management. The Group 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 Group 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 updated valuation report which is prepared by third-party experts 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 Group 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 Group. 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 Group evaluates technology and sector changes, decommissioning/closure costs and the recoverable value to update the residual useful life on a periodical basis. This periodical updating could entail a change in the amortisation and depreciation period and therefore also in the amortisation and depreciation allowances for future periods.

Employee benefits

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

Current tax and future recovery of deferred tax assets

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

Reclassifications of comparative data

It should be noted that the reporting scheme of some data relating to the previous year has been modified in order to offer the reader greater comparability of the information provided in the financial statements at 31 December 2019. In particular, the following information has been provided:

- an amount of Euro 4,429 thousand has been reclassified from “Trade receivables” to “Non-current trade receivables”;
- an additional amount of Euro 29 thousand of “Non-current trade receivables” has been reclassified from “Other non-current assets”.

The Group believes that this change to the 2019 figures is not significant.

Change in international accounting standards

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

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

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

Accounting standards, amendments and interpretations not yet applicable

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

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

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

4) 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 31.12.2019						
Gross Value	83,736,316	23,019,481	11,137,772	10,204,449	11,232,163	139,330,180
Accumulated depreciation	-18,647,499	-5,601,095	-6,233,406	-8,397,996	0	-38,879,995
NET BALANCE AT 31.12.2019	65,088,817	17,418,385	4,904,366	1,806,453	11,232,163	100,450,185
NET CHANGES FOR FY 2020						
RECLASSIFICATION OF GROSS VALUE AT 01.01.2020	0	131,644	0	0	0	131,644
RECLASSIFICATION OF ACCUMULATED DEPRECIATION AT 01.01.2020	0	-47,095	0	0	0	-47,095
CHANGE IN CONSOLIDATION AREA - GROSS VALUE	-378,507	635,245	-4,259	-26,798	0	225,681
CHANGE IN CONSOLIDATION AREA - ACCUMULATED DEPRECIATION	0	-607,259	4,199	25,777	0	-577,283
CHANGES FROM PURCHASES	2,523,710	6,834,242	2,627,049	182,572	13,966,685	26,134,258
TRANSFERS FOR RECLASSIFICATIONS	0	0	0	0	-7,768,267	-7,768,267
DECREASES	0	-240,634	-1,032,490	-188,357	-3,011,016	-4,472,498
DISPOSAL/RECLASSIFICATION OF ACCUMULATED DEPRECIATION	0	-313,909	891,698	707,101	0	1,284,889
2020 DEPRECIATION	-1,745,554	-2,852,563	-1,674,512	-1,115,444	0	-7,388,073
VALUES AT 31.12.2020						
Gross Value	85,881,519	30,379,977	12,728,071	10,171,865	14,419,565	153,580,998

Accumulated depreciation	-20,393,054	-9,421,921	-7,012,021	-8,780,561	0	-45,607,557
NET BALANCE AT 31.12.2020	65,488,466	20,958,056	5,716,050	1,391,304	14,419,565	107,973,441

It should be noted that there are collaterals on the Group's real estate assets, issued against the following bank loans:

- Mortgage loan taken out with "Banca Intesa Mediocredito S.p.A.", with registered office in Milan, on 29 March 2007 for an initial amount of € 17,000,000.00, due 31 December 2021, backed by a mortgage on the Pontedera property, to be repaid in 59 quarterly instalments. The residual amount to be paid at 31 December 2020 was Euro 1,367,368.

- Mortgage loan taken out with "MPS Capital Services Banca per le Imprese S.p.A.", with registered office in Florence, on 7 September 2010 for an initial amount of Euro 7,600,000.00, backed by a second mortgage on the Pontedera property and by a lien on a recycling plant, divided into two tranches, one of which was already repaid in full in 2014, whose conditions and amortisation schedules were amended by a supplementary deed on 18 April 2012 as follows: one tranche of Euro 5,500,000 due 31 December 2021, to be repaid in 16 six-monthly instalments; the residual amount to be repaid at 31 December 2020 was equal to Euro 770,042.

- Mortgage loan taken out with Mps Capital Services S.p.A. for Euro 8,850,000, to be used for the investment, secured with a mortgage on the composting plant located in Faltona in the Municipal district of Borgo San Lorenzo.

As regards the parent company, the main capitalisations carried out during 2020 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. At the property in question, the investments made in 2020 concerned the refurbishment and enlargement of office premises and the consequent connection to the sewage system for a total value of Euro 483,912, the construction of the elevator system for Euro 20,750, as well as any related activities of waterproofing and the construction of plasterboard walls for Euro 16,000 and Euro 66,566, respectively. In 2020 the Parent Company Alia Servizi Ambientali entered with a local body into a deed for the purchase and sale of a real estate complex for warehouse use, consisting of three separate blocks for a total value of Euro 727,791, broken down into buildings for Euro 509,454 and land for Euro 218,337. Again during 2020 works were completed for the revamping of climate control systems at the executive office building of the registered office located at Via Baccio da Montelupo in Florence for investments equal to Euro 306,578.

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

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

As regards the consolidated company Revet, the main investments made in 2020 concerned the revamping of industrial plants, as planned in the 2018/2023 EFP and the acquisition of motor vehicles and dumpsters (bell-shaped containers) for the development of sorted waste collection operations.

Leases

The existing lease agreements mainly relate to collection vehicles and equipment and company cars. The detailed information relating to the leases in place is reported below.

Description	Plants	Vehicles	Total
Depreciation	51,080	794,830	845,910
Interest expense	5,854	32,048	37,903
Total cash outflows	1,282,243	787,441	2,069,683
Book value of right-of-use assets at the reporting date for each class of underlying asset	510,800	4,391,274	4,902,074

Below are the maturities of lease liabilities:

Description	Within 12 months	Between 1 and 5 years	Beyond 5 years	Total
Plants	396,637	3,263,687	977,418	4,637,743
Vehicles	729,428	1,370,151		2,099,579
Total	1,126,065	4,633,838	977,418	6,737,321

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” or “Service Contract”). The contract was entered into following a public tender procedure for the concession of the integrated municipal waste management service in the Municipal districts under the responsibility of ATO Toscana Centro (hereinafter also referred to as “ATO TC”).

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

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

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

During 2020 Revenues from Concession Fees were measured in accordance with ARERA resolution no. 433/19 RIF, in compliance with the ATO TC's Resolution of 27 September 2020, whereby an amendment was made to the Service Contract in relation to the method of determining the Concession fee (Articles 20 and 22 of the Service Contract), opting for the application, as early as from 2020, for the national regulatory system known as WTM. Following this resolution, talks were started with ATO TC in order to agree on a method of integrating the WTM into the Service Contract that will subject to approval at the next General Meeting of ATO to be held on 14 June 2021. The main effects of the application of the new tariff method [WTM] consist of the reversal of the Economic and Financial Rebalancing components of 2018 and 2019 under Article 22 of the Service Contract, as reported in the 2018 and 2019 financial statements according to the guidelines provided in ATO Toscana Centro's General Meeting resolutions no. 4 of 24 February 2019 and no. 5 of 9 June 2020. The restatement of the amount attributable to the component of the aforesaid 2018 and 2019 rebalancing amounts entailed a negative effect recognised as an adjustment to Revenues for an amount of about Euro 9,000 thousand, which can be then described as a "non-recurring" income statement component.

The values of the fees in question make reference to the data contained in ATO Toscana Centro's memo with file no. 1612, whereby Alia is notified with the outcome of the "Closure of the preliminary inquiry procedure to check for the economic and financial equilibrium for the 2020 financial year".

The table below shows the breakdown of basic services.

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

The table below shows the breakdown of ancillary services.

ANCILLARY SERVICES	
1	Washing roads and public areas or for general public use

ANCILLARY SERVICES	
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

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

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

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

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

Composition of the concession right

At the inception of the Concession granted to the Operator Alia, the ownership was transferred for all plants, real estate and other capital assets that had been used by the former operators until that date, as well as for those owned by the local Bodies, granted to it under a loan for use agreement. As reported in the Introduction (in the paragraph on "General information and significant events during the year"), the transfer of assets functional to the service, such as properties, capital and staff took place from 1

March 2018, at the residual book value resulting on the date of transfer, for former operators AER Ambiente, Energia Risorse S.p.A. and COSEA Ambiente S.p.A., not incorporated into Alia.

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

DESCRIPTION	NET BALANCE AT 31.12.2019	GROSS VALUE	ACCUMULATED DEPRECIATION	NET BALANCE AT 31.12.2020
LAND AND BUILDINGS	82,135,711	117,220,444	-37,176,596	80,043,848
PLANT AND MACHINERY	8,736,447	117,993,569	-109,203,132	8,790,437
INDUSTRIAL AND COMMERCIAL EQUIPMENT	217,420	402,253	-130,038	272,215
OTHER TANGIBLE ASSETS	35,697,232	143,157,155	-83,523,915	59,633,240
DEVELOPMENT COSTS	103,748	247,162	-19,446	227,716
CONCESSIONS, TRADEMARKS AND SIMILAR RIGHTS	66,275	286,503	-217,719	68,784
OTHER INTANGIBLE ASSETS	28,677	8,285,846	-8,262,430	23,416
TOTAL	126,985,509	387,592,932	-238,533,276	149,059,655

Obligations to acquire or build property units

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

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

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

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

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

Options for renewal and early termination of the agreement

Upon the natural expiry or in the event of early termination of the contract, the Operator is required to ensure the complete and regular continuation of the service and, in particular, compliance with public service obligations and minimum standards of local public service, at the same terms and conditions

regulated by this Contract, until the new Operator takes over the operation of the service. No indemnity or compensation in addition to what is already provided for in the Contract for the performance of the service may be claimed by the Operator for the continuation of the service. ATO undertakes to start the awarding procedures at least one year before the expiry date of the contract or, in the event of termination, as soon as the term in which it becomes operational has expired.

Other rights and obligations

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

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

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

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

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

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

At the request of ATO, the Operator may be required to perform additional functional works which have become necessary following the public interest requirements which have arisen and/or legislative and/or regulatory provisions, provided that they are envisaged in the planning agreements in force at the time. The cost of additional functional works will be considered for the purpose of rebalancing the management under the Contract. The Operator may in turn propose to ATO plants and/or works not provided for in the concession area Plan, but complementary to the planning, which allow a reduction in the tariff rate of the Operator. ATO reserves the right to accept them and, in case of acceptance, the same procedure is applied for the complementary works requested by ATO.

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

Construction revenues - concession rights

These consist of the fees receivable for the work performed in favour of the granting authority and are measured at fair value, as determined on the basis of total costs incurred. These are stated against an entry under concession rights among intangible assets.

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

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

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

Construction costs - concession rights

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

3) Other intangible assets

The Group holds goodwill of Euro 250 thousand arising from the acquisition of Revet S.p.A. on the part of the parent company. As required by international standards, goodwill has not been amortised. This is placed on the Revet CGU, to be understood as a company as a whole. No evidence of impairment loss of the intangible asset was reported at the end of the year.

DESCRIPTION	CONCESSION RIGHTS	DEVELOPMENT COSTS	CONCESSIONS, TRADEMARKS AND SIMILAR RIGHTS	GOODWILL	OTHERS	ASSETS UNDER DEVELOPMENT	TOTAL OTHER INTANGIBLE ASSETS	TOTAL INTANGIBLE ASSETS
VALUES AT 31.12.2019								
Gross value	366,178,702	184,909	9,733,155	250,481	2,497,134	241,889	12,907,568	379,086,270
Accumulated amortisation	-239,193,193	-60,405	-8,246,350	0	2,438,408		-10,745,163	-249,938,355

NET BALANCE AT 31.12.2019	126,985,509	124,504	1,486,805	250,481	58,726	241,889	2,162,405	129,147,915
CHANGES FOR FY 2020								
RECLASSIFICATION OF GROSS VALUE AT 01.01.2020	-382,468	0	0	0	250,824	0	250,824	-131,644
RECLASSIFICATION OF ACCUMULATED AMORTISATION 01.01.2020	297,919	0	0	0	-250,824	0	-250,824	47,095
CHANGE IN CONSOLIDATION AREA - GROSS VALUE		0	0	0	-24,708	0	-24,708	-24,708
CHANGE IN CONSOLIDATION AREA - ACCUMULATED AMORTISATION		0	0	0	20,369	0	20,369	20,369
CHANGES FROM PURCHASES	28,096,066	0	518,039	0	364,598	3,476,195	4,358,832	32,454,899
TRANSFERS FOR RECLASSIFICATIONS	7,768,267	0	397,433	0	0	-397,433	0	7,768,268
DECREASES	-14,067,637	0	-1,645	0	0	0	-1,645	-14,069,282
DISPOSAL/RECLASSIFICATION OF ACCUMULATED AMORTISATION	13,738,315	0	1,645	0	-364,598	0	-362,953	13,375,362
2020 AMORTISATION	-13,376,318	-36,982	-364,141	0	-23,180	0	-424,303	-13,800,621
VALUES AT 31.12.2020								
Gross value	387,592,931	184,909	10,646,982	250,481	3,087,848	3,320,651	17,490,871	405,083,803
Accumulated amortisation	-238,533,276	-97,387	-8,608,847	0	3,056,640	0	-11,762,874	-250,296,150
NET BALANCE AT 31.12.2020	149,059,655	87,523	2,038,136	250,481	31,207	3,320,651	5,727,998	154,787,653

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

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".

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 Group entitled to compensation from third parties for impairment losses and disposals.

4) Equity investments

The value of equity investments amounted to Euro 4,912 thousand, of which Euro 4,655 thousand in associates while non-qualified investments amounted to Euro 256 thousand, as reported below.

Description	Balance at 31 12 2020	Balance at 31 12 2019
Equity-accounted investments in Associates	4,655,747	4,278,681
Other non-qualified equity Investments	256,280	272,829
TOTAL	4,912,026	4,551,509

Equity-accounted investments in associates

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

Company name	Q.Energia	IRMEL SRL	AL.BE S.r.L.	VALCOFERT SRL	SEA RISORSE SPA	REAL SRL	VALDISIEVE SCRL	VETRO REVET SRL	
Registered office	CERTALDO (FI)	PONTE BUGGIANESE (PT)	PECCIOLI (PI)	EMPOLI (FI)	VIAREGGIO (LU)	EMPOLI (FI)	FLORENCE	EMPOLI (FI)	
Ownership percentage held by the company	100%	36%	50%	42.50%	24.00%	50.10%	25.00%	49.00%	
Share of voting rights held by the Company	100%	36%	50%	42.50%	24.00%	50.10%	25.00%	49.00%	
	ALIA BALANCE SHEET VALUES								TOTAL
Alia balance sheet value at 31/12/2019	265,118		518,234	173,423	916,179	1,398,802	516,328	490,597	4,278,681
Disposals	-198,460	-137,250		-29,173					364,883
Change in consolidation area	-66,658	+113,849							47,191
Change for application of the equity method through P&L		311,652	-12,915	12,019	-158,297	650,006	-215,545	107,837	694,758
Alia balance sheet value at 31/12/2020	0	288,251	505,319	156,270	757,882	2,048,808	300,783	598,434	4,655,747

These investments, as described in the introduction, are measured using the equity method. The main investments in associates are:

- Irmel S.r.l.: during 2020, by a notarial deed dated 14 May, the quotaholder Alia Servizi Ambientali S.p.A. completed the sale of quotas for a nominal value of Euro 13,650, corresponding to 15% of the quota capital. The quota held by Alia in Irmel S.r.l. thus came to 36%. The company operates

- treatment and waste-to-energy plants for inert waste from construction, in the provinces of Pistoia and Florence, respectively.
- Al.be S.r.l. was established in a 50-50 partnership with Belvedere S.p.A. on 11 April 2018. Its purpose is the recovery and processing of waste with the operation of plants for the production of biogas - biomethane and biofuels. 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.
 - Valcofert S.r.l.: operates in the sector of products for soil and agriculture. It is engaged in the production and sale of soil improvers, fertilizers and compost in general, deriving from organic matrices coming from waste sorting.
 - Sea Risorse S.p.A.: operates in waste sorting in two municipal districts of the Versilia area.
 - REAL S.r.l.: this joint venture was established in a 49.90% partnership with RELIFE S.p.A. on 4 November 2019. Its purpose is the collection, processing, sorting, transformation and storage of waste paper. During 2020 there was the execution of a deed of reverse merger by incorporation towards subsidiary Metalcarta S.r.l., with effect from 17 June 2020 and legal effects running from 1 August 2020. The company operates in the collection, processing, sorting, transformation and storage of waste paper.
 - Valdisieve Società consortile: is a holding company that controls companies operating in the waste sector.
 - Vetro Revet S.r.l.: is 49% held directly by Revet S.p.A.. It operates in the sorting and transformation of glass so that it can result as a raw material for the glassware recycling chain.

Other equity investments

These amounted to Euro 256,280; among them note the investment in Le Soluzioni S.c.a.r.l., equal to Euro 87 thousand, and the investment in Sei Toscana S.r.l., measured in the financial statements for Euro 137 thousand.

5) Non-current financial assets

Below are the non-current financial assets :

Description	Balance at 31 12 2020	Balance at 31 12 2019	Change
Receivables from Associates	116,780	196,780	-80,000
Guarantee deposits	162,530	166,421	-3,891
TOTAL	279,310	363,201	-83,891

The balance at 31 December 2020 was Euro 279 thousand, and specifically that relating to associates, equal to Euro 116,780 entirely related to the financial receivable claimed from Valcofert S.r.l..

6) Deferred tax assets and liabilities

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.

Tax losses will be recovered through the expected taxable income that the company will generate during the period of the concession term, as they can also be inferred from the long-term plan for the 2021-2030 period, which was approved by the Company's Board of Directors on 25 May 2021, as far as the

Parent Company is concerned, and through expected positive tax results, for the other companies included in the consolidation.

The receivable for deferred tax assets reported in the statement of financial position (equal to Euro 18,617 thousand) includes the receivable for deferred tax assets through OCI for Euro 579 thousand.

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

They are reported in the financial statements by offsetting deferred tax asset items, equal to Euro 18,617,178 against the debt for deferred tax liabilities, equal to Euro 6,047,775.

Below is a breakdown of deductible and taxable temporary differences:

	BALANCE SHEET ITEMS	DEFERRED TAX ASSETS AND LIABILITIES 31/12/2019	TEMPORARY DIFFERENCES 31/12/2020	DEFERRED IRES TAX ASSETS/LIABILITIES 31/12/2020	DEFERRED IRAP TAX ASSETS/LIABILITIES 31/12/2020
ALIA (PARENT COMPANY)	Fixed assets	-5,224,527	-16,710,292	-4,010,470	-855,567
	Provision for bad debts	5,419,413	18,070,316	4,336,876	0
	Productivity	597,733	2,494,131	598,591	0
	Litigation risks	449,587	2,536,392	608,734	129,863
	Employee Severance Pay	226,431	376,651	90,396	0
	Losses from previous years	6,325,037	36,125,629	8,670,151	0
	Vaiano landfill	204,646	770,925	185,022	39,471
	Vigiano landfill	1,051,601	4,527,037	1,086,489	231,784
	Case Passerni landfill	-1,466,221	-3,750,570	-900,137	-192,029
	Capital gains divided into instalments	-7,741	0	0	0
	Provision for maintenance risks	128,123	454,557	109,094	23,273
	Receivables for deferred tax assets - OCI	531,830	2,261,845	542,843	
	Provision for bad debts on loans	48,498	281,776	67,626	0
	Allowance for Corporate Equity (ACE)	185,092	771,218	185,092	0
PROGRAMMA AMBIENTE	Fixed assets	-89,567	310,781	-74,592	-14,980
	Provision for bad debts	101,280	576,960	138,470	0
	Losses from previous years	139,814	1,389,700	333,527	0
PROGRAMMA AMBIENTE APUANE	Provision for bad debts	118,110	504,805	121,153	0
	Montignoso landfill		458,030	109,927	22,077
	Losses from previous years		29,694	7,127	0
Q.THERMO	Losses from previous years	140,364	0	0	0

REVET	Fixed assets	0	2,077,154	498,517	100,119
	Provision for bad debts	0	114,802	27,552	0
	Litigation risks	0	125,726	30,174	0
	Employee Severance Pay	0	15,736	3,778	759
	Tax losses, net of uses of losses 2019	0	3,459	830	0
	Provision for risks on employee bonuses	0	324,068	77,776	0
	Lease debt	0	350,000	84,000	0
	Other minor items	0	416,000	99,840	20,051
	Actuarial gain/loss O.C.I.		150,799	36,192	0

	DEFERRED IRES TAX ASSETS	DEFERRED IRES TAX LIABILITIES	DEFERRED IRAP TAX ASSETS	DEFERRED IRAP TAX LIABILITIES
ALIA	16,480,914	-4,910,607	424,392	-1,047,596
PROGRAMMA AMBIENTE	471,997	-74,592	0	-14,980
PROGRAMMA AMBIENTE APUANE	238,207	0	22,077	0
REVET	858,658		120,932	
GROUP	18,049,777	-4,985,199	567,401	-1,062,576

7) Non-current trade receivables

Description	Balance at 31 12 2020	Balance at 31 12 2019	Change
Receivables from customers due beyond 12 months	3,249,744	4,458,282	-1,208,538
TOTAL	3,249,744	4,458,282	-1,208,538

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

8) Other non-current assets

Description	Balance at 31 12 2020	Balance at 31 12 2019	Change
IRAP tax credit (ACE, Allowance for corporate equity) beyond 12 months	231,306	184,389	46,917
Credit for refund for non-deduction of IRAP tax		71,953	-71,953
Prepaid expenses	634,185	347,801	286,383
Tax credits beyond 12 months	391,946		391,946
TOTAL	1,257,437	604,143	261,348

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

CURRENT ASSETS

9) Inventories

The table below shows changes in inventories:

Description	Balance at 31 12 2020	Balance at 31 12 2019	Change
Raw Materials, Supplies and Consumables	3,732,965	3,296,092	436,873
Finished products and Goods for resale	313,928	614,333	-300,405
TOTAL	4,046,893	3,910,425	136,468

Inventories, amounting to Euro 4,046 thousand, mainly consisted of spare parts and equipment for the maintenance and running of the plants in operation.

Finished products include the granule obtained from recycled mixed plastic.

10) Trade receivables

The table below shows the breakdown of trade receivables:

Description	Balance at 31 12 2020	Balance at 31 12 2019	Change
Receivables from Customers	129,248,266	127,937,862	1,310,405
Provision for Bad Debts	-20,091,221	-25,174,279	5,083,057
TOTAL	109,157,045	102,763,583	6,393,462

The balance of trade receivables, amounting to Euro 109,157 thousand, mainly includes receivables from Municipalities, third-party customers and related companies. These receivables mainly relate to invoices issued to municipalities for environmental hygiene services not yet collected at 31 December 2020 and receivables from users for TIA (*Tariffa di Igiene Ambientale*, Environmental Hygiene Tariff) bills.

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

Description	31/12/2019	Change in consolidation area	Increases	Uses	31/12/2020
Provision for Bad Debts	25,174,279	-100,003	144,676	5,127,731	20,091,221

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

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

BALANCE OF RECEIVABLES - 2020	OVERDUE AMOUNTS				AMOUNTS FALLING DUE
	0-30	31-60	61-90	beyond 90	
132,498,010.00	1,440,364	4,688,247	1,577,697	33,434,773	91,356,929

The total amount of ageing, equal to Euro 132,498,010, was divided into receivables from customers within 12 months equal to Euro 109,157,045 and receivables from customers beyond 12 months equal to Euro 3,249,744.

11) Current financial assets and Equity investments

Description	Balance at 31 12 2020	Balance at 31 12 2019	Change
Current financial assets	0	54,811	-54,811
TOTAL	0	54,811	-54,811

The balance of current financial assets at 31 December 2020 was equal to Euro 54,811 and was made up of Securities held by subsidiary REVET.

Description	Balance at 31 12 2020	Balance at 31 12 2019	Change
Investments held for sale	1,770	1,770	0
TOTAL	1,770	1,770	0

12) Current tax assets

Below is the breakdown of current tax assets:

Description	Balance at 31 12 2020	Balance at 31 12 2019	Change
IRES tax advances	2,100,923	2,925,353	-824,430
IRAP tax advances	232,519	301,529	193,478
Withholding tax receivables from Tax Office	73,871	179,670	-105,799
IRAP tax receivables	32,716	0	32,716
TOTAL	2,440,028	3,406,552	-966,524

The balance at 31 December 2020, equal to Euro 2,440,028, 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 .

13) Other current assets

Description	Balance at 31 12 2020	Balance at 31 12 2019	Change
VAT tax receivables from Tax Office	260,641	235,973	24,667
Receivable from Tax Office for VAT refund	10,001	418	9,583
IRES tax receivables			0
Receivable for IRAP tax refund		70,499	-70,499
Other Receivables	4,795,958	5,774,242	-978,284
Accrued income	5,426	37,027	-31,601
Prepaid expenses	967,988	1,298,470	-330,482
Withholding tax receivables from Tax Office	313	728	-415
TOTAL	6,040,327	7,417,358	-1,377,031

The balance at 31 December 2020, amounting to Euro 6,040 thousand, related to VAT credits for Euro 260 thousand and to Other receivables for Euro 4,796 thousand, of which an amount of Euro 2,400 thousand is claimed from ATO for grants to be received and an amount of Euro 256 thousand from the Tuscany Regional government.

14) Cash and cash equivalents

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

Description	Balance at 31 12 2020	Balance at 31 12 2019	Change
Current bank accounts	65,679,278	89,903,333	-24,224,055
Postal accounts	584,995	616,852	-31,857
Money and Cash on hand	22,385	25,173	-2,788
TOTAL	66,286,659	90,545,359	-24,258,700

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

5) EXPLANATORY NOTES TO THE LIABILITY ITEMS

15) Share capital

The Alia Group's share capital at 31 December 2020 was Euro 85,376,852 and was divided into ordinary shares and company quotas.

16) Reserves

The table below shows the breakdown of reserves:

Description	Balance at 31/12/2019	Changes in the consolidation area	Increases for the year	Decreases for the year	Balance at 31/12/2020	Possible use (A) - Distributability (B) - Loss coverage (C)
Legal reserve	1,848,130				1,848,130	C
Share premium reserve	16,965,073				16,965,073	A,C
Extraordinary reserve	34,951,533			80,567	34,870,966	A,B,C
Ex Asm S.p.A. Business Combination reserve	-2,488,476				-2,488,476	A,B,C
Ex Publiambiente S.p.A. Business Combination reserve	9,327,922				9,327,922	A,B,C
Ex Cis S.r.l. Business	580,659				580,659	A,B,C

Combination reserve						
OCI Actuarial valuation reserve	-683,384		58,860		-624,524	
Profits carried forward	355,229				355,229	A,B,C
Other reserves	28,118,911	-7,608	25,580	324,126	27,812,756	A,B,C
Total	88,975,596	-7,608	84,440	404,694	88,647,734	

Share premium reserves

This reserve, amounting to Euro 16,965,073, was set aside in 2017 and was generated by the share swap differences due to the merger transaction at book values.

Business Combination reserves

These reserves, amounting to Euro 7,420,104, did not report changes compared to the previous year.

IFRS FTA Reserve

The First-Time Adoption reserve, amounting to Euro 7,896,006, relates to the accounting differences arising from the transition to International Accounting Standards according to IFRS 1.

The table below shows a reconciliation between the parent company's operating result and equity and related consolidated values at 31 December 2020:

	Equity at 31.12.2020	Profit (loss) at 31.12.2020
Balances as per the financial statements of the Parent Company	158,367,711	-8,340,375
Equity of Subsidiaries	39,932,313	-464,401
Derecognition of the carrying amount of equity investments	-21,836,442	-
Other Adjustments	-272,324	3,075,442
Balances as per the consolidated Financial Statements of the Alia Group	176,191,258	-5,729,334
Of which Minority interests	17,225,033	1,532,544

17) Minority interests

Share/quotaholders of:	Equity attributable to minority interests	Net profit (loss) attributable to minority interests
Programma Ambiente Apuane SpA	106,216	6,573
Revet SpA	15,586,272	1,525,971
TOTAL	15,692,489	1,532,544

NON-CURRENT LIABILITIES

18) Provisions for risks and charges

Below is the breakdown of the item:

DESCRIPTION	Case Passerini	Vaiano landfill	Vigiano landfill	Apuane landfill	Provision for waste pre-treatment/disposal costs	Other risks	Provision for risks from non-routine maintenance (IFRIC 12)	TOTAL
Value at 31/12/2019	17,729,274	1,143,473	4,678,735	6,453,645	53,044	4,319,196	439,983	34,817,351
Change in consolidation area					-53,044	-31,935		-84,979
Provisions						3,875,403	67,508	3,942,911
Adjustment to Provision	974,930	56,123	85,988					1,889,040
Financial costs (income)	309,602	12,034	57,781	618,557				997,974
Uses	-107,330	-57,524	-267,298			-2,730,874	-52,934	-3,215,960
Value at 31/12/2020	18,906,475	1,154,106	5,327,206	7,072,203	0	5,431,790	454,557	38,346,338

The balance of provisions for risks and charges was Euro 38,346 thousand.

The effect was mainly related to the combination process highlighted in the introduction to this explanatory note.

The balance at the end of the year mainly included:

- Post-landfill management provision for Euro 32,460 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 5,431 thousand. As regards the Parent Company only, this item has been recorded to cover future and possible risks related to pending disputes (for Euro 2,537 thousand); an amount of Euro 2,494 thousand has also been allocated for productivity bonuses payable to employees. For more details on pending disputes, reference should be made to the paragraph on the "Main litigation" of these explanatory notes.
- Provision for restoration and replacement for Euro 454 thousand. This item is recorded to meet costs relating to future and prospective cyclical non-routine maintenance of plants.

Furthermore, in order to report the effect that the provisions relating to post-closure operation of landfills might have, against a positive or negative change in the interest rate curve, it should be noted that 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 +2,744 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 -2,431 thousand.

Finally, the potential effect on the Provisions relating to post-closure operation of landfills in terms of increase, as a result of an alleged increase of 5% in expected future outlays, should be equal to about Euro 1,650 thousand.

19) Employee severance pay and other benefits

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

<i>DESCRIPTION</i>	PROVISION FOR EMPLOYEE SEVERANCE PAY
1) VALUE AT 31/12/2019	19,268,413
2) Change in consolidation area	-93,471
3) Provisions	5,304,666
4) Uses	-7,556,700
5) Releases	0
6) Surpluses through P&L	0
7) Other Changes	37,839
8) Actuarial (Gain) / Loss	62,156
9) Interest Cost	67,943
10) VALUE AT 31/12/2020	17,090,846

The item, amounting to Euro 17,091 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.

It should be noted that the difference between the overall amount set aside in the income statement and the amount stated as provisions in the table reported above is essentially due to transfers to pension funds.

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

Description	Alia Spa		Revet Spa	
	% rate used for FY 2020	% rate used for FY 2019	% rate used for FY 2020	% rate used for FY 2019
Inflation rate	0.80%	1.20%	0.80%	1.20%
Annual discount rate	-0.02%	0.37%	0.34%	0.77%
Annual rate of overall pay increases	2.10%	2.40%	2.10%	2.40%
Annual frequency of leaving work for reasons other than death	1.00%	1.00%	5.00%	5.00%

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

20) Non-current financial liabilities

Below are the total and breakdown of loans, payables and other non-current financial liabilities:

Description	Balance at 31 12 2020	Balance at 31 12 2019	Change
Bonds	44,825,980	49,749,098	-4,923,118
Payables to banks (Beyond 12 months)	20,279,356	15,511,779	4,767,577
Lease payables (Beyond 12 months)	5,843,862	1,824,394	4,019,468
Payables to other lenders (Beyond 12 months)	963,208	963,208	0
Payables for Shareholders loans (Beyond 12 months)	126,000	126,000	0
TOTAL	72,038,407	68,174,480	3,863,927

Below are the changes in financial liabilities:

Description	balance at 31/12/2019	New loans	Repayments	Reclassifications	Other changes	balance at 31/12/2020
Non-current liabilities	68,174,480	13,900,000	0	-		72,038,407
Current financial liabilities						
Bank (short-term financial) overdrafts	21,900,000		-5,000,000		4,328,754	21,228,754
Current portion of debt	20,800,064	0	-6,919,414	10,036,073		23,916,723
Total current financial liabilities	42,700,064		-11,919,414	0	4,328,754	45,145,477
Total financial liabilities	110,874,544	13,900,000	-11,919,414	0	4,328,754	117,183,884

Other changes relate to advance payments on invoices and other short-term transactions to the banking system.

Payables to banks: the balance also includes amounts due to banks for the medium- and long-term portion (equal to Euro 20,279 thousand).

Bond: on 9 March 2017, the parent 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 parent company Alia and subsidiary Revet had complied with all the above parameters as at 31 December 2020.

21) Derivatives

Non-current derivative assets

On 30 October 2019 the subsidiary Revet entered into an option contract on interest rates - CAP with "Banca Monte dei Paschi di Siena S.p.A." to hedge the risk of fluctuations in the variable component of the interest rate of the MPS Orizzonti loan of Euro 4,500,000 raised with "Banca Monte dei Paschi di Siena S.p.A.".

The option contract on interest rates - CAP is used to hedge risks associated with changes in cash flows. Hedge accounting was not applied to this derivative asset and the related changes in value, amounting to Euro 25,053 in the year, are therefore charged to the Income Statement.

Current derivative liabilities

The "Provision for hedging derivatives" shows the fair values of two derivatives qualified as cash flow hedges. It should be noted that, according to the option provided by the new IFRS9 (paragraph 7.2.21 on the subject of "Transition for hedge accounting"), the Group has chosen to continue to apply, for this type of transaction, the provisions governing hedge accounting laid down in IAS39.

Derivative contract type	Interest rate swap	Interest rate swap	Total
Contract number	7052502920	9162590	
Purpose	Hedging	Hedging	
Notional value	Euro 766,481	Euro 862,291	Euro 1,628,772
Underlying financial risk	Interest rate risk	Interest rate risk	
Fair value	Euro -22,413	Euro -40,031	Euro -62,444
Hedged asset / liability	Banca Intesa mortgage	Banca Intesa mortgage	

Against the reclassification adjustment for the above-mentioned derivatives, the OCI item on the income statement recorded an amount of Euro 155,873 thousand, net of tax of Euro 37,410.

22) Other non-current liabilities

Description	Balance at 31 12 2020	Balance at 31 12 2019	Change
Deferred income beyond 12 months	4,943,580	5,446,675	-503,096
Payables to Publiservizi Spa	1,320,000	1,440,000	-120,000
Provincial Tax	544,196	600,933	-56,737
Other payables	105,268		105,268
Guarantee deposits	279,472	279,472	0
TOTAL	7,192,515	7,767,080	-574,565

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

The Provincial Tax Debt consists of the amount to be paid for this purpose on TIA tariff bills collected during the year.

The payable for guarantee deposits received from Programma Ambiente Apuane came to Euro 279 thousand.

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	2,086,913	2,856,667

23) Non-current trade payables

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

In the 2020 financial statements the balance of “Payables to suppliers due beyond 12 months” amounted to Euro 5,066,666. In the same manner as the corresponding balance in 2019, this item refers to the Parent Company’s payable to third party suppliers for the instalment payment of the acquisition of the Montignoso landfill, which took place during 2018.

CURRENT LIABILITIES

24) Current financial liabilities

Below are the total and breakdown of current financial liabilities:

Description	Balance at 31 12 2020	Balance at 31 12 2019	Change
Accrued Bond Interest	1,098,493	1,095,492	3,001
Payables for Shareholders’ Loans (Within 12 months)	31,789	27,379	4,410
Payables to banks within 12 months	37,699,521	39,650,808	-1,951,287
Payables to Leasing Companies (Within 12 months)	1,126,065	802,039	324,026
Payables to other lenders (Within 12 months)	36,144	903,594	-867,450
Payables for hired vehicles (Within 12 months)	153,466	220,753	-67,287
Bonds (Within 12 months)	5,000,000		5,000,000
TOTAL	45,145,477	42,700,064	2,445,413

The balance at 31 December 2020 amounted to Euro 45,145,477 (Euro 42,700,064 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, and to positions for which the banks may demand payment at sight. The balance also includes the short-term portion of the Bond for Euro 1,098 thousand, consisting of interest that accrued during the period and the portion of Bond for the period, equal to Euro 5,000 thousand.

25) Trade payables

The table below shows the total and breakdown of trade payables:

Description	Balance at 31 12 2020	Balance at 31 12 2019	Change
Payables to suppliers	94,938,084	75,694,732	19,243,352
Payables to associates	697,991	286,913	411,078
Payables to entities controlled by parent companies	18,224	27,215	-8,991
TOTAL	95,654,298	76,008,860	19,645,439

The balance of Euro 95,654 thousand mainly includes trade payables to third-party suppliers of Euro 94,938 thousand.

26) Current tax liabilities

Current tax liabilities are broken down in the table below:

Description	Balance at 31 12 2020	Balance at 31 12 2019	Change
IRES tax payables	31,626	49,031	-17,405
IRAP tax payables		68,568	-68,568
TOTAL	31,626	117,599	-85,973

The debt positions illustrated above relate to the Group's tax payables due within 12 months.

27) Other current liabilities

Description	Balance at 31 12 2020	Balance at 31 12 2019	Change
VAT payables to Tax Office	377,718	238,510	139,208
Other payables	8,688,558	9,463,120	-774,562
Accrued expenses	62,829	94,498	-31,668
Deferred income	1,004,722	961,049	43,672
Deferred VAT - Customers	776	776	0
Withholding tax payables to Tax Office	54,602	43,252	11,351
Employee IRPEF tax payables to Tax Office	1,592,826	2,244,889	-652,063
Payables to social security institutions	4,223,346	4,671,700	-448,355
Substitute tax payables - Employee Severance Pay	0	268	-268
Ecotax	178,086	201,090	-23,005

Payables to the Municipality of Florence	5,490	4,990	499
TOTAL	16,188,953	17,924,143	-1,735,190

The debt positions illustrated above relate to the tax and social security payables repaid by the Group 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, limited to the Parent Company, for Euro 4,948 thousand to payables to employees for accrued holidays untaken and for Euro 1,350 thousand to payables to municipal governments for environmental hardship allowance, while the remaining payables related to amounts due to finance companies and to suppliers for non-trade payables.

6) EXPLANATORY NOTES TO THE INCOME STATEMENT ITEMS

28) Revenues

Revenues

Total revenues from sales and services of the Alia Group recorded in 2020 came to Euro 327,733,707 (Euro 337,891,349 at 31 December 2019). The revenues of parent company Alia Servizi Ambientali S.p.A. alone, deriving from waste collection, treatment and disposal service, amounted to Euro 299,405 thousand, of which an amount of Euro 276,038 thousand came from the Municipalities that are directly and indirectly shareholders of the Company.

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

These effects, which can be associated with the adjustments to 2018 and 2019 revenues, have been reported among revenues as negative "non-recurring" components.

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

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

Description	Balance at 31 12 2020	Balance at 31 12 2019	Change
Revenues from Municipal Governments	276,440,254	280,152,422	-3,712,168

Revenues from other sales	48,226,037	53,029,088	-4,803,051
Revenues from sale of finished products	3,067,417	4,709,839	-1,642,423
TOTAL	327,733,707	337,891,349	-10,157,642

Revenues obtained from Municipalities relate to waste collection and road sweeping operations set out under the concession agreement or according to other contracts, in which almost all the transactions take place under contracts that provide for only one performance obligation, which is satisfied over time. Performance obligations relating to sales are instead satisfied at a point in time.

Change in inventories

Changes in inventories for finished products came to - Euro 291,230, entirely attributable to Revet S.p.A..

Other operating revenues

Other operating revenues of the Alia Group came to Euro 7,483,873 (Euro 11,482,922 at 31 December 2019), including operating revenues of the Parent Company alone for Euro 5,515,255.

The breakdown of Other operating revenues of the Group include:

- Operating grants for Euro 189,631
- Set-up grants for Euro 157,370
- Revenue from penalties for Euro 216,814
- Revenues for claims compensation for Euro 225,259
- Recoveries and reimbursements for Euro 407,790
- GSE electricity production incentives for Euro 268,274
- Contingent assets for Euro 1,070,777
- Other revenues for Euro 1,029,937
- Compensation for transport costs for Euro 118,417
- Capital grants for Euro 701,392
- Revenue from company canteen for Euro 281,520
- Reimbursement of disposal costs for Euro 2,194,609
- Revenues from recovery of fuel excise duties for Euro 433,148
- Incentive tariff for Euro 188,935.

29) Operating costs

Below are the total and breakdown of operating costs at 31 December 2020:

Description	Balance at 31 12 2020	Balance at 31 12 2019	Change
Fuels and lubricants	6,815,939	7,702,106	-886,167
Spare parts	2,864,904	3,243,328	-378,424
Bags	1,160,967	1,212,695	-51,729
Consumables	3,612,677	3,556,612	56,065
Chemicals	423,472	493,707	-70,234
Other purchases	3,265,987	2,867,928	398,060
Costs of Raw Materials and Consumables	18,143,947	19,076,376	-932,429
Waste collection	48,341,844	44,027,163	4,314,681
Insurance	4,985,806	4,303,980	681,827
TIA tariff collection services	829,124	1,067,050	-237,926
Legal and notarial fees	451,352	590,341	-138,989
Third-party services	3,822,030	3,810,630	11,400
Refund to suppliers of regional waste disposal tax	2,731,907	3,151,672	-419,765
Others	12,287,342	12,004,973	282,369
Third-party processing	5,416,183	6,542,540	-1,126,357
Waste disposal services	4,704,481	5,068,296	-363,815
Multi-material waste sorting plant operation	2,197,294	1,798,203	399,092
Transport, treatment and disposal services	61,344,796	65,665,608	-4,320,812
Cleaning and sweeping services	5,249,637	7,150,738	-1,901,102
Operation and cleaning of green areas and historic centres	6,180,487	5,996,263	184,225
Environmental hardship allowance	1,419,366	2,145,903	-726,537
Maintenance	12,584,222	10,094,361	2,489,862
Energy, water and gas utilities	4,862,752	5,700,671	-837,919
Rentals and leases payable	2,475,044	4,534,120	-2,059,077
Canteen	1,309,740	1,599,424	-289,684
Costs for Services	181,193,408	185,251,935	-4,058,527
Wages and salaries	72,770,901	73,229,599	-458,697
Contracted work	5,862,354	9,606,758	-3,744,403
Social security costs	24,374,635	25,377,661	-1,003,026
Employee Severance Pay	4,811,755	4,688,795	122,960
Other personnel costs	3,354,664	3,158,909	195,755
Personnel costs	111,174,311	116,061,722	-4,887,412
Regional Disposal Tax	1,037	1,884	-847
Contingent liabilities	924,710	1,228,361	-303,652
Sundry tax and duties	1,473,819	1,509,503	-35,685
Capital losses	290,493	776,222	-485,729

Others	1,260,090	1,519,489	-259,399
Commissions expense	7,092	195,081	-115,989
Other operating expenses	4,029,240	5,230,540	-1,201,300

The fees paid to directors and statutory auditors amounted to Euro 348,894 and Euro 114,539 respectively.

The average number of staff employed by the Alia Group during the year was **2,574 units** as detailed below :

	ALIA S.p.A.	Revet S.p.A.	Qthermo S.r.l.	Q.Energia Srl	Programma Ambiente S.p.A.	Programma Ambiente Apuane S.p.A.	Alia Consolidated Financial Statements
Senior management	10	2	-	-	-	1	13
Middle managers/Office workers	587	56	-	-	12	2	657
Manual workers	1,567	150	-	-	7	2	1,726
Agency staff	168	10	-	-	-	-	178
Total	2,332	218	-	-	19	5	2,574

30) Amortisation, depreciation, provisions and write-downs

Description	Balance at 31 12 2020	Balance at 31 12 2019	Change
<i>Amortisation of intangible assets</i>	424,303	364,751	59,552
<i>Depreciation of property, plant and equipment</i>	7,388,073	6,702,967	685,107
<i>Amortisation of Concession Rights</i>	13,376,318	12,483,633	892,686
Subtotal of amortisation and depreciation	21,188,694	19,551,351	1,637,345
Provisions for risks	1,092,042	555,306	536,736
Provisions for Post-Closure period of landfills	1,889,040	197,387	1,691,653
Other provisions	3,448,010	53,045	3,394,965
TOTAL	27,617,787	20,357,088	7,260,699

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

This item is broken down as follows:

Description	Balance at 31 12 2020	Balance at 31 12 2019	Change
Accrual to Provision for bad debts	134,799	420,933	-286,135
TOTAL	134,799	420,933	-286,135

31) Write-downs and reinstatements of financial assets and liabilities

Description	Balance at 31 12 2020	Balance at 31 12 2019	Change
Write-downs of subsidiaries	-	1	-1
Write-downs of other equity investments	61,099	-	61,099
TOTAL	61,099	1	61,098

32) Share of profits (losses) of Joint Ventures and associates

The balance at 31 December 2020 came to Euro 694,758 (Euro 128,172 at 31 December 2019) and consists of the impact through profit or loss relating to revaluations and write-downs of equity investments in equity-accounted associates. For more information, reference should be made to the paragraph on "Accounting policies and basis of preparation."

For the breakdown of income and costs arising from measurement at equity, reference should be made to note 3.

33) Financial operations

The following is a brief summary of financial income and costs.

Financial income

Description	Balance at 31 12 2020	Balance at 31 12 2019	Change
Consolidation adjustments	0	-0	0
Income from equity investments in other companies		3	-3
Other interest income from receivables	350,204	276,503	73,701
Interest income from current bank accounts	188,595	546,871	-358,276
Financial income from discounting of provisions for post-closure period of landfills		12,512	-12,512
Interest income from subsidiaries		2,852	-2,852

Income other than the foregoing	20,153	3,805	16,348
Interest income from associates	2,709		2,709
TOTAL	561,661	842,546	-280,885

Financial costs

The table below shows the breakdown of financial costs:

Description	Balance at 31 12 2020	Balance at 31 12 2019	Change
Interest on loans	594,529	882,426	-287,898
Interest expense on Bond	1,429,883	1,423,810	6,073
Default interest expense	6,881	4,458	2,422
Interest expense on current bank accounts	124,917	165,095	-40,178
Financial costs on discounting of provisions for post-closure period of landfills	379,417	481,122	-101,705
Interest expense on Employee Severance Pay	67,943	242,252	-174,309
Other interest expense	771,312	327,769	443,543
Interest for IAS adoption	0	0	0
TOTAL	3,374,880	3,526,932	-152,052

34) Taxation

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

	Alia SpA (parent company)	Q.Energia	Programma Ambiente SpA	Programma Ambiente Apuane SpA	Q.Thermo Srl	Revet SpA	ALIA GROUP
Difference between production value and costs	97,222,509	227,150	-518,199	83,241	-3,374,048	2,628,829	96,269,483
Increases	1,931,429	29,836	1,025,516	226,709	3,282,396	2,617,211	9,113,097
Decreases	94,027,192		783,662	16,122		611,923	95,438,899
Taxable income	5,126,746	256,987	-276,345	293,828	-91,652	4,634,117	9,943,681
IRAP tax rate	5.12%	4.82%	4.82%	4.82%	4.82%	4.82%	0
IRAP tax	262,489	12,387	0	14,162	0	223,364	512,403
Contingent items				-2,085			-2,085
Advance payment not due		-4,987				-88,364	
Effective IRAP tax	262,489	7,400	0	12,077	0	135,000	

IRAP tax through Consolidated P&L		1,686					
IRAP tax	262,489	1,686	0	12,077	0	135,000	411,253

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

	Alia SpA (parent company)	Q.Energia	Programma Ambiente SpA	Programma Ambiente Apuane SpA	Q.Thermo Srl	Revet SpA	ALIA GROUP
Pre-tax accounting income	-10,669,518	227,149	-560,652	39,509	- 3,374,047	2,238,033	- 12,099,525
Increases	11,686,530	638	143,162	42,630	3,282,396	1,708,630	16,863,987
Decreases	10,323,518	1,746	101,145	45,021	16,915	2,409,862	12,898,206
Tax losses						1,440,766	1,440,766
Taxable income	-9,306,506	226,042	-518,635	37,118	-108,566	96,036	-9,574,511
Allowance for corporate equity (ACE)						96,036	96,036
IRES tax rate	24%	24%	24%	24%	24%	24%	
IRES tax	0	54,250	0	8,908	0	0	63,158
IRES tax through Consolidated P&L		25,799					25,799
IRES tax		25,799		8,908			34,708

Below is the calculation of the tax rate for 2020:

Current IRES tax	34,708
Current IRAP tax	286,209
Change in deferred tax	-3,850,859
Accrued tax	-3,529,943
Income before tax	-9,259,277

7) OTHER INFORMATION

Below is reported the Group's net financial position at 31 December 2020 compared to that at 31 December 2019.

Net financial position	Note	31/12/2020	31/12/2019
Non-current bonds	20	-44,825,980	-49,749,098
Non-current bank loans	20	-26,123,218	-17,336,174
Due to shareholders for loans	20	-126,000	-126,000
Other lenders	20	-963,208	-963,208
Total non-current financial debt		-72,038,407	-68,174,480
Bonds (within 12 months)		-5,000,000	
Current bank loans	24	-39,924,079	-41,548,339
Other lenders	24	-189,609	-1,124,346
Shareholders loans	24	-31,789	-27,379
Cash and cash equivalents	14	66,286,659	90,545,359
Total net financial debt		-50,897,225	-20,329,184

Fees due to Independent Auditors

Type of service	Entity that has delivered the service	Recipient	Notes	Fees - 2020 (€)
Audit of accounts	PwC SpA	Parent Company Alia Servizi Ambientali SpA	(1)	60,000
	PwC SpA	Subsidiaries	(2)	43,000
Issue of certifications	PwC SpA	Parent Company Alia Servizi Ambientali SpA	(3)	21,000
Other services	PwC SpA	Parent Company Alia Servizi Ambientali SpA	(3)	9,000
Total				133,000

- (1) Fees for the engagement involving the statutory audit of the consolidated and separate financial statements of the Parent Company (including the performance of periodic audits).
- (2) Fees for the engagement involving the statutory audit of the separate financial statements of subsidiaries Revet S.p.A, Programma Ambiente S.p.A. and Programma Ambiente Apuane S.p.A. and related periodic audits.

- (3) Fees for the engagement involving the limited audit of the Disclosure of non-financial information under Legislative Decree No. 254/2016 for the 2020 financial year and for research and development costs certification.

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 2020 fees approved by the local area authorities were invoiced to each Municipality or to the citizens, where the quantity-based tariff fee is applied.

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

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

EURO*1,000	RECEIVABLES	NON-CURRENT FINANCIAL ASSETS	PAYABLES	REVENUES	COSTS
PARENT COMPANIES	20,664	0	0	88,573	440
MUNICIPALITY OF FLORENCE	20,664		0	88,573	440
EURO*1,000	RECEIVABLES	NON-CURRENT FINANCIAL ASSETS	PAYABLES	REVENUES	COSTS
MUNICIPALITIES	51,498	0	1,497	193,944	2,041
MUNICIPALITY OF SIGNA	859		0	3,587	0
MUNICIPALITY OF SESTO FIORENTINO	1,672		224	8,751	237
MUNICIPALITY OF SCANDICCI	1,971		0	9,009	3
MUNICIPALITY OF CALENZANO	1,500		0	4,410	0
MUNICIPALITY OF BAGNO A RIPOLI	1,492		0	4,888	2
MUNICIPALITY OF CAMPI BISENZIO	2,412		81	8,805	160
MUNICIPALITY OF SAN CASCIANO VAL DI PESA	719		0	3,517	18
MUNICIPALITY OF IMPRUNETA	746		0	2,628	0
MUNICIPALITY OF GREVE IN CHIANTI	688		0	3,228	0

MUNICIPALITY OF FIESOLE	489		0	2,795	0
MUNICIPALITY OF BARBERINO VAL D'ELSA	111		0	0	0
MUNICIPALITY OF FIGLINE E INCISA VALDARNO	883		0	4,918	51
MUNICIPALITY OF SCARPERIA E SAN PIERO	430		0	2,374	0
MUNICIPALITY OF LASTRA A SIGNA	831		0	3,326	0
MUNICIPALITY OF EMPOLI	1,784		0	8,320	83
MUNICIPALITY OF VINCI	733		0	2,397	8
MUNICIPALITY OF MONTELUPO FIORENTINO	448		1	2,295	12
MUNICIPALITY OF CASTELFIORENTINO	626		0	2,417	25
MUNICIPALITY OF CERRETO GUIDI	749		0	1,558	3
MUNICIPALITY OF GAMBASSI TERME	233		0	800	0
MUNICIPALITY OF MONTAIONE	180		5	810	0
MUNICIPALITY OF BORGO SAN LORENZO	786		132	3,398	195
MUNICIPALITY OF CAPRAIA E LIMITE	345		0	1,056	0
MUNICIPALITY OF VICCHIO	1,225		0	1,250	0
MUNICIPALITY OF FUCECCHIO	1,331		0	1,931	21
MUNICIPALITY OF MASSA E COZZILE	311		0	1,348	0
MUNICIPALITY OF BARBERINO DI MUGELLO	415		0	2,296	0
MUNICIPALITY OF MONTESPERTOLI	684		346	2,250	352
MUNICIPALITY OF PONTE BUGGIANESE	997		0	1,549	0
MUNICIPALITY OF CERTALDO	503		18	2,233	6
MUNICIPALITY OF LARCIANO	227		0	943	0
MUNICIPALITY OF MONSUMMANO TERME	548		0	2,666	8
MUNICIPALITY OF VAGLIA	129		0	803	0
MUNICIPALITY OF PISTOIA	6,235		249	16,307	367
MUNICIPALITY OF SERRAVALLE PISTOIESE	262		0	1,447	0
MUNICIPALITY OF CHIESINA UZZANESE	167		0	747	0
MUNICIPALITY OF AGLIANA	820		0	3,134	0
MUNICIPALITY OF QUARRATA	879		0	5,003	2

MUNICIPALITY OF MONTALE	408		0	2,039	3
MUNICIPALITY OF BUGGIANO	1,715		0	1,521	0
MUNICIPALITY OF CANTAGALLO	41		7	443	0
MUNICIPALITY OF CARMIGNANO	231		0	1,997	0
MUNICIPALITY OF MONTEMURLO	741		8	3,890	9
MUNICIPALITY OF POGGIO A CAIANO	3,304		0	1,585	0
MUNICIPALITY OF PRATO	5,235		421	32,830	459
MUNICIPALITY OF VAIANO	207		4	1,447	3
MUNICIPALITY OF VERNIO	82		0	871	0
MUNICIPALITY OF ABETONE CUTIGLIANO	110		0	704	0
MUNICIPALITY OF MARLIANA	49		0	542	0
MUNICIPALITY OF MONTECATINI TERME	1,119		0	5,567	0
MUNICIPALITY OF PIEVE A NIEVOLE	507		0	1,302	3
MUNICIPALITY OF PESCIA	1,253		0	3,480	9
MUNICIPALITY OF RIGNANO SULL'ARNO	291		0	1,441	0
MUNICIPALITY OF SAMBUCA PISTOIESE	18		0	200	0
MUNICIPALITY OF SAN MARCELLO PITEGLIO	197		0	1,415	1
MUNICIPALITY OF UZZANO	136		0	872	0
MUNICIPALITY OF BARBERINO TAVARNELLE	434		0	2,604	1
MUNICIPALITY OF LAMPORECCHIO	0		0	0	0

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

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

EURO*1,000	RECEIVABLES	NON-CURRENT FINANCIAL ASSETS	PAYABLES	REVENUES	COSTS
Related parties	5,228	-	4,910	10,106	9,544
Le Soluzioni S.c.r.l.	4		1,996	4	2,735
Servizi Ecologici Integrati Toscana S.r.l.	5,210	-	2,210	10,088	4,726
Siena Ambiente S.p.A.	14	-	662	14	1,853
Montello S.p.A.			42		230

Information on operating segments - IFRS 8

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

Fair value measurement hierarchy levels

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

The following levels are distinguished:

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

Breakdown of financial instruments by category of measurement applied

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

<i>(In Euro units)</i>	Financial assets / liabilities measured at fair value	Assets measured at amortised cost	Liabilities measured at amortised cost	Total
CURRENT ASSETS				
Trade receivables		109,157,045		109,157,045
Other current assets		6,040,327		6,040,327
Cash and cash equivalents		66,286,659		66,286,659
NON-CURRENT ASSETS				
Non-current financial assets		279,310		279,310
Non-current trade receivables		3,249,744		3,249,744
Equity investments in other companies	256,280			256,280
Other non-current assets		1,257,437		1,257,437
Derivatives	8,095			8,095
CURRENT LIABILITIES				
Current financial liabilities			45,145,477	45,145,477
Trade payables			95,654,298	95,654,298
Other current liabilities			16,188,953	16,188,953
NON-CURRENT LIABILITIES				
Non-current financial liabilities			72,038,407	72,038,407
Non-current trade payables			5,066,666	5,066,666
Other non-current liabilities			7,192,515	7,192,515
Derivatives	63,446			63,446

It should be noted that there were no financial instruments measured at fair value at 31 December 2020 except for the hedging derivatives described above and other equity investments. Trade receivables and payables have been measured at the book value that is believed to approximate their fair value.

Risks

The Group 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 Group for each type of risk are described below.

1. FINANCIAL RISKS:

a) Liquidity risk

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

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

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

In this regard, it should be noted that the Parent Company's economic and financial budget for the 2021 financial year was in fact approved by the Board of Directors on 9 March 2021 and the profit margins expected for the subsequent financial years as they can be inferred from the economic and financial plan for the 2021-2030 period, which was approved by Alia's Board of Directors on 25 May 2021, confirm the Company's and the group's ability to discharge the obligations they had undertaken in the short-term and to continue to operate as a going concern in the foreseeable future, based on outstanding cash and cash equivalents and the available bank lines of credit.

It should be also noted that at 31 December 2020 the Group claimed a total of uncommitted bank lines of credit of Euro 76,576 thousand (Euro 89,914 thousand at 30 April 2021), used for Euro 25,002 thousand (Euro 34,886 thousand at 30 April 2021).

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

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

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

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

Description	Within 12 months	Between 1 and 5 years	Beyond 5 years	Total
Financial liabilities	45,145,477	70,171,772	1,866,635	117,183,884
Trade payables	95,654,298	5,066,666	0	100,720,964
Other payables	16,220,579	3,168,586	4,023,930	23,413,095
Total	157,020,354	78,407,024	5,890,565	241,317,942

At 31 December 2020 "cash and cash equivalents" amounted to Euro 66,286 thousand; thus, there are no problems regarding the repayment of total short-term payables as described above.

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

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

b) Exchange rate risk

The Alia Group is not exposed to exchange rate risks since the Group operates at a national level.

c) Interest rate risk

The interest rate risk to which the Group is exposed mainly originates from borrowings from banks. In light of the current trend in interest rates, the Group's risk management policy does not provide for the use of derivative contracts to hedge interest rate risks. Furthermore, due to the borrowings of Revet S.p.A., the company took out derivative instruments, already present at the date of the acquisition of control, to hedge this risk.

Revet S.p.A. holds financial instruments aimed at allowing active, prompt and informed management of the most important areas of risk. In particular, the company's risk management policy tends to minimise the exposure to fluctuations in interest rates, including through the use of derivatives that are appropriately selected.

As regards the exposure to the risk arising from fluctuations in interest rates, the company has designed an optimal composition of the debt structure between fixed- and variable-rate components and uses derivatives (interest rate swaps) in order to achieve with a good approximation the pre-established debt composition target. More specifically, these instruments have been used to change the risk profile connected with the exposure to changes in the interest rate for the following financial instruments: Banca Intesa Mediocredito S.p.A. variable-rate loan, raised on 29 March 2007 and due 31 December 2021, amounting to Euro 17,000,000. The rate has been set as equal to 3-month EURIBOR plus 1.50 percentage points. Two interest rate swaps have been entered into with reference to this financial instrument in order to convert the variable rate loan into one at fixed rate.

The Company has left the notional value of the contracts unchanged, since the same hedge is also applicable to the other indexed debt in relation to leases and other banks loans that are in place.

It is therefore noted that the abovementioned transactions are not carried out for speculative purposes.

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

As far as the subsidiary Revet is concerned, the cash flows are actively generated from two major sources: the operators which pay monthly for the waste collection and pre-selection service and the supply chain Consortia which pay monthly for the selection of material flows and which have paid regularly to date. At present, no particular critical issues have been reported on these flows. It should be noted that the plastic packaging that REVET deals with is essentially related to food packaging, which is a sector that is not affected by the COVID-19 crisis.

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

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

4. OPERATIONAL RISKS

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

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

For more information, reference should be made to the report on operations.

Guarantees and commitments

The guarantees given are shown below:

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

2) bank guarantees as shown in the table below:

Bank	Type of Guarantee	Nominal Guarantee Amount (amounts)
------	-------------------	------------------------------------

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

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

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

4) For Revet S.p.A.: Comfort letter in favour of Banca Cambiano for Vetro Revet S.r.l. for Euro 3,820,443.

Furthermore, there are collaterals on the Company's real estate assets, issued against the following bank loans:

- Mortgage loan taken out with "Banca Intesa Mediocredito S.p.A.", with registered office in Milan, on 29 March 2007 for an initial amount of Euro 17,000,000.00, due 31 December 2021, backed by a mortgage on the Pontedera property;
- Mortgage loan taken out with "MPS Capital Services Banca per le Imprese S.p.A.", with registered office in Florence, on 7 September 2010 for an initial amount of Euro 7,600,000.00, backed by a second mortgage on the Pontedera property and by a lien on a recycling plant.

5) for Programma Ambiente: sureties received from various insurance companies for Euro 1,493,433 as security for the issue of authorisations from the Ministry of Environment and the Provincial government of Florence.

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

Main pending litigation

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

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

As the deadline for appeal was pending last year, we confirmed the allocation to the provision for risks. On 14 June 2018, INPS (Italian Social Security Institute) served an appeal on the Company against the trial judgment (527/2017). The appellate proceedings initiated by INPS were settled by judgment 136 of 21 February 2019, whereby the appeal was rejected. On 26 November 2019 Alia was served with the appeal

before the Supreme Court against judgment no. 134 of 21 February 2019 on the part of INPS. Therefore, the amount of Euro 120,319 set aside as a provision for risks is confirmed once again.

INPS/INCA services litigation

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

VAT on TIA tariff

During 2020, the provision was reduced by a total amount of Euro 469.98. However, it is confirmed that a provision has been set aside, on a prudential basis, for Euro 15,600.57 for the residual disputes pending with some users for the refund of VAT on the TIA tariff, in the light of the recent case law guidelines.

Litigation for lease rentals (former Publiambiente)

This dispute concerns the payment of lease rentals under an agreement for office use of the premises of former Publiambiente in Pistoia, at Viale Adua no. 450. During the term of the contract Publiambiente suspended the payment of the rental due to the uncertainty of the situation of the assignee (the original lessor or two financial companies subsequently involved in the proceedings). The lessor has obtained an order for payment of Euro 50,325 for rentals from October 2013 to December 2014 invoiced by the lessor. To date, and until an assessment is conducted on the assignee, the proceedings are still in progress. The property was released at the end of 2018. Requests for payment have also been submitted for rentals payable after the date of issue of the order for payment, i.e., after 2014. Since the release has not been formalized, there is a risk of claims for rentals even beyond 31 December 2018, until the natural expiry of the lease. Therefore, a total of Euro 250,000.00 was set aside in 2020 to cover this risk.

Non-validated Waste Identification Forms

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

Provincial Police fines

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

Labour litigation

- claim for a higher rank submitted by an employee from formerly AER, who has now joined Alia's workforce. The proceedings, which were brought in 2019, are still in progress and it is therefore appropriate to maintain a provision of Euro 3,900;
- claim for a higher rank (from manual to office worker): the proceedings, which were brought in 2020, are still in progress and it is therefore appropriate to set aside a provision of Euro 34,585;
- appeal against dismissal and request for reinstatement: the proceedings, which were brought in 2020, are still in progress and it is therefore appropriate to set aside a provision of Euro 140,000;
- in 2020 Alia lodged an appeal against the payment order notice served by a contractor's employee, who is claiming the payment of salaries not paid by the employer. Since the proceedings are still in progress, it is appropriate to set aside a provision of Euro 6,646;
- furthermore, we must note, in consideration of the numerous out-of-court claims Alia received from the staff working for a contractor during 2020, the provision of Euro 100,000, set aside on a prudential

basis, given the joint and several liability obligation between Customers and contractors under Article 1676 of the Italian Civil Code and Article 29 of Legislative Decree 276/2003;

- during 2019 two employees working for two different contractors summoned Alia in court in order to obtain payment of sums due to them and not paid by the employer. Since the proceedings are still in progress, the provision already set aside last year was left unchanged, for a total amount for both proceedings equal to Euro 10,784.

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 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 has been set aside.

Compensation for damage due to termination of vehicle hire agreement

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

Compensation for damage due to termination of works contracts

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

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

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

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

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

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

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

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

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

Q.tHermo

By resolution no. 868 of 5 July 2019, the Regional Council of Tuscany started the procedure for the review of the Regional Plan for waste management and remediation of polluted sites with a specific modification in order to find alternative solutions to the failure to build the Waste-to-energy plant. In 2020, the proceedings for a review under R.G. (General Register) no. 7864/2018 were concluded with judgment no. 2165 of 30 March 2020, whereby the Council of State declared the appeal submitted by Q.tHermo as inadmissible.

Revet: after having lost the case before the court of first instance, in 2020 a supplier of operating forklifts filed an appeal aimed at seeking compensation for damage it had allegedly suffered. The provision set aside amounted to Euro 36,266 in 2020.

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, despite initial resistance, Generali compensated for the damage in full, releasing Alia from any civil liability both to the heirs and to INAIL. Since the criminal proceedings are continuing (given that the three defendants have lodged an appeal before the Florence Court of Appeal against the final judgment of the first-instance proceedings), at present it is considered that the provision should be maintained unchanged, for an amount of Euro 273,481, from which to sustain such costs for the appeal as Alia should be required to pay.

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

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

Accidents at work: With reference to the disputes pending for accidents at work, the insurance policies in place at the time of the events provide for limits of liability that are sufficient to cover any possible compensation claim in civil actions:

- Rgnr. (General Register of Notices of Offences) 5117/2017 (Mr Del Corso, Esq.): the Trial (accident at work) is in the first instance and in the phase of discussion; any claims for damages which have been and can be submitted in civil proceedings are covered by the Third-party Liability/Employer Liability insurance policies held by the company.

- Rgnr. (General Register of Notices of Offences) 2464/2017 (Mr Del Corso, Esq.): the Trial (accident at work) is in the first instance and in the phase of discussion; no claims for damages have been submitted in civil proceedings, but if they did, they would be covered by the Third-party Liability/Employer Liability insurance policies held by the company
- Rgnr. (General Register of Notices of Offences) 6461/2016 (Mr Del Corso, Esq.): the Proceedings (accident at work) are at the preliminary investigation stage and, the questioning having been carried out, we are waiting for the Court to lift the reservation as to whether to dismiss or refer the case to trial. In this case too, the Third-party Liability/Employer Liability insurance policies have potential capacity to cover any possible claims for damages in civil proceedings.

Significant events after the reporting period

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

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

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

The following information is provided with reference to the relations with the Granting Authority.

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

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

On 28 May 2021, given that, by ATO Toscana Centro's memo with file no. 1612 of 10 May 2021, as submitted, on the same date, for approval by ATO's General Meeting scheduled on 14 June 2021, Alia's Board of Directors believed that the elements that were prejudicial to its interests had been removed, which had originated the appeal against ATO Toscana Centro's General Meeting resolutions no. 17 of 28 September 2020 and no. 19 of 11 December 2020, concerning the "Approval of the validation of the 2020 economic and financial plans", thus starting the procedure for withdrawing the appeal in question.

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

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

The actual measure was issued following investigations started in 2016 concerning the assessment of alleged environmental crimes, which involved, for various reasons, the Top Managers of the companies

incorporated into Alia and Alia itself, and which led to issuing an order of application of precautionary prohibitory measures against some of them.

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

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

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

For more information on the 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 Group companies received the following grants from public entities or bodies during the year under Law 124/2017:

ALIA spa

ENTITY	GRANT	COLLECTION DATE	AMOUNT COLLECTED
A.R.T.E.A	BIOHYDROGEN AND BIOMETHANE PROJECT GRANT	07/07/2020	21,714.86 €
FONDAZIONE RUSES TRIVA	REIMBURSEMENT OF COSTS FOR USE OF THE ROOM	28/01/2020	375.00 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	31/01/2020	14,535.38 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	02/03/2020	10,958.55 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	31/03/2020	12,692.22 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	30/04/2020	35,027.37 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	01/06/2020	12,512.22 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	30/06/2020	11,179.90 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	31/07/2020	11,179.90 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	31/08/2020	11,179.90 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	30/09/2020	11,459.68 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	02/11/2020	11,112.78 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	30/11/2020	11,459.68 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	31/12/2020	26,109.17 €
GESTORE SERVIZI ENERGETICI	GRIN (Incentive Payment Management) AGREEMENT_000479	31/01/2020	21,871.04 €

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

REJET spa:

- Refund of excise duties on transport fuel for Euro 102 thousand against the submission of specific quarterly requests, with the Customs authorities acknowledging the credit to be used for offsetting;
- Grant to Fondimpresa training for Euro 11 thousand received on 27 April 2020;
- Euro 2 thousand against the Call for restart after the emergency- Pisa 2020;
- Credit for sanitation and PPE, equal to Euro 28,297, to be used for offsetting through Form F24;
- Tax credit on donations, provide for under the "Art Bonus" scheme, equal to Euro 19,175, to be used for offsetting through Form F24.

Authorisation for publication

This document was approved by Alia S.p.A's Board of Directors' meeting held on 28 May 2021 and was published on 14 June 2021 upon authorisation by the Chairman and Chief Executive Officer .

For the Board of Directors

The Chairman
Nicola Ciolini

The Chief Executive Officer
Alberto Irace

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

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

Florence, 28 May 2021

Chief Executive Officer

(Signed)

.....

Financial Reporting Manager

(Signed)

.....



Independent auditor's report

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

Alia Servizi Ambientali SpA

***Consolidated financial statements as of
31 December 2020***



Independent auditor's report

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

To the shareholders of
Alia Servizi Ambientali SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Alia Servizi Ambientali SpA (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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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

Key Audit Matters

Auditing procedures performed in response to key audit matters

Post-landfill management provisions

Notes to the consolidated financial statements as of 31 December 2020: note 18 “Provisions for risks and charges”

The value of post-landfill management provisions recognised within the liabilities of the statement of financial position of the consolidated financial statements at 31 December 2020 amounted to Euro 32.5 million, which represented 6.9% of the Group’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 Group 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 Group’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 Consolidated Financial Statements

The directors are responsible for the preparation of consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group’s ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend



to liquidate Alia Servizi Ambientali SpA 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 Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- We identified and assessed the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.



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

Report on Compliance with other Laws and Regulations

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

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

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



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

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

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The directors of Alia Servizi Ambientali SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016. We have verified that the directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Florence, 14 June 2021

PricewaterhouseCoopers SpA

Signed by

Luigi Necci
(Partner)

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