



CONSOLIDATED FINANCIAL STATEMENTS 2019

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Alia Servizi Ambientali S.p.A.

Registered office: Florence, Via Baccio da Montelupo 52

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

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Report on Operations

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

INTRODUCTION

The financial year ended 31 December 2019, the second of managing the concession of ATO Toscana Centro [Integrated Municipal Waste Management Authority] was a challenging one for the Alia Servizi Ambientali Group (hereinafter also referred to as the Alia Group), in which the transitional period of the concession ended, in which services for about 600,000 inhabitants were transformed, particularly the collection systems in order to achieve the expected Waste Sorting (WS) targets, and lastly but most importantly, putting development strategies for the period 2020-2024 into effect.

As in 2018, it was necessary in 2019, too, to transform the company, putting an end to the previous in-house providing management operations under the concession agreement and putting the complicated process in motion of setting the rules with ATO TOSCANA CENTRO, the regulatory body, for the 20-year management of the concession. This work was also necessary to fill the time gap between the call for tenders and the commencement of the concession, an obligatory stage for bringing service models up to date and adjusting them to the present needs of the local areas concerned.

The new development strategies of the parent company Alia Servizi Ambientali S.p.A. (hereinafter also referred to as “Alia S.p.A.”, “Alia” or “Parent Company”), as authorised by the Shareholders, were drawn up, which were illustrated to the Shareholders’ Meeting held on 1 July 2019. They set out a new integrated waste management strategy in full compliance with the most recent Circular Economy provisions, and also have the aim of rendering Alia a primary potential partner for other public bodies.

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. 2019 was not only the year of the eclipse of the Case Passerini waste-to-energy plant project, but also the year in which the weakness emerged in all its complexity for our waste recovery and treatment infrastructure which is inadequate to meet the targets of the policies governing waste sorting and self-sufficiency in sorted waste management.

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 2019, which were aimed at putting Alia’s industrial policy into practice, were as follows:

- The partnership with the Dedalus Group, the University of Siena and Zucchetti for the implementation of 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*

positioned in February 2020, while industrial production is still being defined.

- A patent for a “smart” street bin, completely recyclable and self-sufficient from the energy point of view, in partnership with Jco, a leading Italian producer. *The bins will be in production from the second half of 2020.*
- Boosting the “**glass chain**” through the new company - Vetro Revet - in partnership with the Zignago Group, the leading Italian player in glass production. *In 2018 and 2019 investments of about Euro 4 million were made in raising the productivity of the Empoli plant, which can treat glass from the entire regional area, and in enhancing the quality of the outgoing product, bringing recycling capacity up to 96% in 2020.*
- 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 have already passed an EIA [Environmental Impact Assessment; VIA, Valutazione di Impatto Ambientale] compatibility assessment and the related IEA [Integrated Environmental Authorisation; AIA, Autorizzazione Integrata Ambientale] to begin site work is now expected to be issued by the end of 2020, while the plants are expected to enter into operation 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. *In recent days, the project for the enlargement of the Pontedera plant has just been authorised, 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 2019 the Metalcarta platform at Empoli was acquired, with a revamping project in the final authorisation stage, which will be aimed at raising the market price of the paper and cardboard produced. Work site set-up is expected by 2020.*

- Creating the “**bulky and textile waste chain**”, implementing the platform at Ferrale in the Municipal district of Florence. *The project is in the process of being authorised, while the plant is expected to enter into operation during the current year.*
- Setting up the “**biofuel chain**” to complete the waste management cycle. Unsorted SRFs [Solid Recovered Fuels; CSS, *Combustibili Solidi Secondari*] and discards obtained from sorted waste treatment are removed before waste is dumped in order to exploit their “energy value”. The project envisages the set-up of a company with ENI and the construction of a *Biorefinery Plant* that produces fuels with a high renewable energy content from waste. *Design is in a final stage; construction is expected to take three years.*

With the acquisition of the interest in Scapigliato - formerly Rea Impianti (a company in the Municipal district of Rosignano), the main Tuscan municipal and special waste plant hub, not only will the plant be revamped, but an already authorised biodigester will be built which will mean that the entire Tuscany Region will be self-sufficient in recovering organic waste. *The memorandum of understanding was drawn up with the company and the Tuscany Regional Government and the new company business plan was outlined in 2019, while the Municipal Government of Rosignano passed a resolution concerning Alia’s investment in the company in April 2020.*

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 2019 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 by Parent Company Alia S.p.A.:

SUBSIDIARIES	PROGRAMMA AMBIENTE S.p.A.	100.00%
	Q.THERMO S.r.l.	60.00%
	IRMEL S.r.l.	51.00%
	REJET S.p.A.	51.00%
ASSOCIATES	ALBE S.r.l.	50.00%
	Q.ENERGIA S.r.l.	50.00%
	VALCOFERT S.r.l.	42.50%
	SEA RISORSE S.p.A.	24.00%
	REAL Srl	50.10%
	Valdisieve SCaRL	25.00%
OTHER EQUITY INVESTMENTS	LESOLUZIONI SCARL	18.69%
	TIFORMA SCRL	0.50%
	PROGETTO ACQUE SPA	0.42%
	VAIANO DEPUR SPA	0.34%
	C.E.T. s.c.r.l. (CONSORZIO ENERGIA TOSCANA)	1.17%
	Arzano Multiservizi Spa in Liquidation	13.00%
	HELENA PAESTUM SPA in Liquidation	10.00%
	Consorzio Italiano Compostatori	5.28%
	Cassa di Risparmio di San Miniato	0.00%
	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, tinsplate and polylaminate 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. During 2019 there were changes in the corporate structure following the entry of the leading national and European industrial partner, Montello S.p.A. based in Bergamo, through a mixed operation of acquisition of treasury shares and reserved capital increase, which allowed it to acquire 30% of the share capital. Alia S.p.A.'s controlling interest thus came to 51% of the entire capital. Again in 2019, the company proceeded with the merger by incorporation of Revet Recycling S.r.l. after acquiring full control. Revet holds 49% of Vetro Revet S.r.l. which is consolidated according to the equity method;
- (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.THermo S.r.l., which is 60% owned and is 40% invested in by S.A.T. Gruppo HERA, is the special purpose joint venture established following the public tender launched for the selection of a technology partner for the design, construction and operation of the Waste-to-energy Plant located in Case Passerini in the Municipal district of Sesto Fiorentino;
- (v) Irmel S.r.l. operates in the sector of building demolition waste and is active in the recovery and preparation for recycling.

The associates 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) 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 at S. Martino a Maiano (Certaldo - Florence);
- (iii) 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;
- (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. The company was still dormant at 31 December 2019;
- (vi) Valdisieve Società Consortile: was reclassified in 2019 among associates as a result of changes recorded in the capital and directly on the quotas held by some quotaholders. The 25% quota is held directly by Alia Servizi Ambientali S.p.A.. In 2018 it had been stated at 12.33% in the investment portfolio of Alia under the item "Other equity investments". It is a holding company controlling entities operating in the waste sector.

All the other investments have been measured at cost.

For consolidation purposes, we have used the subsidiaries' financial statements at 31 December 2019 prepared by their respective Boards of Directors for approval on the part of the Shareholders' Meeting.

The consolidated financial statements at 31 December 2019 show a profit of Euro 1,403,325, after having recorded a positive tax balance equal to Euro -881,061, having considered the negative effect arising from

the recognition of Deferred tax assets and liabilities through profit or loss, equal to Euro -1,448,366.

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.

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) in accordance with Sections 19 and 20 of the Service Contract, the Operator's fees from 2018, also for the purposes of determining the waste tax - TARI [*Tassa sui Rifiuti*] - are set in the economic and financial plan attached to the tender offer, resulting in full transfer to the Operator of the operational risk of the concession.

Due to the aforementioned circumstances, Alia S.p.A. is to be qualified as a "public service concessionaire", following a competitive tender, therefore 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."

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.

Lastly, it is specified that by Resolutions nos. 713/714/715/2018/RIF the regulation of the waste sector by the Italian Regulatory Authority for Energy, Networks and Environment, ARERA [*Autorità per la Regolazione per Energia Reti e Ambiente*] has actually begun.

During 2019, the work of ARERA mainly consisted of "gathering data" in accordance with the resolutions referred to above and above all with the publication of:

- Resolution of 31 October 2019 - 443/2019/R/rif: Criteria for the recognition of efficient operating and investment costs of integrated waste management service for the period 2018-2021. The measure sets out these criteria by adopting the Tariff Method for integrated waste management service (WTM, Waste Tariff Method) [MTR, *Metodo Tariffario Rifiuti*];
- Resolution of 31 October 2019 - 444/2019/R/rif: Provisions on transparency in municipal and similar waste management service. The resolution lays down these provisions for the regulatory period from 1 April 2020 to 31 December 2023, as part of the procedure initiated by Resolution no. 226/2018/R/RIF. The scope of application includes the minimum information to be made available through websites, as well as to be included in collection service documents (payment notice or invoice) and specific notices to users relating to significant changes in management.

It is hoped that, through this attribution of competence to ARERA (Law 205 of 27 December 2017), a virtuous path has been embarked on which is aimed at guaranteeing a unitary and organic regulation system in the waste sector too.

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 Balance Sheet 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.

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.)	31/12/2018	31/12/2019	Change Actual 19 vs Actual 18	Change (%)
Revenues from sales and services		299.6	337.9	38.3	12.8%
Change in inventories of finished products, semi-finished products and work in progress		-0.3	0.0	0.3	-
Other revenues and income		6.9	11.5	4.6	66.3%
Consumption of raw materials and consumables		-16.8	-19.1	-2.2	13.3%
Costs for services		-158.3	-185.3	-27.0	17.1%
Labour costs		-104.8	-116.1	-11.3	10.8%
Other operating expenses		-3.5	-5.2	-1.7	49.2%
Capitalised costs		0.0	0.1	0.1	100.0%
EBITDA		22.9	23.9	1.0	4.3%
Amortisation, depreciation, provisions and write-downs		-19.1	-20.8	-1.7	8.8%
EBIT		3.8	3.1	-0.7	-18.4%
Write-downs and reinstatements of financial assets and liabilities		0.0	0.0	0.0	>100%
Share of profits (losses) of joint ventures and associates		-0.2	0.1	0.3	<100%
Financial income		1.9	0.8	-1.1	-56.1%
Financial costs		-3.0	-3.5	-0.5	18.1%
FINANCIAL OPERATIONS		-1.3	-2.6	-1.3	99.3%
PROFIT BEFORE TAX		2.5	0.5	-2.0	-79.0%
Taxes		-0.6	0.9	1.5	<100%
NET PROFIT		1.9	1.4	-0.5	-26.2%

STATEMENT OF FINANCIAL POSITION	(€/mil.)	31/12/2018	31/12/2019	Change Actual 19 vs Actual 18	Change (%)
Fixed assets		219.1	234.5	15.4	7.0%
Property, plant and equipment		94.9	100.5	5.6	5.9%
Concession assets		119.6	127.0	7.4	100.0%
Intangible assets		1.8	1.9	0.2	8.8%
Goodwill		0.3	0.3	0.0	100.0%
Equity investments and other financial assets		2.6	4.9	2.3	87.4%
Net Working Capital		-4.0	23.6	27.6	<100%
Provisions for Risks and Charges		-34.1	-34.8	-0.7	2.1%
Provision for Employee Severance Pay (TFR)		-19.9	-19.3	0.6	-2.9%
TOTAL NET INVESTED CAPITAL		161.1	204.0	42.9	26.6%
Shareholders' Equity		173.5	183.7	10.2	5.9%
Net Financial Position		-12.4	20.3	32.7	<100%
TOTAL FUNDING		161.1	204.0	42.9	26.6%

Consolidated Income Statement

During the current financial year **Revenues from sales and services** recorded an increase of 12.8% (Euro 38.3 million), which was due to:

- rises in the management Fees under the ATO TC concession agreement for Euro 12.5 million; the Fees were calculated on the basis of:
 - o the 2019 EFP [Economic and Financial Plan] approved by the General Meeting of ATO TC by Resolution no. 4 of 14 February 2019;
 - o the amendments made to the 2019 EFP by the resolutions passed by the City Councils that ratified the EFP itself;
 - o the economic and financial rebalancing on “basic services” in accordance with Section 22 of the Service Contract referred to in the ATO TC General Meeting’s Resolution no. 5 of 9 June 2020;
 - o final adjustments to revenues for “ancillary services” calculated on the basis of the volumes of services actually provided during 2019, as valued according to the offer price list;
 - o final adjustments to the Regional Ecotax determined on the basis of the cost actually incurred in 2019;
- higher revenues arising from exploiting sorted fractions collected, which recorded an increase of about Euro 6.3 million due to the higher quantities collected and sent for recycling;
- the incorporation of Revet Recycling S.r.l. into Revet S.p.A. which contributed higher revenues from sales for almost Euro 5.0 million;
- the difference relating to the consolidation area for approximately Euro 15.0 million, since Revet S.p.A. and its indirect subsidiary Revet Recycling were consolidated on a line-by-line basis in 2018 only as from the last quarter and, therefore, the comparison with 2019 does not report about 9/12 of revenues for the year.

Other revenues and income recorded an increase of Euro 4.6 million relating to: higher set-up grants (Euro 0.5 million), as well as to other revenues for Euro 2.6 million.

The most significant changes in operating costs compared to 2018 concerned:

- costs for **Consumption of raw materials and consumables**, which totalled Euro 19.1 million and recorded an increase of Euro 2.2 million, mainly due to the different perimeter on Revet (9/12 not reported in the 2018 consolidated accounts and incorporation of Revet Recycling);

- **Costs for services**, totalling Euro 185.3 million, recorded an increase of Euro 27.0 million (+17.1%), which was mainly affected by:

- I. higher outsourcing costs incurred by Alia S.p.A. to extend the perimeter of local areas, as well as to meet the new quality and quantity standards required for delivering the services envisaged in the ATO TC Service Contract (+Euro 8.3 million);
- II. higher costs for the treatment of sorted waste to be sent for recycling, amounting to Euro 11.7 million, due in particular to higher quantities of organic fraction collected and treated;
- III. higher costs for services related to maintenance, utilities, hire and rental fees for a total of Euro 5.1 million;

- **Labour costs**, equal to Euro 116.1 million, recorded an increase of Euro 11.3 million (+10.8%), mainly due to the growth in the average workforce reported during the year (+171 average units) required for the Parent Company to cover the services envisaged in the Service Contract, as well as to ensure the operations of the subsidiaries; the effect determined by the difference in the consolidation area relating to Revet S.p.A. is estimated at approximately Euro 6.4 million;

- **Other operating expenses**, amounting to Euro 5.2 million, recorded an increase of Euro 1.7 million, mainly due to the capital loss for the decommissioning of the site previously occupied by the gasification plant at Testi and other “non-recurring” items.

EBITDA, equal to Euro 23.8 million, recorded an increase of Euro 1.0 million (+4.3%) compared to 2018.

Amortisation, depreciation, provisions and write-downs, totalling Euro 20.8 million, recorded an increase of Euro 1.7 million in consideration of the greater volume of capitalisation that can be amortised and depreciated as a result of the investments made. In this regard, it should be noted that in 2019, at the end of the first two

year-period, the parent company verified whether the amortisation and depreciation rates were adequate or whether they should be reviewed based on the actual use and technology, as well as on additional information and evidence gathered. Based on auditing whether the residual useful lives of the assets from an accounting point of view were consistent with the actual physical, technical and technological life of each asset, while also taking account of the study carried out by ARERA against which the useful lives of different types of assets were presented, the amortisation and depreciation rates applicable to the following categories of assets for the 2019 financial year were set out. The effect of the change in the accounting estimate was recognised prospectively by including it in the results of operations for the year in question and for future financial years, for the share accrued in the period. The review of the useful lives entailed lower amortisation and depreciation for an amount of about Euro 3 million compared to those that would have been recorded had the previously applicable amortisation and depreciation rates been used.

The share of **Profits/losses of joint ventures and associates** recorded a balance of Euro 0.1 million in 2019, showing an increase of Euro 0.3 million, due in particular to a capital gain arising from including Valdisieve S.c.r.l., which had been classified under “other equity investments” in 2018, among associates.

Financial income, equal to Euro 0.8 million, mainly consisted of interest income on bank and postal accounts for Euro 0.5 million, as well as of interest income on amounts collected on TIA [*Tariffa di Igiene Ambientale*, Environmental Hygiene Tariff] taxpayer’s rolls for Euro 0.3 million. The decrease of Euro 1.1 million recorded compared to 2018 was mainly attributable to the failure to report the 2018 consolidation adjustments of Revet S.p.A. made in the application of IFRS3 (Business Combinations) in 2019; furthermore, lower financial income was recorded on the discounting-back of provisions for post-closure management of landfills as a result of the discount factor curve.

Financial costs, totalling Euro 3.5 million, including interest on the bond issue for Euro 1.4 million and interest expense on loans for Euro 0.9 million, in addition to interest expense arising from actuarial valuations relating to the Bond, Provisions for post-closure management of landfills and Employee Severance Pay [TFR, *Trattamento di Fine Rapporto*] (Euro 0.7 million). There was an overall increase of Euro 0.5 million compared to 2018.

In 2019 **Taxes** reported a positive balance of Euro 0.9 million, which was due in particular to an increase in the receivable for deferred tax assets recognised by the Parent Company.

Net Profit, equal to Euro 1.4 million, recorded a decrease of Euro 0.5 million compared to 2018.

Consolidated Statement of Financial Position

Fixed assets, equal to Euro 234.5 million, recorded an increase of Euro 15.4 million (+7.0%) as a result of new investments. This item includes the separate measurement of the **Concession Asset** for Euro 127.0 million, which increased by Euro 7.4 million between 2018 and 2019. 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 an increase of Euro 27.6 million, due on the one hand to an increase in Trade Receivables (+Euro 22.7 million), with particular reference to Receivables from Municipalities related to the 2018 and 2019 Economic and Financial Rebalancing items still subject to payment, and on the other hand to a reduction in Trade Payables for Euro 7.9 million.

Provisions for Risks and Charges increased by Euro 0.7 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 recognition of the Share premium reserve of Revet S.p.A. following the capital increase carried out for Euro 10.2 million on 23 October 2019 and to the share of 2019 profit.

Net Financial Position recorded a negative balance between Cash and cash equivalents and Financial Payables for Euro 20.3 million, showing a decrease of Euro 32.7 million compared to 31 December 2018, when it had posted a positive value for Euro 12.4 million. The rise in debt was mainly due to investments made and to the fact that no payments were received for the 2018 and 2019 economic and financial Rebalancing, so that funds had to be borrowed in order to cover the difference.

Below are the economic, equity and financial ratios:

		U/M	2018	2019
Solvency ratios				
	<i>calculation method</i>			
Financial solidity ratio	Equity capital/(total liabilities - equity capital	%	0.60	0.67
Shareholders' equity ratio	Equity/non-current assets	"	0.79	0.78
Coverage of fixed assets with equity and debt	(Equity+payables due after 12 months)/fixed assets	"	1.44	1.36
Liquidity ratios				
Current ratio	Current assets/short-term liabilities	"	1.59	1.55
Quick ratio	(Current assets- Inventories)/Short-term liabilities	"	1.57	1.53

		U/M	2018	2019
Financial ratios				
	<i>calculation method</i>			
Cash flow from operating activities	Profit (or loss) + amortization and depreciation +provisions	€/000	21,003	22,181
Average stock turnover	(Closing inventories) * 360 / (consumption of materials	days	71	74
Average maturity of receivables from tariff	(Trade receivables) * 360 / Revenues	"	102	114
Average maturity of payables to suppliers	Payables to suppliers * 360 / (consumption of materials + Costs for services + other operating costs)	"	183	131
Working capital cycle	average stock turnover + average maturity of receivables from tariff- average maturity of payables to suppliers	"	-11	57

The Net Working Capital Cycle suffered a general slowdown (a “lengthening” of its duration to 68 days) because there was less available liquidity, due to both an increase in Receivables from Municipalities (“non-payment” of the 2018 and 2019 Rebalancing items) and a significant reduction in Trade Payables.

		U/M	2018	2019
Profitability ratios				
	<i>calculation method</i>			
ROE net profit/equity	Profit (or loss) / equity	%	1.1%	0.8%
ROI operating income/invested capital	EBIT / total assets	"	0.8%	0.7%

Final profitability showed a slight deterioration compared to 2018 as a result of a reduction in the consolidated Net Profit (-26.2%).

		U/M	2018	2019
Productivity ratios		<i>calculation method</i>		
Core business revenues per capita	Revenues / average total employees	€/000	134.28	131.99
Value added per capita	Value added / average total employees	"	57.18	54.57
Cost of labour per capita	(Personnel costs)/ average total employees	"	46.97	45.34
Operating income per capita	EBIT /average total employees	"	1.69	1.20

Productivity ratios were mostly sinking mainly as an effect of the rise in the number of workers. The staff cost per head reduced because the new workers were recruited in lower grades.

		U/M	2018	2019
Economic ratios		<i>calculation method</i>		
Cost of sales/revenues	(consumption of materials) / Revenues	%	5.7%	5.6%
Personnel cost/revenues	Personnel costs / Revenues	"	35.0%	34.3%
Operating income/revenues	EBIT / Revenues	"	1.3%	0.9%
Financial costs/revenues	Financial costs / Revenues	"	1.0%	1.0%
Net profit/revenues	Profit (or loss) / Revenues	"	0.6%	0.4%
Average number of total employees		no.	2,389	2,560

Income statement and balance sheet highlights of the Parent Company

€/mil.	2018	2019	Change	% Change
REVENUES	295.0	317.8	22.7	7.7%
EBITDA	21.0	17.4	-3.5	-16.9%
EBIT	3.5	1.0	-2.5	-72.0%
NFP	-32.8	5.5	38.3	-116.7%

DEVELOPMENT ACTIVITIES

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

SMART URBAN HYGIENE MANAGEMENT for Euro 78,734 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.

BIO 2 ENERGY PROJECT for Euro 27,594 relating to the study of the production of biomethane and biohydrogen from organic waste, handling sorted waste (the organic fraction to be precise) and civil water purification sludge in synergy.

For a broader description of the activities carried out in relation to the following projects, reference should be made to the Disclosure of Non-financial Information under Legislative Decree 254/2016 (ref. par. 8.2.3):

- TAAB (technology transfer of advanced anaerobic digestion processes with a view to the Biorefinery concept) project;
- Composting Plant Upgrade [MIC, *Miglioramento Impianti Compostaggio*];
- Research studies on "anaerobic biodigestion" aimed at the future plant engineering installations of Alia S.p.A..

TRANSACTIONS WITH SUBSIDIARIES, ASSOCIATES, PARENT COMPANIES AND ENTITIES CONTROLLED BY PARENT COMPANIES

The details of related-party transactions have been reported in the explanatory notes of the paragraph on “related-party transactions” of the report on the separate financial statements to which reference should be made.

INFORMATION REQUIRED BY ARTICLE 2428, PARAGRAPHS 2.3 AND 2.4, OF THE ITALIAN CIVIL CODE

With reference to the provisions of Article 2428, paragraphs 2.3 and 2.4, of the Italian Civil Code, it should be noted that the companies included in the Group at 31 December 2019 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.

Information on disposals/acquisitions of treasury shares of Revet S.p.A. during 2019.

On 12 February 2019 the Shareholder Sienambiente S.p.A. announced that it had released 349,474 shares it held from the pledge that had been previously established by Banca Popolare dell'Etruria e del Lazio (now UBI Banca).

On 23 October 2019 a resolution was passed on a capital increase which excluded the option right under Article 2441 of the Italian Civil Code, partly dedicated to Alia S.p.A. for 625,200 shares and partly reserved for Montello S.p.A. for 912,000 shares. On 23 October 2019 Montello S.p.A. acquired 418,023 treasury shares which were held by Revet S.p.A..

INFORMATION REQUIRED BY ARTICLE 2428, PARAGRAPH 2.6-BIS, OF THE ITALIAN CIVIL CODE

With reference to the provisions of Article 2428, paragraph 2.6, of the Italian Civil Code, it should be noted that as at 31 December 2019 the Group, except for Revet S.p.A., did not hold financial instruments aimed at hedging risks arising from fluctuations in interest rates.

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.

For more information concerning the features of the aforesaid contracts and in particular their fair value, amount and nature, reference should be made to the Notes to the Financial Statements.

SIGNIFICANT EVENTS DURING THE 2019 FINANCIAL YEAR

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

- **14 February 2019**: the General Meeting of ATO Toscana Centro approved the "2019 Concession EFP" by resolution no. 4;
- **6 March 2019**: the "*Update of the industrial policies of Alia S.p.A.*" which redesigns the strategic role of Alia within Circular Economy was submitted to the Board of Directors;
- **22 March 2019 and 5 April 2019**: the Tuscany Regional Government published the Decrees of environmental compatibility of projects for the production of biomethane from Organic Fraction of Municipal Solid Waste [FORSU, *Frazione Organica del Rifiuto Solido Urbano*] at the plant hubs of "Casa Sartori" and Peccioli (Albe), with exclusion from the EIA;
- **28 March 2019**: a MoU [Memorandum of Understanding] was signed with ENI in order to consider the technical and economic feasibility of plant engineering projects in the field of the recovery of biofuels from plastic waste and discards;
- **19 April 2019**: the data collection tables required by Resolution no. 714/2018/R/RIF of 27 December 2018, concerning the "Municipal and similar waste treatment" were sent to ARERA;
- **27 May 2019**: a MoU [Memorandum of Understanding] was signed with Rea Impianti S.p.A., Belvedere S.p.A. and the Tuscany Regional Government in order to establish strategic partnerships

aimed at optimising the plant capacity available on a regional basis;

- **20 June 2019**: the relevant share of the payment on account of future Capital Increase of Revet S.p.A. was subscribed for Euro 2.3 million, its purpose being the acquisition of the land on which the new sorting line is to be constructed;
- **5 July 2019**: the Tuscany Regional Government Council approved and sent the Regional Council the information required by Article 48 of the Regional Statute for the "Modification of the Regional plan for waste management and for the reclamation of polluted sites [PRB, *Piano Rifiuti e Bonifiche*, Waste and Reclamation Plan] for the rationalisation of plant engineering systems." This modification takes it into account that the Case Passerini WTE plant has not been constructed, commences the process of finding other plant engineering solutions and suggests the creation of an industrial chain for the production of biofuels from SRFs and plastic waste;
- **31 July 2019**: the "unopted" share, equal to Euro 1.7 million, was paid for the future Capital Increase of subsidiary Revet S.p.A.;
- **1 August 2019**: the additions to the excerpts nos. 1 and 2 of the rebalancing application under Section 22 of the Service Contract were sent to ATO TC in relation to higher costs incurred for waste treatment, disposal and inter-plant transport during 2018;
- **6 August 2019**: a MoU [Memorandum of Understanding] was signed with the ReLife Group in order to establish an industrial partnership (a Newco named ReAl) for recovering and exploiting the cellulose fraction;
- **10 October 2019**: the accounting unbundling statements [CAS, *Conti Annuali Separati*, Separate Annual Accounts] for the year 2018 were sent to ATO TC, which provide a breakdown of both the Income Statement and the Balance Sheet by activities, Shared Operational Functions [FOC, *Funzioni Operative Condivise*] and Common Services [CS] within the regulatory framework of the Integrated Accounting Unbundling Text [TIUC, *Testo Integrato Unbundling Contabile*];
- **23 October 2019**: an additional payment of Euro 0.8 million was made in the execution of the Capital Increase of Revet S.p.A., for a total amount of Euro 4.8 million, to achieve the share of

51%, at the same time as the subscription by the private shareholder Montello S.p.A. of the share of 30%, equal to Euro 7.0 million;

- **26 October 2019**: the Board of Directors approved the “New Business Plan 2020/22” of Subsidiary Programma Ambiente with a concurrent payment of Euro 0.8 million on account of future Capital Increase;
- **31 October 2019**: ARERA published its Resolution no. 443/2019/RIF, “Criteria for the recognition of efficient operating and investment costs of integrated waste management service for the period 2018-2021”, which sets out the “new WTM”;
- **4 November 2019**: ReAl (51% Alia - 49% Relife) was established, for which the Capital Increase of Euro 1.4 million, aimed at the acquisition of Metalcarta S.r.l., is expected to be completed on 18 December 2019;
- **11 November 2019**: Alia submitted a formal "Request for rebalancing according to Section 22 of the Service Contract for 2019" (Memo file. 51031 of 11 November 2019);
- **25 November 2019**: the addition to the excerpt no. 3 of the request for rebalancing according to Section 22 of the Service Contract in the matter of exploitation of Sorted Waste [multi-materials, glass and plastics] was sent to ATO TC;
- **25 November 2019**: the merger of Revet Recycling S.r.l. by incorporation into Revet S.p.A. was completed, with accounting and tax effects backdated to 1 January 2019;
- **26 November 2019**: the update on concession asset RAB [Regulatory Asset Base] of 31 December 2017 was sent to ATO TC, together with the changes that were reported in 2018 with the breakdown of new investments and decreases;
- **11 December 2019**: the Board of Directors approved the new “macro-structure”, which leads to the first step in the “corporate reorganisation project” started at the beginning of July;
- **18 December 2019**: ReAl completed the acquisition with leveraged buy-out of Metalcarta S.r.l., which operates in particular in the sector of collection, sorting and exploitation of cellulose

fraction. At the same time ReAl executed the financial contracts connected with the transaction with MPS Capital Service.

Collection and Sweeping Services Management

Introduction

During 2019, 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 four areas directed by 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.

In fact, the unification of the municipal districts of Barberino Val d'Elsa and Tavernelle Val di Pesa under the management of only one Municipal Authority has started a process of optimising delivery of the services, as only a single municipal area is involved now, the management of which has been transferred from Local Department DT2 to DT1.

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 (a mixed model) can be chosen: door-to-door collection, collection from street bins, collection from underground containers or collection from street bins fitted with volume meters.

Waste collection performance

During 2019, the services delivered under the Concession agreement in 58 municipal districts produced a total of 891,858 tons of waste, with waste sorting at slightly less than 65%.

Waste production showed a slight increase compared to the previous year (0.28%) as a result of the transformations put in place in 2018 following the implementation of the Door-to-Door collection service.

There was a greater increase in the Waste Sorting operations with a positive delta of 7.5% which was also due to the successful outcome of the transformations put in place.

ALIA					
	2016	2017	2018	2019	2019/2018
BULKY MUNICIPAL WASTE	378,506	333,310	351,996	314,147	-10.75%
SORTED WASTE	476,547	485,376	537,399	577,711	7.50%
TOTALS	855,053	818,686	889,395	891,858	0.28%
WASTE SORTING %	55.73%	59.29%	60.42%	64.78%	

Each local area is in line with compliance requirements in terms of waste sorting performance, targeting 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.

DT 1						
	2016	2017	2018	2018*	2019**	2019**/2018*
BULKY MUNICIPAL WASTE	197,364	192,899	195,628	150,190	144,845	-3.56%
SORTED WASTE	231,684	231,696	254,274	193,987	200,654	3.44%
TOTAL	429,048	424,595	449,902	344,177	345,499	0.38%
	54.00%	54.57%	56.52%	56.36%	58.08%	
DT 2-4						
	2016	2017	2018	2018****	2019	2019/2018
BULKY MUNICIPAL WASTE	89,708	81,246	102,464	105,116	79,904	-23.98%
SORTED WASTE	127,314	126,982	150,017	150,746	169,112	12.18%
TOTAL	217,022	208,228	252,481	255,862	249,016	-2.68%
	58.66%	60.98%	59.42%	58.92%	67.91%	
DT 3						
	2016	2017	2018	2018***	2019***	2019***/2018***
BULKY MUNICIPAL WASTE	91,434	59,165	53,904	99,342	89,398	-10.01%

SORTED WASTE	117,549	126,698	133,108	193,395	207,945	7.52%
TOTAL	208,983	185,863	187,012	292,737	297,343	1.57%
	56.25%	68.17%	71.18%	66.06%	69.93%	

* 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

LOCAL DEPARTMENT DT1

In 2019 the production of waste attributed to the area served by Local Department DT1 - the Florence Area, was slightly higher compared to 2018. The trend was rising owing to an increase in sorted waste (+3.4%) as opposed to a 3.6% decrease in unsorted waste; in absolute terms, about 7,000 tons shifted from unsorted to sorted waste.

A total of 345,499 tons of waste was collected in the area covered by the department, including the present borders of the Municipal district of Barberino Tavarnelle. The percentage of sorted waste came to 58.08%, up of almost 2% compared to the previous year. 200,654 overall tons of waste were sent for recovery and 144,845 tons were sent for disposal.

The measures taken to increase the amount of sorted waste followed the same main lines of development as those in the past, aiming at checking waste put into street bins and door-to-door waste collection operations and continuing with the UWC (Underground Waste Collecting) project in the historical centre of Florence.

The most substantial transformations took place in the Municipal districts of Fiesole and Scandicci, involving all the users in the two Urban areas. The change in the method of collection that was introduced in Scandicci was the use of stationary containers fitted with volume meters for deliveries through the relocation of equipped stations for the collection of Paper, Organic fraction, Light Multi-materials, Glass and Unsorted waste. The change is also fitting Paper, Organic fraction and Multi-material bins with volume meters for deliveries in order to categorise all sorted waste, in addition to continuing to apply the volumetric control model in the collection

of Residual Municipal Waste (RMW) [RUR, *Rifiuto Urbano Residuo*]: an overall amount of 2,030,000 deliveries of waste was recorded with waste sorting of more than 80% during the year.

Overall, the metering system recorded a total of about 5 million deliveries of waste in the area managed by Local Department DT1.

In the Municipal district of Fiesole the full door-to-door collection service was started during the summer with the involvement of 7,340 domestic and non-domestic users.

Once again on the subject of volume meter controls of deliveries, the experimentation was completed in the Forlanini area in the Municipal district of Florence, which had been started in November 2018. This experimental year served to check the software and sensors that were being tried out and to observe user and Waste Sorting behaviour. In the same area, it is expected to replace the prototype software installed in November 2018 during the year 2020 and to replace the Residual Municipal Waste and organic fraction containers, which are now fitted with volume meter access controls that proved to have shortcomings in functionality during the experimental period.

In 2019 four stations with underground containers were constructed in Piazza delle Cure (taking the opportunity of the reconstruction of the market area), Via del Ghirlandaio and at Via Pertini in the San Donato area for a total of 25 containers with a capacity of 5 cu. m..

The design of new services for the municipal districts managed in the Florentine Business Unit focused on the implementation of full door-to-door collection service projects in the districts of Bagno a Ripoli and Figline e Incisa Valdarno; in the latter case 8,000 users concerned were contacted during the fourth quarter of the year, the service being expected to start in January 2020. Finally, a project that had a strong impact was that for the modification of the collection systems in the entire City of Florence, which ran on throughout the year. The modifications mainly consisted of putting Door-to-Door [PAP, *Porta A Porta*] collection bins in the less densely and hilly areas and changing the method of street collections by Up-Loader and Side-Loader by introducing systems to track deliveries by users.

LOCAL DEPARTMENT DT2-4

The area managed by Local Department DT2-4 in 2019 recorded a total production equal to 249,462 tons of waste. The overall decrease, compared to 2018, was equal to 2.70%, while also reporting a reduction of

about 24% in Bulky Municipal Waste [RUI, *Rifiuti Urbani Ingombranti*] and an increase of about 12.2% in sorted waste. This development was mainly attributable to starting the new collection service in the Municipal districts of Mugello and of Valdinievole. Door-to-door collection operations commenced in the Municipal districts of Buggiano, Chiesina Uzzanese, Pieve a Nievole, Ponte Buggianese, Massa e Cozzile and Uzzano in the Valdinievole area and Barberino di Mugello, Borgo San Lorenzo, Scarperia e San Piero, Vaglia and Vicchio in the Mugello area, in December 2018, but the process was only completed at the end of March 2019, the last containers being removed during the first ten days of April; the results concerning the increase in sorted waste and a reduction in waste became therefore evident only from the second quarter of 2019.

Waste deliveries recorded by tracking systems and related to individual users in the Door-to-Door, PAYT [Pay As You Throw] and volumetric control system collection models recorded in 2019 came to an overall amount of 7,184,054.

In 2020 services will be converted in the Municipal districts of Pistoia, Pescia, Marliana and in the area of Montagna Pistoiese (Sambuca P.se, San Marcello Piteglio and Abetone Cutigliano), for which an appropriate communication campaign is to start as early as in the spring or summer, while the new service will be started in the Municipal district of Montecatini in autumn.

The “hybrid” model is the main method adopted: the flows of more valuable materials (light multi-materials and paper) to be sent for recovery are intercepted by door-to-door collection operations. Higher quality standards are achieved by checking individual deliveries of waste and taking corrective action against users who do not deposit their waste correctly. Sorted organic fraction waste, on the other hand, will be collected from street bins which, through a new access control device, the result of an agreement for its experimentation between Alia and the University of Siena, will trace the bags, which are each fitted with an adhesive tag that will enable the user to whom it has been allocated to be traced. This system meets the need to be able to dispose of organic fraction waste freely, reducing the time that it accumulates at home, a factor that is inconvenient with door-to-door collection and leads to complaints from users. The system also removes

the need for the manual handling of this fraction, which has a high specific weight and creates difficulties for operators. In this model, collection from street bins will remain for unsorted and glass waste.

LOCAL DEPARTMENT DT3

Waste collected in the 14 Municipal districts of Local Department DT3 increased due to the extension of the service to the districts of Calenzano, Campi Bisenzio, Sesto Fiorentino and Signa. In 2018, Waste Sorting in the four Municipal districts of the Piana Fiorentina area was around 54.6%, as the system involved collection from street bins. In 2019 the transformation of the services actually began, which entailed the delivery of more than 1,770 pieces of equipment for the delivery of sorted waste and the removal of about 2,000 street bins in the local area; in addition, Alia personnel contacted, for the transformations in the four Municipal districts of the Piana area, more than 100,000 people. Sorted waste is rising in proportion; the quality of the waste disposed of is very good as a result of the transformation of these local areas to door-to-door collection models on a widespread or mixed basis. Not the least important reason for the high number of tons of sorted waste is the treatment of textile waste as special waste and the consequent extension of the areas involved in the Door-to-Door collection model under the management of Local Department DT3, with the consequent shift of amounts of sorted waste. All this takes its place in a process of transformation of the service in which Alia personnel have been active in the local areas giving instructions and information on correct methods of waste sorting and delivering appropriate equipment for deliveries of sorted waste for domestic and non-domestic users.

Waste Sorting Performance

Waste sorting, calculated in the 58 Municipal districts managed at 31 December 2019, came to 64.78% out of a total of 891.8 thousand tons of waste collected, showing an increase of 7.50% compared to 2018.

DT 1	DT 2-4	DT 3	ALIA
58.08%	67.91%	69.93%	64.78%

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 [D.G.R.T., *Delibera della Giunta Regionale della Toscana*].

Resolution no. 1272/2016 provides for three new features, compared to the previous method:

- the organic fraction actually collected has been increased by an estimated amount 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 10,882 compost bins (or self-composting systems) used in the relevant local area, have determined the quantity of 22,152 tons (replacing bonuses from 1 to 3% according to the previous method of certification referred to in the Tuscany Regional Council's Resolution on Waste Sorting [RD DGRT] no. 1248/2009);
- inert waste delivered to the Collection Sites [CSs] is included in sorted waste streams (replacing 1% bonuses if the service is activated according to the previous method of certification);
- street sweeping grit sent for recovery is included in sorted waste streams (replacing 6 - 8% bonuses according to the previous certification method referred to in the Tuscany Regional Council's Resolution on Waste Sorting [RD DGRT] no. 1248/2009). This calculation method, as set out by the Tuscany Regional Government, modifies the previous calculation method in a restrictive sense.

Waste sorting percentages remained in line with the work progress of collection projects in the areas of the three Local Departments. In the Florentine Area and in the territories managed by Local Department DT 2-4 and DT-4, 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 until 67.91% recorded at the end of the year. Compared to the percentages of 2018, the performance reported a clear and substantial change in the Mugello and Valdinievole areas where Waste Sorting percentages increased from 44% and 55% respectively to 78% and 85% due to the new door-to-door collection model.

In Local Department DT1, the increase of more than 3.2% in sorted waste streams was due to improvements in waste sorting systems and methods introduced in 2018 and 2019, which allowed the following results to be achieved with an increase of 6,000 tons in absolute values in Waste Sorting.

The waste sorting percentage in the Prato Local Department was still higher than the Region's target, coming to 69.89%, even if it lost 1.3% compared with the previous year because there were some months in which the service in the four Piana Fiorentina Municipal districts was still delivered through collections from street bins.

The trend already reversed as early as during the first months in which service was changed from street bin to door-to-door collection and next year, after the change has been completed, sorted waste figures are expected to rise over 70% again. As mentioned above, the treatment of textile waste as special waste in the local area concerned is one of the main reasons for the high percentage of sorted waste.

Waste sorting performance in the macro-areas managed can be summarised as follows. The three provincial capitals Florence, Prato and Pistoia recorded Waste Sorting percentages of 53.8%, 71.6% and 43%, 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 Val d'Elsa 85%, Val di Nievole 85%, Mugello 78%, Piana Pratese and its Province 74%, Chianti 69%, Florentine Hinterland 68%, Piana Pistoiese 62%, Valdarno 57%, Piana Fiorentina 55%, Montagna Pistoiese 37%. 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.

The Quality of the materials obtained from sorted waste appears to be different for each local area under management. The studies conducted on waste delivered in the area of Local Department DT 2-4, particularly those 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. The same Quality can be found in the streams collected by Local Department DT3 in the area of the Provincial district of Prato, which is served entirely by door-to-door collection schemes. On the other hand, the Piana Fiorentina area, Florence and its hinterland - except for areas served by Door-to-Door collection schemes - suffer substantially from incorrect disposal of non-domestic waste (above all textiles and leather) in street bins, 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.

Sweeping Services

Combined street sweeping services 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 following the unification of the two municipal areas.

In Local Department DT2-4 the design of the Sweeping Services was completed for the areas of Val di Nievole, Montagna Pistoiese and Mugello.

In parallel, and jointly with other Local Departments, the development started 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. During 2020, similar consultation opportunities will also be made available to the Municipal Authorities and planning and publication activities will also be completed for the Municipal districts of Pistoia and Serravalle Pistoiese.

Sweeping service quality in Local Department DT3 was improved by increasing service frequency in the roads already served, as well as through the implementation in new urban areas and in newly built roads. Bush trimming and garden cleaning work was also intensified.

Significant management events

LOCAL DEPARTMENT DT1

Services were scheduled during 2019 as requested by the authorities for normal periods, in temporary worksites and for special events, both daily and occasional. Through a continuous exchange of information with the Municipalities' technical offices, the waste collection and street sweeping services were accommodated to road practicability. Changes were made by using operations management systems that suggest possibilities of scheduling and organising services on a homogeneous and efficient basis, including by using well-established design systems such as the Local GIS (Geographic Information System).

The transformation operations, carried out in collaboration with the External Relations and Communication [REC, *Relazioni Esterne e Comunicazione*] function, entailed home visits that procured contracts for more than 16,000 users in the municipal districts of Fiesole and Figline Valdarno, as well as the presentation of transformation projects in more than 40 public meetings. As at 31 December, the users served by volumetric control of waste deliveries amounted to more than 97,000, making use of 1,330 collection sites for deliveries of BULKY MUNICIPAL WASTE subject to monitoring and 551 collection sites for delivery of sorted waste.

The area was also covered by 14 Environmental Inspectors, eight recently appointed, who produced 744 reports in handling comments on the services, which entailed related administrative sanctions.

LOCAL DEPARTMENT DT2-4

During 2019, the key element that characterised the management operations was undoubtedly the launch of Door-to-Door collection services in the Municipal districts of Mugello and Valdinievole. The conversion to the Door-to-Door model, which had been started on 3 December 2018, was preceded by a diligent information campaign for users consisting of public meetings and personal contacts.

LOCAL DEPARTMENT DT3

During 2019 the Pratese Area Local Department continued making improvements to the management of the services in the Municipal Piana Fiorentina districts of Calenzano, Campi Bisenzio, Sesto Fiorentino and Signa, completing the reorganisation of the San Donnino Work Site, where more workers were engaged to

meet new commitments, and where structural modifications and improvements were made. During the year the work performed in the four Municipal districts led to completing the transformation of the service from collection from street bins to mixed door-to-door collection in the Municipal districts of Calenzano and Signa, while the same transformation of the service in Campi Bisenzio and Sesto Fiorentino involved four out of five lots; the changes will be completed by April 2020; at present work is in progress on procuring contracts by informing the population and make them familiar with the “Lots no. 5” in the areas of their respective Municipal districts. Evaluation of the management of waste from non-domestic activities and of the collection of municipal waste tax continued successfully in the Pratese area and Alia took an active part 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 1,400 personal contacts with a view to the optimisation of the service. Alia also continued to scrutinise the handling of waste by non-domestic users, an activity we carry out in coordination with the Provincial Police. In 2019 Alia also opened, at the request of the Municipal Government of Prato, an Environmental Inspectors’ office for the municipal capital to take its place beside the office already operational in the Piana Fiorentina area. In addition to levying about 90 administrative sanctions, the office also reported all the situations that they considered worthy of note because of environmental degradation caused by incorrect waste management or serious anomalies in disposing of waste to the Municipal Authorities and to the traffic police [*Vigili Urbani*] authorities.

REVET collection area

As regards the collection operations of Revet, in 2019 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, aimed at increasing quality and exploiting the fractions collected in commercial terms.

In addition to this development, 2019 saw the launch of the project for shifting from the traditional form of collection with a crane and a third-party operator to automated collection, which should see Revet’s service

collection fully automated by 2021. In addition, the remote collection monitoring project was started, which is an innovative system that will be operational in the first quarter of 2020.

REMOVALS

REKET	Type of Collection	2019	
Light multi-materials [n]	Traditional	34,749	180,617
	Automated	145,868	
Heavy multi-materials [n]	Traditional	7,344	8,896
	Automated	1,552	
Mono-material glass [n]	Traditional	130,042	150,131
	Automated	20,089	
TOTAL			339,644
% of TOTAL			32.84%

Third-party carriers	Type of Collection	2019	
Light multi-materials [n]	Traditional	90,790	90,790
	Automated	-	
Heavy multi-materials [n]	Traditional	469,174	486,563
	Automated	17,389	
Mono-material glass [n]	Traditional	117,277	117,277
	Automated	-	
TOTAL			694,630
% of TOTAL			67.16%

TOTAL	Type of Collection	2019	
Light multi-materials [n]	Traditional	125,539	271,407
	Automated	145,868	
Heavy multi-materials [n]	Traditional	476,518	495,459
	Automated	18,941	

Mono-material glass [n]	Traditional	247,319	267,408
	Automated	20,089	
TOTAL			1,034,274

2019 saw Revet S.p.A.'s staff members carrying out about 180 thousand removals of light multi-material (against 161 thousand in 2018), almost 9 thousand removals of heavy multi-material (against 8 thousand in 2018) and more than 150 thousand removals of mono-material glass (against 127 thousand in 2018) waste, 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 S.p.A., as a result of insourcing services at the same time as changing the collection system from external to robot crane;
2. Insourcing the services that were critical to ensure that they were carried out correctly and on time.

In 2019, Revet S.p.A. acquired 372 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 Economic Service Plan [ESP; PSE, *Piano di Servizio Economico*]) and of the Geofor area since it is not provided for in the contract.

Waste treatment plants: recycling, recovery and disposal

In 2019 there was the confirmation of the implementation of the operational management of the plants under the concession agreement with ATO Toscana Centro, with a slowdown in operations at the Case Passerini and Faltona sites.

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 and landfill), 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 sites that are not operational and/or directly related to the treatment of municipal waste collected; some had already been in use by the *former* companies that founded Alia but others are also referred to. Work started during 2019 on some of them, while - together with ATO and the Municipal Authorities involved - we are already working on those whose operation must be ensured, filling a gap in the tender documents and therefore in the Concession agreement.

The management of the waste collected in these areas, therefore, is largely made possible by plant managers' work on processes. Some of the guidelines in Alia's business plan have been followed in addition to searching for continuous operational improvements in terms of plant efficiency, more especially with reference to environmental issues. The design of the anaerobic digester to be built at the Casa Sartori plant hub, *upstream of the composting plant*, is to be placed in this context.

The Hub has therefore been subject to an EIA audit, and following the exclusion from the EIA procedure, a specific application has been submitted for an amendment to the Integrated Environmental Authorisation. The authorisation procedure is in the process of being completed and therefore works have been started immediately as planned by 2020.

The table below shows the flows of waste entering each plant with the amount treated internally and the amount for transfer only. The most relevant types of waste per plant have been taken into account. In particular, unsorted municipal waste (EWC code 20 03 01) is considered for mechanical treatment plants, while the most significant type of waste is the Organic Fraction of Municipal Solid Waste (EWC code 20 01 08) for composting plants.

Table 1 -2019 flows of specific incoming - treated and being transferred - waste per EWC code per plant
expressed in tons

Plants	Incoming waste (t)	Treated waste (t)	Waste being transferred (t)
San Donnino hub (EWC code 20 03 01)	88,697	-	88,359
Case Passerini MBT plant (EWC code 20 03 01)	69,041	69,041	-
Case Passerini composting plant (EWC code 20 01 08)	50,088	8,085	42,003
Paronese hub (EWC code 20 03 01)	81,045	75,821	5,224
Dano MBT plant (EWC code 20 03 01)	21,643	21,643	-
Faltona composting plant (EWC code 20 01 08)	21,969	16,567	5,402
Casa Sartori composting plant (EWC code 20 01 08)	111,029	71,657	39,372

The company planning is developed on the basis of the distinction between composting plants and mechanical treatment plants.

The mechanical treatment plant at Paronese, the mechanical biological treatment plants at Case Passerini and of Dano mainly treat unsorted municipal waste (EWC code 20 03 01) from which *SRFs*, *dry fuel fraction*, *stabilised organic fraction* [SOF; FOS, Frazione Organica Stabilizzata], *under-sieve fraction* are produced.

- The Paronese plant handled 140,000 tons of waste (including approximately 81,000 tons of unsorted municipal waste - EWC code 200301).

In *Lot 1 internal area* about 88,000 tons of waste were handled, from which the following items were produced, to be sent for recovery on a priority basis: solid recovered fuel (intended for the Montale plant and various Herambiente plants), metals, dry fraction, under-sieve fraction (sent to the MBT plant at Peccioli, CERMEC, and to incineration plants at AZN in the Netherlands), as well as various discards (Casa Rota landfill, Peccioli landfill, New Energy). Another 5,000 tons of unsorted municipal waste were transferred on an *as is* basis to third-party treatment plants (Foci incinerator, Pioppogatto MBT plant and Ca' Dei Ladri MT plant).

In *Lot 1 external area* about 47,000 tons of waste were handled, of which about 14,000 tons underwent a pre-treatment process; about 42,000 tons were sent for recovery of materials. During the year, a mobile shredder was purchased for optimising pre-treatment operations, in particular for the management of waste which is by its very nature special, but which falls under Alia management

because it is abandoned on public land - the treatment of which is particularly difficult (mainly *textile waste*).

About another 4,000 tons of waste were treated and handled in *lots 2 and 3*.

The continuous activity to which the plant is subjected has caused wear and tear in some parts. It is planned to carry out a certain amount of revamping work during 2020 in order to restore its efficiency, such as the replacement of some machinery (primary shredders) that has now come to the end of its useful life.

- Approximately 22,000 tons of unsorted waste were treated at the Dano plant, which produced stabilised organic fraction (SOF), intended for the Peccioli landfill, and under-sieve fraction, sent to the Belvedere (Peccioli) and Massa (CERMEC) plants for stabilisation. Some inter-laboratory comparison campaigns are in progress with the Tuscany Regional Environmental Protection Agency [ARPAT, *Agenzia Regionale per la Protezione Ambientale della Toscana*], to verify the readings of the potential dynamic respiration index (PDRI) whose practical effects were lower production of SOF and consequently greater quantities of under-sieve fraction to be sent for stabilisation in third-party plants.
- At the MBT plant in Case Passerini, approximately 69,000 tons of unsorted municipal waste (EWC code 20 03 01) were treated, which produced: SRFs (intended for various Herambiente plants) and dry dual fraction; stabilised organic fraction (SOF); under-sieve fraction; ferromagnetic waste; discards. In addition to the Herambiente plants, the main destinations were the Peccioli landfill (SOF, discards and over-sieve fraction), the Peccioli MBT plant and the CERMEC MBT plant (under-sieve fraction).

A still important role in handling unsorted waste collected in the area under the management of Alia is played by the San Donnino Hub, with the main function of operating as a transfer station. It received about 89,000 tons of unsorted municipal waste, to be subsequently sent to the mechanical biological treatment plants at Peccioli (PI), Casa Rota (Terranuova Bracciolini - AR), Massa CERMEC, Fossetto (PT), the incineration plant at Montale (PT) and the mechanical treatment plant at Paronese (PO). Moreover:

- it stored and subsequently sent Hazardous Municipal Waste (HMW) from micro-waste collection for recovery;

- it transferred about 15,000 tons of paper and cardboard, mainly to the Valfreddana (LU) platform;
- it stored and subsequently sent for recovery/disposal just over 22,000 tons of waste from other waste sorting operations (bulky waste, WEEE [Waste Electric and Electronic Equipment], wood, iron, tyres, etc.);
- it sent more than 5,200 tons of discards to other facilities, most of which for recovery at the Case Passerini MBT plant for the production of SRFs and the remaining part for disposal.

In addition, with the management of the plants transferred under the Concession agreement, the treatment of other waste, again collected separately, was also ensured:

- organic fraction;
- green waste, waste from mowing and pruning;
- paper and cardboard;
- bulky waste;
- multi-material (*both light and heavy*) from door-to-door collections or from stations with underground containers;
- WEEE (Waste Electrical and Electronic Equipment);
- various types of hazardous municipal waste;
- tyres.

In addition to the San Donnino Hub, the other main plants that received waste from *dry fraction waste sorting* operations were the MT plant at Paronese (about 42,000 tons) and the Dano MBT plant (about 4,000 tons composed mainly of wood waste).

Organic waste (EWC code 20 01 08) and discards from mowing/pruning (EWC code 20 02 01) in waste sorting operations were delivered to the composting plants of Casa Sartori, Case Passerini and Faltona, with the production of mixed composted soil improver, green compost soil improver and simple green non-compost soil improver.

About 22,000 tons of Organic Fraction of Municipal Solid Waste and 2,700 tons of green waste were delivered to the composting plant at Faltona. About 5,400 tons of Organic Fraction of Municipal Solid Waste were

transferred to third-party plants. The reason for the lower treatment capacity of the plant (compared to about 35,000 tons) was that work had to be broken off completely owing to the replacement of the biofilter filtering bed, an operation that cannot be carried out, up to this time, while the plant is functioning. Maintenance work has already been scheduled on the final refining line in order to improve performance and reduce the amount of discarded material sent for disposal.

The composting plant at Case Passerini received about 50,000 tons of Organic Fraction of Municipal Solid Waste - mostly (about 42,000 tons) intended for transfer to third-party plants (SESA, Herambiente and CERMEC). The familiar problems arising from the Public Prosecutor's interpretation of the presence of hydrocarbons in the mixed composted soil improver (MCSI) caused a reduction in spaces for operations and then reduced the in-house treatment of Organic Fraction of Municipal Solid Waste to 8,000 tons only.

About 111,000 tons of Organic Fraction of Municipal Solid Waste and about 7,000 tons of green waste were delivered to the Casa Sartori hub. Most of the waste was treated at the plant, excluding about 39,000 tons of Organic Fraction of Municipal Solid Waste transferred to the SESA, Herambiente and CERMEC plants.

All the discards were sent to third-party recovery and/or disposal plants because by July 2018 the maximum volume authorised for the internal landfill area had been reached.

Aftercare work was then done on the landfill - rainwater runoff regulation, provisional surface cover, biogas extraction line maintenance and leachate collection system maintenance - before the construction of the final cap, which is expected to be started in summer 2020. The operations of the biogas recovery plant and the leachate treatment plant obviously still continued.

The remaining operations at the Case Passerini landfill were limited to handling the flows of sludge from its purification plants and the mixed building and demolition waste produced from Alia infrastructure construction and maintenance works.

The chemical laboratory carried out activities both directly, undertaking over 4,000 analytical determinations, and indirectly, interacting with third-party laboratories, in order to ensure greater objectivity of analyses.

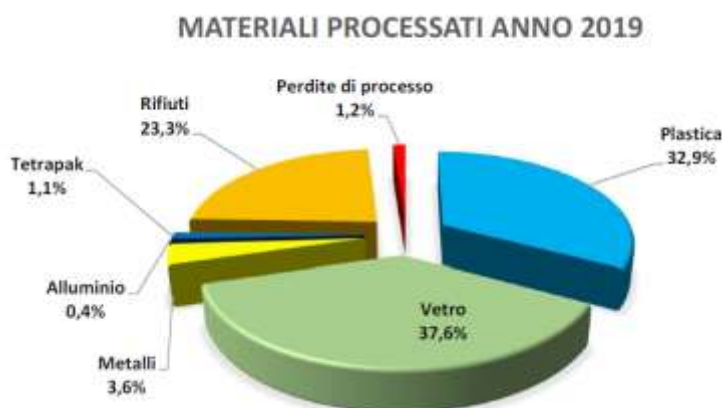
REVET plant area

In 2019 Revet S.p.A. worked 4,770 hours against 4,598 hours in 2018 to process materials entering the Sorting Centre [CSS, *Centro di Selezione Secondario*] at Pontedera. Productivity at the Sorting Centre was 11.2 actual tons a hour with an average efficiency of 85%.

The multi-material waste sorting plant - District Centre [*Centro Comprensoriale, CC*] worked 5,395 hours against 5,194 hours in 2018.

Productivity at the multi-material waste sorting plant - District Centre was 16.60 actual tons a hour with an average efficiency of 79%. 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)	2019	2018	Change '19/'18	% change
Sorted Waste	214,034	200,031	14,003	7.0%
Special and similar waste	21,426	25,417	-3,991	-15.70%
TOTAL	235,460	225,448	10,012	4.4%



Key: MATERIALS PROCESSED IN 2019

Process leaks 1.2%

Waste 23.3%

Plastic 32.9%

Tetrapak containers 1.1%

Aluminium 0.4%

Glass 37.6%

Metals 3.6%

Materials processed at third-party plants (tons)

PLANTS	2019	2018	Change '19/'18	% change
RENET Plants	92,191	80,364	11,826	14.72%
Third-party plants (*)	57,796	68,740	-10,943	-15.92%
Other plants	-	-	-	0.00%
TOTAL OUTGOING WASTE	149,987	149,104	882	0.59%

(*) the item does not take account of mono-material glass waste

MATERIALS SORTED AT THE PONTEDERA SITE (tons)

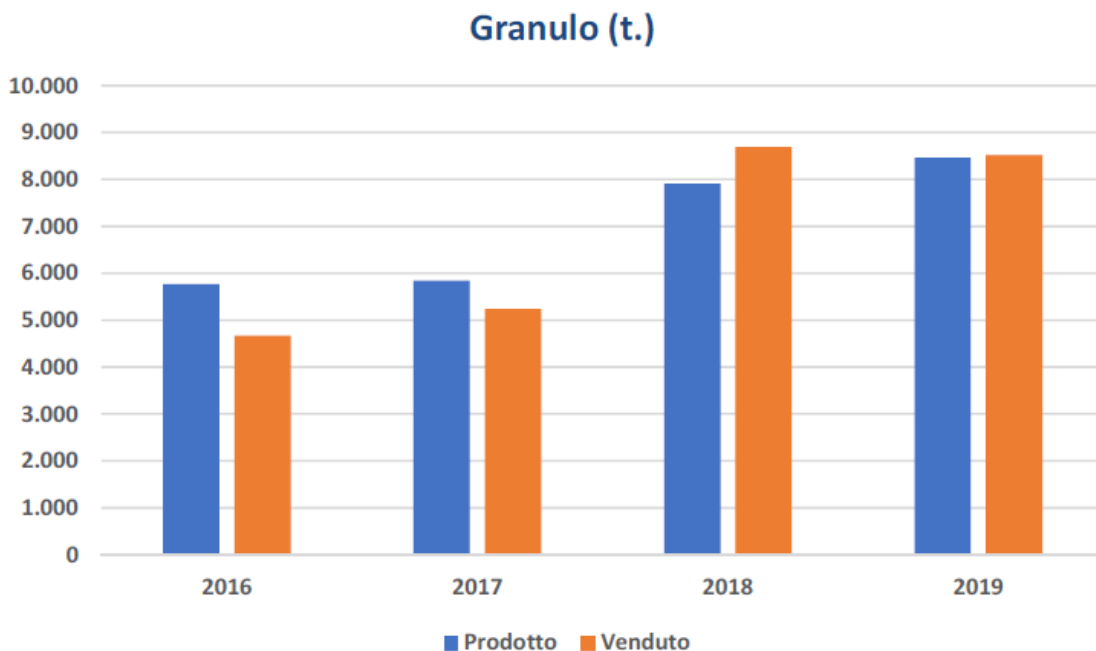
	2019	%	2018	%	Change '19/'18	% change
Products	12,588	26.44%	14,105	33.21%	- 1,517	-10.76%
By-products	35,023	73.56%	28,370	66.79%	6,652	23.45%
TOTAL SORTED PLASTIC MATERIALS	47,611	100%	42,475	100%	5,135	12.09%
Tetrapak containers	1,686	1.83%	1,480	1.84%	206	13.9%
Tinplate	4,799	5.21%	4,225	5.26%	573	13.57%
Aluminium	555	0.60%	869	1.08%	-313	-36.08%
Metals	259	0.28%	362	0.45%	- 103	-28.50%
Glass	11,012	11.95%	19,758	24.59%	- 8,745	-44.26%
Miscellaneous waste	26,265	28.49%	11,192	13.93%	15,073	134.68%
TOTAL other products	44,579	48.36%	37,888	47.15%	6,690	17.66%
General output - Pontedera	92,191	100%	80,364	100%	11,826	14.72%

In 2019 the changes in the type of packaging collected were seen to be more marked, with a consequent fall in PCLs [Plastic Containers for Liquids; CPL, *Contentitori in Plastica per Liquidi*] and then in sorted products and an increase in by-products. This was also the consequence of packaging reduction policies carried out at national level.

Recycling area (formerly Revet Recycling)

In 2019 virgin plastics recorded a consumption by processors equal to just under 5,700 tons, showing a decrease of 1.6% compared to 2018; this trend is to be seen in the context of a slowdown in the Italian economy, with a decline in industrial production. In detail, demand for LD/LLDPE [Low-Density/Linear Low-Density Polyethylene] fell by 1.2% (mainly owing to the reduction in the amount of stretch and shrink film), consumption of HDPE [High-Density Polyethylene] went down by 1.9% (the result of a decline in most of the main markets for film, pressure duct piping, drums, tanks and large containers) and the demand for PP [Polypropylene] decreased by 1.0% (caused by the persistent automotive industry crisis).

On the market there was a significant increase in R-PET (+10%), which accounts for more than 24% of total consumption of recycled plastics. On the other hand, there was a slight decrease in recycled polyolefins (-0.5%), which account for about 70% of total consumption of recycled plastics. The demand for virgin plastics is expected to stand still at 2019 levels in 2020 with a further increase in demand for recycled plastics.



Key: Granule (tons)

Produced

Sold

In 2019 too, PP-based granule accounted for a large part of production (almost 80%); although there is growing demand for LDPE-based materials, in fact, we have preferred not to increase the quantities we produce of this type of granule in view of the difficulty our plant has always had in processing filmy material.

Subsidiary Revet's need to procure more than 76% of PP-based Plasmix and all the FIL/S [Film Small] as separate supplies owing to the technological limits of its plant led to a further decrease in the recycling grants received from Corepla [Italian Consortium for collection, recycling and recovery of plastic packaging] (which are not paid for flows treated outside Revet plants).

In 2019 the quantities of granule sold were slightly lower than in 2018 but the amount was however higher than that produced, which meant that we had to break into some of the stocked materials produced in 2018. There was a fair increase in average sale price, compared to 2018, which reached the same level as the peak in 2016. The only sales in 2019 were on the domestic market, where the company has gained a market share of its own. There was again an almost complete turnover in customers for PP-based products in 2019, while the customers for LDPE-based products remained the same, mainly owing to them searching for lower prices and better payment terms.

Information, communication and relations with users

In 2019 work continued on communication activities dedicated to building the corporate identity and strengthening relations with the users and with the institutions operating in the areas served under the concession agreement.

As was done last year, the new campaign, *La raccolta differenziata ti appartiene* ["Recycling is a part of your life"], was conducted in all local areas. This campaign puts the public and the circular economy at the centre of the message, which is that considerate behaviour can be of advantage to everyone and that waste can be transformed into new materials.

In 2019 there was much more activity on and visits to the Twitter account and a YouTube channel was also opened at the end of the year. The communication activity had among its main objectives the implementation

of various tools, channels and means, with the aim of enhancing and facilitating access to information and therefore promoting the participation in the services on the part of the various users.

The company newsletter is sent every month with the latest news on general, strategic and services matters.

In 2019 the new www.sportellotariffa.it site was put online, which gives a global picture of all the information regarding all the municipal districts for which we manage waste TARI waste tax.

In 2019 two important Bio2Energy meetings were held in February and another meeting, *Sostenibilità tra palcoscenico e realtà* ["Sustainability between theatricals and reality"] in October. The theme at the centre of the meetings was the circular economy and all the activities Alia performs in this field were also presented.

A customer satisfaction survey was also conducted in September and October 2019, the first year in which one had taken place. The survey had been drawn up on the basis of a qualitative survey and the creation of ten focus groups. The results were more than satisfactory in terms of both performance and the methodology adopted.

We attended a number of events and Fairs, the most important of which was Ecomondo, the main Italian environmental fair, which takes place in Rimini. We were there with our subsidiary Revet S.p.A.; it was a valuable shop window onto the Italian scene.

In the Municipal districts affected by the transformation of services, the reorganisation projects were also accompanied by specific information campaigns and contacts with users, so as to facilitate the implementation of the new developments through the planning of various tools (staff providing information to general public, public meetings, flyers etc.).

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.

Our commitment to environmental education was also significant, which involved more than 9,807 students through specific projects for schools of different levels and grades. In addition to projects planned for

educational activities, among the most important ones was CapitanEco, a pirate champion of the environment who met more than 1,555 boys and girls from primary school.

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 26,298 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 657,781 incoming calls processed.

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

2019, the second of the Concession term, was marked by an acceleration in the implementation of the service transformation processes and this entailed the need for an amount of equal effort in support required from all company departments. In particular, the Technical Resources, Procurement and Logistics Department strengthened the process of combining the technical and administrative management of the vehicle fleet, as well as of property assets and materials and equipment logistics throughout Alia. At the same time 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, over 98 subcontracts were signed for a total of more than Euro 88 million, while, as regards the entire procurement process, including capital supplies and other services and works, a total of over 800 long-term contracts were signed for a total of approximately Euro 270 million; the reduction in the number of contracts and their values should be seen as the beginning of the stabilisation of the process. Meanwhile, 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. In June ATO officials conducted a special audit of the declarations issued in connection with the sub-contracts which lasted for three days with a totally positive outcome.

The fleet, which stabilised at around 1,350 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.

With regard to investments in vehicles and equipment, in 2019 we made up for delayed renewal last year with a view to bringing the fleet of vehicles and equipment into line with the provisions laid down in the Concession Plan and the Service Contract. Investments accelerated sharply (during 2019, 240 new vehicles for an amount of over Euro 16 million), although arrivals were concentrated in the second half of the year and in particular towards the end of the year.

Among the most important renewals are to be mentioned:

- 18 old Side Loader Compactors were replaced with 10 new EURO 6 gaseous methane (CNG, Compressed Natural Gas) fuelled vehicles, thus continuing the partial renewal of the fleet of this category, in line with the gradual transformation of the system for collection from stationary containers to the door-to-door system;
- The fleet of light (3.5 t) and medium (6.5 to 7.5 t) compactor dump trucks, ideal for the door-to-door system, was considerably expanded, no fewer than 72 vehicles having been bought as against the decommissioning of 33 old ones; 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;
- We completed the replacement of the fleet of light tanker trucks (Porters) for light Door-to-Door collection and sweeping with new EURO 6 Porters;
- 4 ecovans were fitted out for the extension of the service, together with other supporting vans (mobile workshops, deratting, logistics);
- the company car fleet was enlarged and partly renewed: 15 Dacia Sandero and 2 Dacia Duster 4x4 for mountain roads, all EURO 6 against the divestment of 5 old cars;
- We started the process to renew and upgrade the fleet of medium sweepers: 16 vehicles in 2019 against the divestment of 7 of this size, in line with the expected increase in sweeping hours in the Service Contract. This work will continue in 2020 too.

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.

From 2018, as was expected, we started the process for our policy to reduce the average age of the fleet and gradually reduce environmental impact, so that the average age of the operational fleet decreased from approximately 7.4 years of the Alia fleet at the end of 2017 to 6.8 years of the Alia fleet at the end of 2018, reaching 5.6 years at the end of 2019.

At the end of 2019, the first CNG-fuelled distributor was designed and approved, which will be built at the San Donnino Hub in Florence in 2020; this brought the 10-year renewable contract into effect for the supply of gaseous methane (CNG) for transport, which had been signed with Trident, in alliance with SNAM and Gazprom Italia, in 2018 and which will save 25% of the pump CNG price.

The project providing for underground containers in the Historic Centre of Florence continued in 2019, although not as expected, and only 2 stations with 6 bell-shaped containers each were built, while one station with 13 bell-shaped containers was built at the Mercato delle Cure. At the same time, the UWC project was extended to other Municipal districts: 2 stations were built in Pistoia with 6 and 8 bell-shaped containers, while in Scandicci 2 stations were built with 10 and 7 bell-shaped containers, respectively.

Among the actions taken were routine and non-routine maintenance of the company offices and of the installations other than plant engineering systems of the treatment plants, which are now very numerous (75 at the end of 2019). In particular:

- During 2019 work was completed on non-routine maintenance for the restoration of the damaged roofs of the headquarters of Ferrale (formerly Ecofirenze) (Florence) and at the same time the seismic rating was raised after the front beams were replaced and the panels fixed. Works were designed and started on additional new offices for about 30-35 employees and the centralised document archive. At the same time, the Investigation Plan requested by ARPAT for authorisation transfer in accordance with Article 208 was carried out, which was completed at the end of the year;

- With the transfer of services in the Montagna Pistoiese area from COSEA to Alia, a new office was opened in San Marcello/Piteglio, in the Province of Pistoia, the former COSEA headquarters being rented.

As regards Collection Sites (33 planned by the ATO Service Contract in the first 3 years), contacts continued with the Municipal Authorities and authorisation procedures were started through ATO, obtaining the preliminary authorisation for 4 of them (Barberino del Mugello, Fiesole - then cancelled by the Municipal Authority -, Pistoia, Greve in Chianti) and the final go-ahead for revamping that at Tavarnelle val di Pesa, for which operations were started at the work site.

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

- Environment

During 2019 the Safety, Environment and Quality Department [DSA, *Direzione Sicurezza, Ambiente e Qualità*] strengthened its central role in sharing and spreading 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 gradual establishment of 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.

Following on from what had been achieved in 2018, with the migration of the existing certifications according to standards ISO 9001 and ISO 14001 to the new 2015 editions, during 2019 and more precisely in June, the Certification Body verified whether Alia met the requirements prescribed by the Safety Management System, which is already certified according to OHSAS 18001 in the new edition ISO 45001:2018.

Thus work was completed on the realignment of the entire company management system on the basis of an approach that considers prior risk assessment and, in this case the new ISO 45001 health and safety standard, the even greater involvement of the workers by informing them and seeing that they share in the company's decisions on these themes as they affect their work. All this has made it increasingly clear that a proper preliminary analysis of the scenario in the company is important in order to obtain a better understanding of all the stakeholders' expectations regarding the role that Alia has assumed in its regional area, and consequently in order to determine the most appropriate strategies for taking up the challenges the future holds.

During 2019 the Management System monitored the objectives resulting from the risk analysis 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.

As in 2018, therefore, the criteria set out in this procedure have been followed. They apply a "strategic risk" rating to the following:

1. risk of non-compliance with clauses of the contract with ATO, including non-observance of minimum service quality and plant operation standards;
2. risk of failure to achieve corporate targets as a result of more general adverse impacts on processes under management;
3. risk of endangering the environment and/or occupational health and safety.

As regards 2019, some figures are also reported below which give an account of the work performed by the integrated management system:

Audits

As per the Internal audit plan (MOD.01 PG.03 INTERNAL AUDIT PLAN), issued annually by the Safety, Environment and Quality Department and approved in March, audits were carried out for a total of 350.69 days/man in 2019. The figure for the year consists of:

- intensified scheduled inspections of Collection Sites;
- back office hours, which include checking pre- and post-audit documents, drawing up reports and travel time;
- unscheduled inspections carried out by the Safety, Environment and Quality Department, e.g. searching for possible hazards, checking prevention and protection measures, considering environmental matters, etc. and inspections after accidents, etc..

If, on the other hand, we only consider planned audits, the figure for days/man drops to 238.25. In 2019, we had, in short:

<u>Total 2019</u>		
Total days/man ALIA	350.69	
Of which:		
days/man for planned audits	<u>238.25</u>	68%
days/man for unscheduled checks	<u>112.44</u>	32%

Non-conformities/observations with respect to the total of those reported

Following internal audits and on-site inspections carried out by the Safety, Environment and Quality Department, minor non-conformities and observations were reported which the Departments concerned promptly took in charge, according to the relevant procedure, to resolve and improve any critical issue found.

Certification Body's audits for standards 9001, 14001 and 45001

The audits carried out by the Certification Body "SGS" highlight that Alia's Integrated Management System continues to be an effective, well-structured and continuously improving business management tool.

Integrated Management System - Objectives for 2020

During 2020 the overriding commitment will therefore be as follows:

- As mentioned above, the Integrated Management System will be significantly engaged in updating system procedures and documentation in general, as well as the new business processes resulting from the new organisational chart and the new organisational structure, supporting the Departments in this transition;
- Complete the analysis of CO2 equivalent emissions from company operations, with the certification of the organisation according to standards UNI EN ISO 14064:2019 both for 2018 and for 2019;
- Set up a system for the control of corporate processes that takes into account the need to check a number of issues for compliance in the audit programme itself, such as those deriving from the ISO standards for environment, safety and quality, in addition to rules expressly referred to in the mandatory regulations such as Legislative Decree 231 governing Organisational Models, Law 262/2005 and the GDPR;
- Also put in place, within the above system, a programme for auditing the environmental, safety and social responsibility quality of Alia's suppliers, first selecting the most substantial categories, such as workshop and plant maintenance services, waste treatment and transport and environmental hygiene services.

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

In 2019, 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, Tavarnelle Val di Pesa, 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 was applied for the other municipalities. During 2019 work also started on issuing ordinary notices for the Municipal district of Borgo San Lorenzo.

The Municipal districts listed again 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. 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 debt collection operators. 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 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 2019:

- 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. Signa passed from mail order form to Form F24;
- Mail order form: Prato, Lamporecchio, Figline-Incisa;
- Current account form and debit: Bagno a Ripoli, Calenzano, Campi Bisenzio, Fiesole, Florence, Greve in Chianti, Impruneta, San Casciano Val di Pesa, Scandicci, Tavarnelle Val di Pesa.

During 2019, systems were set up for the management of electronic invoicing 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 Municipality of Florence).

In 2019:

- approximately 1,300,000 notices and invoices were issued for an amount of about Euro 290,000,000;
- a total of approximately 61,000 payments were managed via current account direct debit (SEPA).

In 2019, services were outsourced to third-party firms, such as: printing and enveloping, mailing, process serving, paper archive and process servers.

As regards debt collection, a total of 155,207 payment orders were served, 3,578 of which were sent by Certified Email.

In 2019 actions were taken to issue the following:

- a total of 68,040 notices of assessment for non-payment, 175 of which were sent by certified email;
- a total of 19,265 notices of assessment for failure to report;
- a total of 7,059 notices of presumptive assessment.

As regards the trend of tax collection, this 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 are now 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 2019 the Front Office Unit entered 445,863 records in the user database. Reports were prepared in response to 19,706 letters/emails/Certified Emails. Offices were open to the public in all the municipal districts as scheduled and agreed. In 2019 work continued on finding total TARI waste tax evaders, both domestic and non-domestic, through a massive cross-referencing of databases and precise audits. Requests for information were sent to 26,466 potential tax evaders, 5,180 of which were sent by Certified Email, with significant savings in mailing costs. This work reported a total amount of concerning about 498,950 sq. m. for "domestic users" and 618,422 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 do not proceed 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 21,853 users are registered with the Digital TARI waste tax portal and 1,097 users have subscribed to the on-line alert service.

During 2019 work continued on the service performed by the Le Soluzioni investee consortium: through their call center (113,916 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 **2,561 units** as detailed below:

	ALIA S.p.A.	Revet S.p.A.	IRMEL S.r.l.	Qthermo S.r.l.	Programma Ambiente S.p.A.	Programma Ambiente Apuane S.p.A.	Alia Consolidated Financial Statements
Executives	12	2				1	15
Middle managers / Office workers	570	49			9	2	630
Manual workers	1,471	143	3		8	2	1,627
Temporary workers	254	30			5		289
Total	2,307	224	3	0	22	5	2,561

During the year, employment relationships were terminated with 99 employees at the Parent Company. In the same period 396 employees were hired on permanent employment contracts, 10 of which came from the Municipal districts of San Marcello Piteglio and Abetone Cutigliano. In 2019 a total of 689 employment contracts were signed at the Parent Company, 396 of which regarding subordinate employment and 293 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, for long periods or during the periods of high tourist season, as well as for other temporary requirements and non-recurring operations.

Industrial relations

As regards Industrial Relations, in 2019 the most important results achieved were the signing of the agreement for the application of the performance bonus for the two-year period 2019-2020, thus confirming a welfare system linked to the payment of a portion of the Incentive Bonus in the form of shopping vouchers and/or petrol vouchers, which will allow contribution savings both for employees and for the Company.

The trade union agreement was also signed in the matter of work on holiday, 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 2019:

DEPARTMENT	SERVICE ORDER - ISSUANCE OF NOTICE	JOB POSITION
DIM	3/2019	MECHANICAL MAINTENANE WORKER
DT2/DT4	7/2019	TEMPORARY CHANGE IN JOB DUTIES - DRIVER GRADE 4
DT3	18/2019	ALIA POINT ASSISTANT
DT	28/2019	COLLECTION SITE ASSISTANT
DT1	39/2019	FOREMAN ASSISTANT
DRT	43/2019	WAREHOUSE ASSISTANT
DT2	70/2019	DISTRIBUTION AND BIN CENTRE ASSISTANT
DT 1/2/4	75 E 83	ECOVAN OPERATOR
DLS	76/2019	GENERAL AFFAIRS SERVICE COORDINATOR
DRT	95/2019	WORKSHOP SERVICE MANAGER - MAINTENANCE WORKER

DT2	97/2019	OPERATIONAL SERVICE MANAGEMENT CLERK (GO2)
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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, according to the rules laid down in the Company Regulation governing personnel search and selection approved by the Board of Directors' meeting held on 26 July 2017:

DEPARTMENT	SELECTION NUMBER	JOB POSITION
DT	1/2019	AREA SERVICES COORDINATOR
DIM	2/2019	ADMINISTRATIVE ASSISTANT - WEIGHING AND REGISTRATION
DT	3/2019	ENVIRONMENTAL INSPECTOR
DRT	4/2019	PROCUREMENT ADMINISTRATION CLERK
DRT	5/2019	OFFICE DESIGN AND MAINTENANCE ENGINEER
DRU	6/2019	HR DEPARTMENT ASSISTANT
DAB	7_1/2019	GENERAL LEDGER CLERK
DFC	7_2/2019	ACCOUNTING AND MANAGEMENT CONTROL ASSISTANT
DT3	9/2019	TECHNICAL ASSISTANT FOR LOCAL SERVICES
DFC	10/2019	ACCOUNTING AND MANAGEMENT CONTROL ASSISTANT
DRT	11/2019	WAREHOUSE LOGISTICS MANAGER
REC	12/2019	OPERATOR -INFORMATION SERVICE ASSISTANT LAW 68/99
DT	13/2019	ECOLOGICAL OPERATOR LAW 68/1999
DLS	14/2019	LEGAL OFFICE ASSISTANT
DLS	15/2019	LEGAL OFFICE MANAGER

Training and Organisational Development

During 2019, 45,736 training hours were delivered, which involved **2,305** employees, as broken down in the table below:

ALIA PERSONNEL TRAINING

% of trained workers	%	99%
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TOTAL TRAINING HOURS	45,736
IN SAFETY	15,912
IN OMCM	2,115
IN OPERATIONAL TRAINING	14,506
IN CONTINUOUS TRAINING	13,202
TRAINED WORKERS BY TYPE OF COURSE	4,271
SAFETY	1,216
OMCM	256
OPERATIONAL TRAINING	861
CONTINUOUS TRAINING	1,938

Trained workers by gender and position	
Trained workers	2,305
of which men	1,771
of which women	534
of which executives	11
of which middle managers	35
of which office workers	523
of which manual workers	1,736

Average employee training hours per head		
Total per head	hours	16.51
of which men	hours	17.11

of which women	hours	14.70
of which executives	hours	39.18
of which middle managers	hours	57.47
of which office workers	hours	21.52
of which manual workers	hours	13.77

Average temporary workers training hours per head		
Total per head	hours	66.60
of which men	hours	22.11
of which women	hours	23.19
of which executives	/	/
of which middle managers	hours	
of which office workers	hours	14.00
of which manual workers	hours	71.86

Since ALIA was founded, the role played by training has gradually become a trigger for change, for the retention and development of the know-how already possessed and for the well-being of its human resources, who are aware that they make up the most precious intangible capital for ALIA's successful growth project. If we go back over the first three years of activity that have just ended, what we have said above can easily be inferred from the figures, which are rising perceptibly: in 2019 45,736 training hours were in fact delivered, with an average of about 20 hours per head, including temporary workers, +58% compared to 2018 when a total of 28,898 hours had been delivered.

In 2019, one of the most important achievements was the creation of a training course aiming specifically at describing the management model that is necessary for the growth of Alia, no longer as a waste collection manager but as an industrial entity. For this purpose, during the period from February to October the project involved executives and middle management - 113 persons - in a 24-hour training programme during which the foundations were laid for the determination of the competencies on which to act in order to pursue the objectives in the business plan. During this session, further decisions were taken and implemented that enabled Alia, for the first time since it was founded, to put organisational development measures fully in place - in June, in fact, several projects were started to improve processes in terms of both work and relations -, while in July and September plans started to be made for the conduct of an analysis of ALIA's organisation (the overall structure was set out in December) and the mapping of competencies, which involved all office workers and the company management.

An important development in this process were three plenary events at which all the results attained by the various training groups were shared and also at which the subsequent stages were restructured and, above all, the company's strategies were agreed. On such occasions it was in fact possible to share Alia's vision and mission and above all the new business plan was presented.

Another continuous training innovation was e-learning. This year a platform delivering courses in this mode was hired and the first tailor-made training module regarding Organisational, Management and Control Models under Legislative Decree 231 was designed. It was drawn up specially in house and revised externally and was given to a sizeable number of employees in the last quarter of 2019.

As regards safety, among the other measures was an innovative safety course for the preparation of safety supervisors, providing basic instruction and refresher sessions under Legislative Decree 81 of 2008 for about 170 employees. It was decided, in this case too, to give an interactive experiential course divided into two separate modules. In the first module the group of learners handled issues typical of the role of a supervisor and had to consider and take decisions regarding case studies online (accidents, near miss reporting, etc.), taking the role of employer, supervisor and worker in turn. Furthermore, our Prevention and Protection Service manager [RSPP, *Responsabile del Servizio Prevenzione e Protezione*] presented ALIA's Risk Assessment

Document [DVR, *Documento di Valutazione dei Rischi*] within the scope of this module. In the second module, on the other hand, the various communication models were considered with the support of a psychotherapist as adviser, who guided the learners in a process of transactional analysis of ego states and worked hard on the concept of the group and leading a group.

As far as Apprenticeships and Internships are concerned, 5 university apprenticeships were started in 2019 (no work experience applications were received). Alia is gradually collaborating with universities more and more and we are tending increasingly to welcome apprentices with a good background of competencies. In 2019 agreements were signed with:

- the University of Florence, in collaboration with which four apprenticeships were started with students from the Engineering and Economics Faculty;
- with the Nicolò Cusani Online University, in collaboration with which one apprenticeship was started with a female student from the Industrial Engineering Faculty.

IT systems and infrastructure

At the beginning of 2019 the ICS structure was totally reorganised in order to enhance its effectiveness, support the company's main places of work and provide a form of governance that leaves the company even freer than before to focus its efforts on implementing its corporate strategies. A radically new development was the structured approach to matters such as cyber security, the management of secure access to data and the relationship with business lines.

In 2019 the management of the system for access to company data was totally revised, introducing a single system for all the company's offices: the project for access and for recording attendance has been completed and the process of standardising vehicle entrances is in progress.

The ERP SAP system continued to be improved during the year: its technology was updated and new modules and functionalities came into service, including a warehouse automation program among others. The analysis of the new unified services management program was completed and it started being expanded. A programme of in-depth analysis of user traceability processes, billing, debt collection and CRM was carried out, which

enabled us, at the end of 2019, to start considering the technological options for the adoption of a unified user traceability and TARI waste tax system. Decisions were also taken in 2019 regarding a new Planned and Consolidated Budget management system.

A project concerning IT Systems terminated that created applications tools for company users to communicate with the Help Desk fully autonomously, sending messages and requests and “Requests For Changes”, (hardware, software, moving workstation, requests for accounts or time off) while observing personal data processing and protection procedures. From the point of view of infrastructure, all the preliminary work was completed in 2019 for the technological and operational unification of the distributed and centralised IT system, of the geographic network and of the local networks.

During the first part of 2019 the Help Desk service had difficulty in maintaining service levels owing to the increase in the numbers of calls for assistance from users and of requests to move or set up Workstations; during the second part, however, because new human resources were engaged to deliver the service, the measurement parameters returned to within the agreed levels.

In 2019 classroom 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 2019. During 2019, the Company started the implementation of the new business plan as illustrated to the Shareholders at the Shareholders' Meeting held on 29 June 2019. In addition, a thorough process of corporate reorganisation was started, which will be implemented in 2020.

Board of Directors' proceedings

On 6 March 2019, the Board of Directors approved the direction and development guidelines of Alia's industrial policy, with particular reference to:

- a) the execution of the Memorandum of Understanding with the Tuscany regional Government, Rea Impianti S.r.l. and Belvedere S.p.A aimed, among other things, at the acquisition of the 15% quota in REA Impianti;
- b) the execution of the Memorandum of Understanding between ENI and Alia in order to consider and assess the technical and economic feasibility of various projects aimed, among other things, at the construction of a plant for the treatment of fuel waste (SRFs/over-sieve fraction) coming from the mechanical treatment of unsorted municipal waste (Bulky Municipal Waste), the selection of plastic/multi-material packaging, the refining of organic matrices in composting, the selection of bulky and textile waste with a potential of about 200,000 tons a year with the aim of producing biomethanol.

During the meeting held on 26 March, the Review of General Procedure no. 26 concerning the "Inside Information Management" - Relevant Information Management (RIL, Relevant Information List)" was approved.

In May 2019 the capital increase of subsidiary Albe S.r.l. was set in an amount of Euro 1,000,000.00, of which an amount of Euro 500,000.00 was to be paid by Alia.

During June, as authorised by ATO Toscana Centro, an agreement was reached with Italsacci S.p.A. regarding the extinction of Alia's surface and surface property rights over assets consisting of land and installations in the Testi locality, where there was formerly a gasification plant and where a new waste-to-energy plant was to be constructed. Now that Alia no longer has the surface rights and Italsacci S.p.A. is again the full owner, Italsacci S.p.A. has undertaken to arrange for the gasification plant to be dismantled on its own responsibility and at its expense, to dispose correctly of all the waste materials and, again on its own responsibility and at its expense, to make the site safe if necessary and restore it to its original environmental condition, including any necessary reclamation works on the area where the plant stands, releasing Alia S.p.A. from all obligations in the matter.

On 4 November 2019, a major corporate transaction was carried out which laid foundations for the establishment of one of recycling industries on the part of Alia. On that date, in agreement with Relife in the Benfante Group (the Italian leading group in the paper processing sector), ReAl S.r.l. was in fact set up to manage processing and operational platforms for paper coming from Alia's collection operations, as well as the acquisition of Metalcarta S.r.l.. In December 2019, the Board of Directors approved the Memorandum of

Understanding with the Tuscany Regional Government and ATO Toscana Centro for interventions in support of the implementation of the Regional plan for waste management and for the reclamation of polluted sites [PRB] and alternative strategies to the construction of the Case Passerini Waste-to-energy Plant. At the same time, the agreement was approved for Alia's acquisition of the quotas held by S.A.T. S.r.l. in the subsidiary Q.tHermo S.r.l. that should have built the Waste-to-energy Plant. The acquisition was completed on 27 February 2020.

At the meeting held on 11 December 2019, the new organisational model of Alia was presented to the Board of Directors, as resulting from the in-depth analysis and studies carried out during 2019.

Organisational, Management and Control Model under Legislative Decree 231

During 2019, albeit at the same time as the reorganisation of the Company, work continued on updating the procedures required by the Organisational, Management and Control Model on an ongoing basis and complying with the Code of Ethics, adopted in the application of Legislative Decree 231/2001, as amended and supplemented.

The Supervisory Board members were provided with any requested information and were given any such notice as was required for them to be informed of the Company's events.

It is expected to be implemented during the year 2020, also in view of a new provision which has included Article 25 *quinquiesdecies* on "Tax offences" among predicate offences.

Changes in the Organisational, Management and Control Models of investees

As regards the investees, it should be noted that during 2019 Programma Ambiente S.p.A. reviewed its Organisational, Management and Control Model (OMCM), which had been approved by the Board of Directors' meeting held on 7 June 2019.

With the revision of the Model, changes were made to both the general and the special parts and also the annexes on: Code of Ethics; Organisational Chart; Process Mapping; List of plants and collection sites; Schedule of contractual activities; Procedure for information flows to the Supervisory Board (SB); Whistleblowing - Reporting to the Supervisory Board (SB); Examples of criminal offences; Anti-corruption rules.

The subsidiary Programma Ambiente Apuane S.p.A. appointed the new Supervisory Board on 25 March 2019.

The latter board has the same members as Alia's Supervisory Board, which is an advantage in view of our intention to revise and implement the Model, ensuring compliance with the Parent Company's principles and corporate policy.

The subsidiary Revet S.p.A. updated and approved its Organisational, Management and Control Model under Legislative Decree 231/2001 on 28 May 2019.

The subsidiary Revet Recycling S.r.l. was merged by incorporation into Revet S.p.A. on 25 November 2019.

Training

At the end of 2018, all members of governance bodies were updated on the policies for fighting corruption adopted by the Company and will be given further new information in the early months of 2020, also in view of the amendments to be made to the Organisational Model itself.

During 2019, the Company provided specific training to all employees through the e-learning platform in relation to the regulation laid down in Legislative Decree 231/2001 and the set of rules governing Whistleblowing.

Three classroom courses were also delivered to Executives, middle managers and office workers on criminal offences committed against Public Authorities, occupational health and safety and environmental offences.

All Alia's commercial partners receive news on the fight against corruption and paying and receiving bribes. In this field too, by adopting the Organisational Model and the Code of Ethics, Alia has taken all the steps necessary for spreading knowledge of all the principles set out in these documents.

The observance of these principles on the part of entities, whether public or private, that enter into contact with Alia for any reason is an indispensable requirement for the initiation or merely the mere continuation of any relationship whatsoever with the company. All this is explicitly stated in the General Conditions of Contract of the tenders awarded.

Training courses delivered by investees

At Revet S.p.A. training courses were delivered to all employees in relation to the regulation laid down in Legislative Decree 231/2001 and the set of rules governing Whistleblowing.

Audits of Alia

The Supervisory Board carried out 14 audits.

In particular, the tender and contract management process and the plant operation process were audited both for 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.

Audits of Investees

The Supervisory Board carried out:

- 7 audits at Programma Ambiente S.p.A;
- 4 audits at Programma Ambiente Apuane S.p.A.;
- 12 audits at Revet S.p.A..

Critical issues

The Company has taken steps for the monitoring of corporate processes and for reporting inspections conducted by public and private entities to the Supervisory Board in order to assist this body in its audits and duties of preventing criminal offences against Public Authorities and corruption between private individuals. There are also arrangements for monitoring out-of-court settlements of disputes, procurement procedures without a tender being called (in the public sphere), awards of contracts to predetermined suppliers (in the private sphere) and anomalies in procurement procedures, and for reporting such circumstances to the Supervisory Board.

Moreover, the Supervisory Board has drawn up a specific document (Annex 3A to the Organisational, Management and Control Model), "PROCESS AND RISK MAPPING", in order to identify risk areas accurately: this is an instrument that helps in the preparation and correct analysis of Executives' quarterly reports.

The quarterly reports in 2019 show that external inspectors visited the following Departments: Plant Operation Department, the Technical Resources, Tenders and Logistics Department and the various Local Departments (DT1, DT2, DT3 and DT4).

No problems emerged during these inspections, nor were there any cases of corruption and/or termination or non-renewal of contracts owing to breaches of Alia's anti-corruption safeguards.

In any event no problems emerged from any of the corporate processes audited.

Litigation

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 (no. 527/2017). The appellate proceedings initiated by INPS were settled by judgment no. 136 of 21 February 2019, whereby the appeal was rejected. On 26 November 2019 Alia was served with the appeal before the Supreme Court against judgment no. 134 of 21 February 2019 on the part of INPS. Therefore, the amount of Euro 120,319.00 set aside as a provision for risks is confirmed once again.

INPS/INCA services litigation

The judgment handed down by the Court of Florence on 20 March 2015 rejected the appeal filed by (formerly) Quadrifoglio. The latter, as advised by its legal counsel, did not challenge the judgment, which thus became final. However, to date, INPS has not yet taken steps to claim the sums and, therefore, it is considered necessary to set aside a provision each year for an amount of Euro 695,690.00 on a prudential basis.

VAT on TIA tariff

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

Non-validated Waste Identification Forms

These proceedings were initiated by Alia, asking the Tuscany Regional Government - Environment and Energy Department to annul the reports issued by the latter for the use of non-validated Waste Identification Forms (FIR, *Formulari di Identificazione dei Rifiuti*), with a request for hearing under Article 18 of Law 689/1981.

Since the proceedings are still ongoing, it is considered appropriate to confirm the provision of Euro 250,000.00 in 2019 too.

Labour litigation

The proceedings with two employees, already reported in 2017, are still ongoing: therefore, it is considered appropriate to confirm the provision totalling Euro 5,500.00.

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

Breach of contract

The proceedings with a user who claims compensation for damage for the failure to perform the door-to-door service on a private road, which were reported in 2018, are still ongoing. It is then confirmed that the sum of Euro 1,900.00 has been set aside.

Damage compensation for car deposit:

Litigation arising from the merger of ESSEGIEMME into ASM and of the latter into Alia, which was reported in 2018, is still ongoing. A user of a parking area operated by ESSEGIEMME claims his car suffered damages at the Serraglio car park. It is then confirmed that the sum of Euro 6,027.65 has been set aside.

Public Prosecutor's Office investigation into the Company's plants: the investigations, which were started in May 2017 by the Public Prosecutor's Office of Florence into many of the plants used by Alia continued during 2019 too and substantially took into account many of the activities carried out (from the production of soil improvers to biogas, from waste management to the operation of a site undergoing reclamation): hence the vast "catalogue" of offences alleged to have been committed with separate acts (but all falling within the same

proceedings). No significant developments emerged during 2019. Preliminary investigations have been completed but we are waiting for the notice referred to in Article 415-*bis* of the Italian Code of Civil Procedure.

Q.tHermo: by resolution no. 868 of 5 July 2019, the Regional Council of Tuscany started the procedure for the review of the Regional Plan for waste management and remediation of polluted sites with a specific modification in order to find alternative solutions to the failure to build the Waste-to-energy plant. The final decision on the action for review before the Council of State should be handed down in 2020. As reported above, Alia acquired 100% of the capital of Q.tHermo from 27 February 2020; the Company will proceed with the development of activities complementary to the Concession.

Fatal accident in Maciste: at the end of 2018 the first-instance criminal sentence was filed, which ordered Alia, jointly and severally with accused persons, to pay a total amount of Euro 300,000.00 in favour of Mr Bennardo's heirs. During the course of the year, the Company, together with its broker and an appointed legal counsel, actively endeavoured to cause Generali to pay damages to the aggrieved parties in the civil action and to INAIL (Italian Institute for Insurance against Accidents at Work) on the basis of the policy taken out by CIS at the time. Initially, insurance cover was denied because the accident was considered to have resulted from a work contract between CIS and Mr. Bennardo. Since it clearly emerges from the grounds for the judgment that in no way the activity Mr Bennardo was carrying out at the time of the fatal accident was connected with a work contract, Generali compensated for the damage in full, releasing Alia from any civil liability both to the heirs and to INAIL. Since the criminal proceedings are continuing, it is considered that at present the provision should be maintained from which to pay such expenses as Alia should incur.

ASSIC.Toro/Generali (Mr Urti, Esq.): this is a dispute with Assicurazione Generali Italia S.p.A. relating to an indemnity that the insurance company must pay Revet.

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.

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 2019 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.

Given the regulatory obligation described, an amendment to the Articles of Association was approved in relation to the appointment of the Financial Reporting Manager at the Board of Directors' meeting held on 23 October 2017. The Extraordinary Shareholders' Meeting of 24 January 2018 approved the new Articles of Association, while on 16 February 2018 the Board of Directors appointed Mr Gustavo Giani as 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. Furthermore, the Board of Directors approved the Rules for the Financial Reporting Manager by a resolution dated 17 April 2018.

Finally, it should be noted that the Review of the General Procedure no. 26 concerning the "Inside Information Management" - Relevant Information Management (RIL, Relevant Information List)" was approved in March 2019.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

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

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

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

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

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

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

OTHER SIGNIFICANT EVENTS

- **January 2020**: Programma Ambiente Apuane has reinstated the 70% soil - 30% asbestos ratio, which will enable it, after obtaining a permit from the competent authorities, to resume disposing of the asbestos component in about the middle of this year;
- **27 February 2020**: by notarial deeds drawn up by Notary Public Cambi (File no. 26395, Register 1201) Alia S.p.A. signed the deed of purchase of the quotas of Q.tHermo S.r.l. and the preliminary conditional reconveyance contract, whereby SAT S.r.l. transferred 40% of quotas to Alia S.p.A.. Hera S.p.A., Herambiente S.p.A., SAT S.r.l. and Alia S.p.A. settled all outstanding matters in connection with the transfer, including accounts, in a private deed authenticated on the same date;
- **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 cancelling the Single Authorisation for the Waste-to-Energy Plant,;
- **9 June 2020**: ATO TC's General Meeting made a preliminary valuation of Alia S.p.A.'s structural EFR 2018 as Euro 12.9 million, payable in the 2019 financial year.

OUTLOOK

For Alia the 2020 financial period - the third year of the term of concession management - will be that of the adjustment of the Service Contract, made necessary owing to the years that have elapsed between the tender and the commencement of the concession, above all as regards the Plant Operation Model (as the model in the ATO's plan is out of date). For this purpose, an Additional Deed is being drawn up to make the change necessary for a correct form of Service Contract with a view to its economic and financial rebalancing for 2018, as a structural component for the subsequent years and until the completion of the new Business Plan. Furthermore, in 2020 the process of the extension of the area covered by the concession will commence, if not end, as we expect the seven AER S.p.A. Municipal districts to be included by 2020, thus bringing Alia's perimeter to 65 Municipalities.

2020 also sees the introduction of the calculation of the tariff Fees according to the Waste Tariff Method of the Italian regulatory authority ARERA, which was approved by resolution 443 of 2019. In close collaboration with the Concession Authority, the results of the application of the Waste Tariff Method will be analysed and evaluated and will be compared with the Fees for the ATO TC Concession in being, in search of the most appropriate modality for coordinating and harmonising them with the national regulatory system. Considering that this system is mandatorily founded on the general criterion of the “observance of the economic and financial equilibrium” of operations, we do not rule out the possibility of the result of applying the Waste Tariff Method being the acceptance of the arguments in favour of the requests for rebalancing that the concessionaire has been putting forward until this moment.

The COVID-19 health emergency scenario that has unfolded since February 2020 called for a strong commitment on the part of the Company, and indeed we continued to deliver essential services to the community during the lockdown period, such as collecting refuse, rapidly adjusting our organisational processes to the safety laws that succeeded each other at various times and also converting our activities by introducing services more consonant with the needs of the new course of events (waste collection from persons positive to COVID-19 in quarantine at home, as well as from care and rest homes [RSA, *Residenze Sanitarie Assistenziali*] and temporary healthcare hotel facilities, in addition to urban sanitisation services).

The special activities performed up to this moment allowed Alia to make a slight reduction in routine services with partial recourse to the national wage support scheme (Supplementary Wage Fund), while administrative staff adjusted to smart working methods, involving about 350 people.

Even at the stage at which the emergency was at its height - now we hope to have passed this stage - the Company went on working as usual putting the safest possible measures in hand in workplaces.

In 2020 authorisation procedures will be completed for the biodigesters at Montespertoli and of AlBe at Peccioli, for their construction to start, as well as for the bulky and textile waste plant of Ferrale in Florence, and its operation, which will be passed under the management of Programma Ambiente, will see the development of the partnership with the Municipality of Rosignano for Scapigliato, the progress of work on the

revamping of the Revet plant at Pontedera and of the paper plant of ReAl, all fundamental steps in the implementation of the Company's Business Plan as planned.

RISK MANAGEMENT

Introduction

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 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 its 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 available funds according to needs. The competent Department carefully monitors compliance with the financial covenants regulating the Bond issued in 2017 and other medium- and long-term loans on a regular basis. All the covenants expressed in the form of a) Equity/EBITDA, b) Net Financial Position/EBITDA, c) EBITDA/Financial costs have been complied with.

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

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

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

The COVID-19 emergency and the economic crisis that followed is straining the stability of the finances of Municipal Authorities whose revenues from local taxes are falling. This factor may have an impact on the Company's liquidity caused by a lower income from fees and thus lead to a greater need to draw on credit facilities in being at present or, if necessary, lead to have recourse to the "guaranteed liquidity" provided for by Italian Government measures for meeting the problems that have arisen in this difficult period (ref. Decree Law 23 of 8 April 2020, "LIQUIDITY DECREE").

We believe, however, that the Group's credit rating is sufficient to make it possible to obtain access to any credit facilities necessary, in all the forms possible, that might be necessary to ensure adequate financial coverage for its requirements.

b) Exchange rate risk

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

c) Interest rate risk

The interest rate risk to which the Group is exposed mainly originates from financial debts to 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, it should be noted that Revet S.p.A. has entered, for its financial debt, into derivative contracts, which were already in place at the date when control was acquired, in order to hedge the risk in question.

2. CREDIT RISK

Alia'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 urban waste management service following the adoption of the taxation scheme from 2012/2013.

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

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

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

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

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 Parent 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 the Board of Directors

**The Chairman
Paolo Regini**

**The Chief Executive Officer
Alessia Scappini**

Consolidated Statement of Financial Position

STATEMENT OF FINANCIAL POSITION	NOTES	2019	2018 (*)
Property, plant and equipment	1	100,450,184	94,853,258
Concession rights	2 / 3	126,985,509	119,601,934
Other intangible assets	3	1,911,925	1,757,569
Goodwill	3	250,481	250,481
Equity investments	4	4,551,509	2,383,583
Non-current financial assets	5	363,201	238,855
Deferred tax assets	6	8,839,870	7,244,814
Non-current derivative assets	20	33,149	-
Other non-current assets	6	633,143	112,462
Total non-current assets		244,018,971	226,442,955
Inventories	7	3,910,425	3,314,490
Trade receivables	8	107,192,865	84,540,589
Current financial assets	9	54,811	53,760
Equity investments	9	1,770	1,770
Current tax assets	10	3,406,552	4,461,661
Other current assets	11	7,417,358	11,529,667
Cash and cash equivalents	12	90,545,359	130,130,919
Total current assets		212,529,140	234,032,856
TOTAL ASSETS		456,548,111	460,475,811
Share capital	13	85,376,852	85,376,852
Reserves	14	88,974,619	78,290,489
IFRS FTA Reserve	14	7,896,006	7,896,006
Profit (loss) for the year		1,403,325	1,900,920
<i>of which: Equity attributable to minority interests</i>	15	16,409,329	7,086,816
<i>of which: Net profit (loss) attributable to minority interests</i>	15	1,015,325	- 47,464
Total shareholders' equity		183,650,802	173,464,267
Provisions for risks and charges	16	34,817,351	34,110,226
Employee severance pay and other benefits	17	19,268,413	19,851,834
Non-current financial liabilities	18	68,174,480	77,974,900
Non-current trade payables	19	5,900,000	7,100,000
Derivatives	20	219,319	453,751
Other non-current liabilities	21	7,767,080	7,632,721
Total non-current liabilities		136,146,643	147,123,432
Current financial liabilities	22	42,700,064	39,800,850
Trade payables	23	76,008,860	83,921,986
Current tax liabilities	24	117,599	36,122

Other current liabilities	25	17,924,143	16,129,155
Total current liabilities		136,750,666	139,888,113
TOTAL LIABILITIES		272,897,309	287,011,545
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		456,548,111	460,475,811

(* It should be noted that the reporting scheme of some data relating to the previous year has been modified in order to offer the reader greater comparability of the information reported in the financial statements at 31 December 2019. For more details, reference should be made to the paragraph on the "Reclassifications of comparative data" in the explanatory notes.

Income Statement

INCOME STATEMENT	NOTES	2019	2018
Revenues	26	337,891,349	299,931,035
Construction revenues - concession rights	2	15,350,333	8,594,972
Change in inventories of finished products, semi-finished products and work in progress	26	-3,525	-254,480
Other operating revenues	26	11,482,922	6,530,880
Consumption of raw materials and consumables	27	19,076,376	16,839,371
Costs for services	27	185,251,935	158,257,975
Personnel costs	27	116,061,722	104,768,012
Other operating expenses	27	5,230,540	3,505,418
Construction costs - Concession rights	2	15,350,333	8,594,972
Capitalised costs	2	-106,327	-40,526
EBITDA		23,856,500	22,877,185
Amortisation, depreciation, provisions and write-downs	28	20,357,088	18,526,031
Net value write-backs (write-downs) of trade and other receivables	28	420,933	576,548
Operating income (EBIT)		3,078,479	3,774,606
Write-downs and (reinstatements) of financial assets	29	1	220
Share of profits (losses) of joint ventures and associates	30	128,172	-216,772
Financial income	31	842,546	1,921,170
Financial costs	31	3,526,932	2,986,950
Financial operations	-	2,556,215	1,282,772
Profit before tax		522,264	2,491,834
Tax	32	-881,061	590,914
Net profit for the year		1,403,325	1,900,920
Attributable to			
Shareholders of the Parent Company		388,000	1,948,384

Minority shareholders	15	1,015,325	-47,464
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Statement of Comprehensive Income

STATEMENT OF COMPREHENSIVE INCOME		2019	2018
Net profit (loss) for the year		1,403,325	1,900,920
Components that can be reclassified to profit or loss			
Fair value of derivatives, change in the period		234,432	64,340
Tax effect related to other comprehensive income that can be reclassified		-56,264	-15,441
Components that cannot be reclassified to profit or loss			
Actuarial gains (losses) from provisions for employee benefits	17	-945,869	-92,421
Tax effect related to other comprehensive income that cannot be reclassified	17	227,009	22,181
Total comprehensive income (loss) for the year		862,633	1,879,579
Attributable to:			
shareholders of the Parent Company		-212,197	1,909,619
minority shareholders	15	1,074,830	-30,040

Consolidated Cash Flow Statement

CASH FLOW STATEMENT	NOTES	31/12/2019	31/12/2018
OPENING NET CASH AND CASH EQUIVALENTS	12	130,130,919	151,888,494
Result for the year (A)		1,403,327	1,900,920
Depreciation of property, plant and equipment	28	6,702,967	3,099,475
Amortisation of intangible assets	28	12,848,383	15,093,627
Accrual to provision for bad debts	28	420,933	576,548
Accrual to provision for risks	16	3,490,882	2,975,204
Write-downs (reinstatements) of other equity investments			220
Adjustment to investments using the equity method	30	- 128,173	216,772
Effect of deferred tax assets/liabilities through profit or loss	32	- 1,448,366	327,644
Provision for current tax	32	567,305	263,271
Capital (Gains) / Losses from disposals / (contributions)	26	273,021	- 41,125
Financial (Income) / Costs	31	2,684,384	1,065,780
Accrual to the provision for Employee Severance Pay	17	4,688,795	4,249,526
Other adjustments for non-cash elements		359,803	- 232,696
Non-monetary adjustments (B)		30,459,934	27,594,246
Cash flow from current operations (C)=(A)+(B)		31,863,261	29,495,166
(Increase)/Decrease in Inventories	7	- 595,935	- 1,070,788
(Increase) / Decrease in Trade receivables	8	- 23,073,208	7,403,984
(Increase) / Decrease in Current tax assets	10	1,055,109	5,007,503
Increase / (Decrease) in Current tax liabilities	24	81,477	- 107,773
(Increase) / Decrease in Other current assets	11	4,112,310	13,501,938
Increase / (Decrease) in Trade payables	23	- 7,913,126	- 14,478,562
Increase / (Decrease) in Other current liabilities	25	1,794,988	- 7,375,749
Other changes		485,990	316,891

Change in Net Working Capital (D)		-	24,052,397	-	3,197,445
Increase / (Decrease) in Other non-current assets			-520,682	-	112,462
(Increase) / Decrease in Other non-current liabilities	19 + 21	-	1,065,641		202,185
Interest collected / (paid)	31	-	1,780,396	-	1,214,018
Change in deferred tax assets / liabilities	32	-	1,595,056		604,935
Use of Provisions for risks / Provision for Employee severance Pay	16+17	-	9,830,490	-	9,566,670
Current tax paid	32		52,150	-	1,203,185
Other operating changes (E)		-	14,740,114	-	11,289,215
Cash flows from operating activities (G)=(C)+(D)+(E)		-	6,929,250		21,403,395
(Investments in)/Disinvestments from Property, plant and equipment	1	-	18,551,825	-	8,211,969
(Investments)/Disinvestments from Intangible assets	3	-	14,407,402	-	9,416,077
(Investments)/Disinvestments from Non-current financial assets	4 + 5	-	2,165,151	-	295,775
Acquisition for business combinations					1,319,405
Change in assets/liabilities held for sale (IFRS 5)				-	
Cash flows from investing activities (H)		-	35,124,378	-	16,604,416
Available cash flows (I)=(G)+(H)		-	42,053,628		4,798,979
<i>Financing activities - Borrowed capital</i>					
Change in Non-current financial liabilities	18	-	9,800,420	-	22,332,734
Change in Current financial liabilities	22		2,899,212	-	4,058,502
<i>Financing activities - Net worth</i>			9,369,276		
Payments of treasury shares				-	165,317
Change in liquidity for BC transactions				-	-
Cash flows from financing activities (J)			2,468,068	-	26,556,554
Net change in cash and cash equivalents (L)=(I)+(J)	12	-	39,585,560	-	21,757,575
CLOSING NET CASH AND CASH EQUIVALENTS	12		90,545,359		130,130,919

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 2017	85,376,852	16,965,073	7,896,006	45,800,399	7,420,104	3,503,164	166,961,598	1,717,068
Profit (loss) for the year						1,900,920	1,900,920	-47,464
Other comprehensive income (loss) at 31 December 2017:							0	
Actuarial gains (losses) from provisions for employee benefits and Fair value of derivatives				-21,341			-21,341	17,423
Comprehensive income for the year				-21,341	0	1,900,920	1,879,579	-30,041
Other changes		-		4,623,090			4,623,090	5,352,325
Allocation of 2017 profit:							0	
Allocation to other reserves				3,503,164		-3,503,164	0	
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								
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

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.

As of **31 December 2018**, the Group was composed as follows:

Parent Company Alia Servizi Ambientali S.p.A. (hereinafter also referred to as “Alia S.p.A.” or “Alia”)

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, 56.48% owned, for a value of treasury shares equal to 14.44% upon consolidation

Revet Recycling Srl, 53% owned by Revet Spa

Associates

Q.Energia Srl, 50% owned

Valcofert Srl, 42.5% owned

Sea Risorse Spa, 24% owned

Vetro Revet Srl, 49% owned by Revet Spa

Albe Srl, 50% owned

Holme S.p.A.

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

Parent Company Alia Servizi Ambientali S.p.A.

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% owned

Associates

Q.Energia Srl, 50% owned

Valcofert Srl, 42.5% 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

Holme S.p.A. in Liquidation, with the approval of the financial statements for liquidation purposes, was cancelled from the Register of Companies in December 2019 and therefore it has left the consolidation area.

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, tinsplate and polylaminate 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. During 2019 there were changes in the shareholding structure following the entry of the leading national and European industrial partner, Montello S.p.A. based in Bergamo, through a mixed operation of acquisition of treasury shares and reserved capital increase, which allowed it to acquire 30% of the share capital. ALIA S.p.A.'s controlling interest thus came to 51% of the entire capital. Again in 2019, the company proceeded with the merger by incorporation of Revet Recycling S.r.l. after acquiring full control.

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.

Among associates note:

- 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.
- 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).

- 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. During 2019 it was involved in a capital increase of Euro 1,000,000, with the quotaholder Alia's share amounting to Euro 500,000.
- REAL S.r.l. was established in a 49.90% partnership with RELIFE S.p.A. on 4 November 2019. The company, which was still dormant at 31 December 2019, will operate in the field of collection, processing, sorting, transformation and storage of waste paper.
- Valdisieve Società Consortile was reclassified in 2019 among associates as a result of changes recorded in the capital and directly on the quotas held by some quotaholders. The 25% quota is held directly by Alia Servizi Ambientali S.p.A.. In 2018 it had been stated at 12.33% in the investment portfolio of Alia under the item "Other equity investments". It is a holding company controlling entities operating in the waste sector.

Other 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 2019 were prepared in accordance with the International Financial Reporting Standards (hereinafter IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. The term IFRS also includes all revised international accounting standards (IAS) and all the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC).

The financial statements of the Alia Group at 31 December 2019 are presented in Euro units.

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

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 2019 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 2019 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 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 2019 were prepared according to the historical cost principle, except for the items illustrated below which must or can be measured at fair value according to IFRS.

The accounting standards, policies and estimates adopted in preparing the 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).

It should be noted that in 2019, at the end of the first two year-period, the parent company verified whether these depreciation rates were adequate or whether they should be reviewed based on the actual use and technology, as well as on additional information and evidence gathered. According to IAS 16, in fact, *"The residual value and the useful life of an asset should be reviewed at least at each financial year-end and, if expectations differ from previous estimates, any change is accounted for prospectively as a change in estimate under IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors"*. Based on auditing whether the residual useful lives of the assets from an accounting point of view are consistent with the actual physical, technical and technological life of each asset, while also taking account of the study carried out by ARERA (the Italian Regulatory Authority for Energy, Networks and Environment) against which the useful lives of different types of assets were presented, the depreciation rates applicable to the following categories of assets for the 2019 financial year were set out only for the Parent Company. The effect of the change in the accounting estimate was recognised prospectively by including it in the results of operations for the year in question and in future financial years, for the share accrued in the period.

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

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%

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

	AMORTISATION AND DEPRECIATION ACCORDING TO PREVIOUSLY APPLICABLE ACCOUNTING POLICIES	AMORTISATION AND DEPRECIATION ACCORDING TO NEW ACCOUNTING POLICIES
DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	2,534,876.05	2,524,108.70
AMORTISATION OF INTANGIBLE ASSETS	603,994.44	231,386.08
AMORTISATION OF CONCESSION RIGHTS	15,122,496.47	12,483,632.56
AMORTISATION AND DEPRECIATION OF ASSETS NOT AFFECTED BY VALUATION REVIEW	4,312,222.77	4,312,222.77
TOTAL	22,573,589.73	19,551,350.11

Intangible assets

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

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

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

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

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

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

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

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

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

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

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

Restoration or replacement are not capitalised and are included in the estimate of the provision described below. Concession rights are amortised over the term of the concession, a method that reflects the ways in which it is assumed that the future economic benefits flowing from the asset will be used by the Concessionaire.

The amortisation fund and the provision for restoration or replacement costs considered as a whole ensure adequate coverage of the following costs:

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

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

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

DESCRIPTION	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)

As from 1 January 2019, following the first-time adoption of IFRS 16, 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 concession asset are managed within the scope of application of IFRIC 12.

Leases (for the lessor)

Lease agreements under which the Group is the lessor are classified as operating leases or as finance leases. This category includes, in particular, sub-concessions.

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

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

As regards operating leases, the 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, as a result of which the buyer acquires the equity and takes over the assets and liabilities of the acquiree.

Environmental certificates: emission allowances and White Certificates

White certificates are valued at market price.

Equity investments in associates

Equity investments in associates are stated among non-current assets and are valued using the equity method. In applying the equity method, the investment in an associate or joint venture is initially recognised at cost and the carrying amount is increased or decreased to recognise the Company's share of the investee's profits or losses realised after the date of acquisition. The Company's share of the investee's profit (loss) for the period is

recognised in the income statement. Dividends received from an investee reduce the carrying amount of the equity investment.

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

Non-current assets held for sale

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

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

Inventories

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

These mainly include spare parts, 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 consisting of a debt instrument which is not measured at amortised cost or at FVTOCI is measured at fair value through profit or loss (assets measured at FVTPL).

Trade and other receivables

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

The 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.

No derivatives accounted for with Fair Value Hedge had been reported at 31 December 2019.

Employee benefits

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

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

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

Provisions for risks and charges

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

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

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

Provision for restoration and replacement

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

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

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

After-closure provisions

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

Grants

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

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

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

Revenues

On the basis of the five-step model provided for in IFRS 15, the 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 costs are recognised on an accruals basis and include interest expense on borrowings calculated by using the effective interest method and foreign exchange losses. They also include the financial component of the annual accrual to the provision for restoration.

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

Income tax

Current tax

Current income tax for the period is determined based on an estimate of taxable income and in compliance with 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. On 9 June 2020 the general meeting of the ATO Toscana Centro approved the 2018 and 2019 rebalancing for the purposes of recognising revenues arising from the economic and financial Rebalancing provided for in Section 22 of the Concession Agreement signed by the parent company Alia, the details of which can be found in paragraph 2 below.

Recoverable value of non-current assets

Non-current assets include Property, plant and equipment, Concession rights, Other intangible assets, Equity investments and Other financial assets. The 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 valuation report which is updated annually, have been discounted in accordance with the provisions of IAS 37.

Provision for bad debts

This reflects management's estimate of expected losses relating to the loan portfolio. The 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. 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 2018. In particular, the following information has been provided:

- For the parent company ALIA:
 - Trade payables beyond 12 months have been reclassified to "Non-current trade payables". The amount of reclassification is equal to Euro 7,100,000 for 2018;
 - The net balance of deferred tax assets and liabilities has been stated by reclassifying the amount of Euro 993 thousand, previously reported as "Deferred tax liabilities", to "Deferred tax assets";
 - An amount of Euro 72 thousand, previously classified under "Other current assets", has been stated as "Current tax assets".
- For subsidiary REVET:
 - Some items stated as "other operating revenues" in 2018 have been reclassified to "Revenues" in the 2019 financial statements. The amount of reclassification is equal to Euro 375,414 for 2018.

The Group believes that this change to the 2018 figures is not significant.

Change in international accounting standards

Accounting standards, amendments and interpretations applied from 1 January 2019

The main developments introduced in 2019 concerning the set of international accounting standards are shown below:

- IFRS 16 - Leases.

In January 2016 the IASB published IFRS 16 - Leases, which has replaced IAS 17.

The main amendment concerned the method of accounting for lease agreements on the part of lessees who were required to make a distinction between finance leases (accounted for using the finance method) and operating leases (accounted for using the on-balance-sheet method) under IAS 17. According to IFRS 16 operating leases have been treated as finance leases in accounting terms. According to the new standard, an asset (the right to use the leased item) and a financial liability for future lease payments are recognised. The IASB has made provision for an optional exemption for certain low-value, short-term lease agreements and leases.

Therefore, the standard has had an impact mainly on the method of accounting for operating leases involving the Group as a lessee. Leases that are part of the concession asset of the parent company are managed within the scope of application of IFRIC 12.

The Group has opted to use the simplified transition approach ("modified retrospective approach") and therefore it did not change the comparative amounts for the previous period upon first-time adoption.

Substantially the transition to the new IFRS 16 has not entailed any significant impact. The activities that involve the Group as a lessor have had no significant effects on the financial statements.

- IFRS 9 - Financial instruments.

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

- IAS 28 - Investments in associates and joint ventures.

In October 2017, the IASB published some amendments to IAS 28, which provide clarifications on associates or joint ventures to which the equity method should not be applied according to IFRS 9. These

amendments, which became applicable from 1 January 2019, have not had any significant impact either on the financial statements or on disclosures.

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

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

- IAS 19 - Employee benefits.

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

- IFRIC 23 - Uncertainty over Income Tax Treatments.

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

Accounting standards, amendments and interpretations not yet applicable

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

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

The 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 31.12.2018						
Gross Value	82,050,832	20,801,353	9,497,250	9,644,181	7,166,162	129,159,778
Depreciation fund	-16,524,127	-3,781,276	-5,794,703	-8,206,414	0	-34,306,520
NET IAS BALANCE AT 31.12.2018	65,526,705	17,020,077	3,702,548	1,437,766	7,166,162	94,853,258
NET CHANGES FOR FY 2019						
RECLASSIFICATION OF GROSS VALUE AT 01.01.2019 TO FIXED ASSETS - CONCESSION RIGHTS	58,076	14,700	0	10,224		82,999
RECLASSIFICATION OF DEPRECIATION FUND AT 01.01.2019 TO FIXED ASSETS - CONCESSION RIGHTS	-22,971	-12,495	24	-10,248		-45,690
CHANGES FROM PURCHASES	1,508,808	2,907,697	2,950,033	1,074,460	10,885,807	19,326,805
TRANSFERS FOR RECLASSIFICATIONS	263,396	0	-697,097	-1,450	-5,854,089	-6,289,241
DECREASES	-144,796	-704,269	-612,415	-522,966	-965,717	-2,950,162
DISPOSAL OF DEPRECIATION FUND	2,173	670,336	979,771	522,902	0	2,175,182
2019 DEPRECIATION	-2,102,573	-2,477,660	-1,418,498	-704,236	0	-6,702,967
Gross value	83,736,316	23,019,481	11,137,772	10,204,449	11,232,163	139,330,180

Depreciation fund	-18,647,499	-5,601,095	-6,233,406	-8,397,996	0	-38,879,995
NET IAS BALANCE AT 31.12.2019	65,088,817	17,418,385	4,904,366	1,806,453	11,232,163	100,450,184

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 2019 was Euro 2,662,685.
- 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 2019 was equal to Euro 1,514,922.
- Mortgage loan taken out with MPS Capital Services S.p.A. with a mortgage on the composting plant located in Faltona in the Municipal district of Borgo San Lorenzo for Euro 8,850,000.

As regards the parent company, the main capitalisations carried out during 2019 involved additional investments that were made in implementing operations at the industrial complex located in Florence, in the Ferrale area, at Via di Castelnuovo 20, which had been acquired within Bankruptcy proceedings 288/2014 before the Court of Florence in 2017 and which definitively entered into service during 2018. The investments made during 2019 concerned the partial renovation of canopies for Euro 375,000, in addition to work on plasterboard walls for Euro 8,534 and installation of signs bearing the logo Alia for Euro 11,500.

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

Purchases for industrial and commercial equipment amounted to approximately Euro 538,000 relating to workshop tools, technical instruments and miscellaneous equipment. Additional purchases, reclassified to "Other property, plant and equipment", concerned furniture and other office shelving for Euro 212,703 and electrical and electronic machines for Euro 323,532, and, on a residual basis, other assets for Euro 10,246.

As regards the consolidated company Revet, the main investments made in 2019 concerned the acquisition of motor vehicles and dumpsters (bell-shaped containers) for the development of sorted waste collection operations for an amount of approximately Euro 2,400,000. Investments in plant and machinery amounted to about Euro 2,669,000 and related to the purchase of a shredder-bag opener, a loading system, a press and conveyor belt, a glass sorting system and equipment, so as to automate the entire collection system.

Finally, note the investments made by the consolidated company Programma Ambiente for the purchase of motor vehicles worth approximately Euro 225,000 in order to boost brokerage 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	33,443	856,687	890,130
Interest expense	5,128	36,909	42,037
Total cash outflows	87,480	1,091,844	1,179,324
Book value of right-of-use assets at the reporting date for each class of underlying asset	510,800	4,868,271	5,379,071

Below are the maturities of lease liabilities in relation to liquidity risk:

Description	Within 12 months	Between 1 and 5 years	Beyond 5 years	Total
Plants	91,249	270,179		361,428
Vehicles	896,391	1,571,002		2,467,393
Total	987,640	1,748,381		2,736,021

At 1 January 2019 the Group had accounted for finance leases according to IAS 17. The Group has opted to use the practical expedient set out in paragraph C3 of IFRS 16: therefore, all contracts that were regarded as leases under IAS 17 will be considered as leases for the purposes of IFRS 16 as well.

No impact has been recognised for those contracts as a result of the change in the accounting standard.

2) Concession rights

These consist of the rights relating to the integrated municipal waste management in the municipal districts of ATO Toscana Centro, which was started from 1 January 2018. For more details on the changes in this item, reference should be made to the information provided in the paragraph on “Other intangible assets” below.

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

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

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

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

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

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

The table below shows the breakdown of basic services.

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

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

The table below shows the breakdown of ancillary services.

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

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

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

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

1)	Intervention	Amount of Works	Security costs
2)	33 Collection sites	Euro 12,320,000.00	Euro 123,200.00

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

Calculation of annual fees

As regulated by Section 20 of the contract (shown below):

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

a) of the expected inflation rate for year n;

b) of productivity recovery for year n.

7. The cost components relating to the municipal waste management service that define the Operator's Economic and Financial Plan, as well as any other information required for the audit of what is stated in paragraph 3 of Section 22 below, are verified by ATO for each year n-1, by 31 December of year n. On the basis of these audits, ATO shall proceed with the definition of the operator's fees for year n and the economic and financial rebalancing referred to in paragraph 9 of Section 22 below.

8. The Operator, according to the reporting formats produced by ATO, shall provide ATO with all information required to carry out the audits referred to in paragraph 7, by 30 September of each year n.

9. ATO may request clarifications and additional information and carry out audits, even on site, on the data communicated by the Operator. The Operator undertakes to provide ATO with any useful information for a full understanding of the data communicated pertaining to the management and its costs.

10. If any plant for the management of municipal waste and/or special waste deriving from municipal waste treatment coming from ATO Toscana Centro is also authorised to manage other waste, the costs for the management of waste other than those coming from ATO Toscana Centro are unrelated to the fees payable to the operator and the fixed costs incurred by this plant are included in the calculation of the fees limited to the actual use attributable to the share of municipal waste and/or special waste deriving from the treatment of municipal waste coming from ATO Toscana Centro.

11. For the analytical assessment of operating management costs (MC) and common costs (CC) referred to in Presidential Decree 158/1999, reference should be made to the categories provided for in Legislative Decree 127/1991 governing the preparation of financial statements and to the specifications set out by ATO, according to the methods set out in Annex 10 attached to the Contract.

12. Revenues from sales of waste, supply raw materials and energy accrue to the Operator. ATO takes this into account by reducing the fees referred to in paragraph 2 above by a corresponding amount, except as stated in paragraphs 13 and 14 below. The Operator is required to notify ATO of the quantities, quality and proceeds of the sale of the materials transferred to the chain consortia and/or sold directly on the supply raw materials markets.

13. If waste and supply raw materials are sold on the market, revenues from sale, exceeding those that can be obtained from chain consortia, reduce the reference tariff by an amount equal to 50% of the surplus.

14. All other possible revenues other than the previous ones and connected with the activities regulated by the Contract accrue to the Operator. ATO takes this into account by reducing the reference tariff referred to in Presidential Decree 158/1999 by an amount corresponding to 50% of these revenues.

15. All possible public funds received by the Operator in relation to the activities covered by this Contract, including those provided for in Article 3, paragraph 1, of the Tuscany Regional Law 25/1998, are accounted for by the Operator separately and contribute to the reduction in the reference tariff, approved by ATO according to paragraph 2 above. In particular, for the purposes of equivalence referred to in point 1 of the annex attached to Presidential Decree 158/1999, operating grants reduce management costs by a corresponding amount, while capital grants reduce the costs of using capital (CK) referred to in Presidential Decree 158/1999.

16. The Operator invoices each Municipality in monthly instalments, except as provided for in paragraph 691 of Law 147/2013 and Section 21 below.

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

Basic services

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

investments actually made in year n-1; any requirements of economic and financial rebalancing for year n, (paragraph 4).

As from the 5th year, annual fees for basic services (4th year of concession term) are adjusted according to the normalisation method set out in Presidential Decree 158/1999, taking account of the guidelines attached to the contract and, in addition to the above provisions, of: investments planned for year n; productivity recovery for year n.

This is because while for the first four years the investments in the transformations are already envisaged in the specifications and in the offer, updating of the tender EFP must be carried out during the fifth year. For this purpose, the Operator shall submit the four-year Plan for detailed investment of basic services to ATO for approval. This procedure is repeated every four years for the entire term of the Concession.

Ancillary Services

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

Economic and financial rebalancing

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

Under the contract the alteration of the economic and financial balance can be caused by:

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

- o) higher revenues than in bidding referred to in Annex 9 in relation to items referred to in paragraphs 12, 13 and 14 of Section 20;
- p) actual amortisation or depreciation related to the assets transferred by former Operators;
- q) new public financing received by the Operator according to paragraph 15 of Section 20.

The reasons for which the Operator may be entitled to rebalancing are those referred to in letters c), d), e), f), g), h), i), j), k), m), n), p. For ATO, rebalancing may also take place in the cases referred to in letters b) and l).

As regards the Operator, the reasons that allow rebalancing are all external since the operational inefficiencies referred to in letter (a) are not subject to rebalancing. Accordingly, the profit margins that the Operator should obtain thanks to its efficiency do not constitute rebalancing in favour of the competent Authority.

Operational rebalancing can be achieved by acting on:

- a) the tariff (fees);
- b) the quality of service;
- c) the term of the concession.

ATO's procedure for rebalancing in favour of the Operator is set out in the Service Contract and is started at the request of the Concessionaire. Rebalancing in favour of ATO is established *ex officio*. In the event of disputes, a Technical Committee will be appointed with conciliation functions for the management of the Contract.

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

Composition of the concession right

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

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

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

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

Obligations to acquire or build property units

As noted above, the parent company is required to build 33 collection sites under the concession agreement. None were built during 2019.

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

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

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

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

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

Options for renewal and early termination of the agreement

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

Other rights and obligations

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

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

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

ATO also reserves (Section 8) the right to appoint the Operator to deliver additional complementary services in the event of supervening circumstances, reasons of public interest and/or orders issued by the competent

national, regional and provincial authorities. The awarding of these services is subject to the following conditions:

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

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

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

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

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

Construction revenues - concession rights

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

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

At 31 December 2019 these revenues amounted to Euro 15,350,333 and related to the following types of assets:

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

These are capitalised costs for investments made on these types of assets.

Development costs relate to the capitalisation of two projects called "Bio2energy" and "Suhm - smart containers-bins" for Euro 27,594 and Euro 78,734, respectively.

It should be noted that a tax credit of Euro 48 thousand has been recognised on these expenses, as required by tax regulations.

Construction costs - concession rights

At 31 December 2019 these amounted to Euro 15,350,333 and were stated in accordance with the provisions of IFRIC 12.

3) Other intangible assets

The 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	DEVELOPMENT COSTS	CONCESSIONS, TRADEMARKS AND SIMILAR RIGHTS	GOODWILL	OTHERS	CONCESSION RIGHTS	ASSETS UNDER DEVELOPMENT	INTANGIBLE ASSETS
VALUES AT 31.12.2018							
Gross value	0	9,467,049	250,481	2,672,361	357,826,327	505	371,278,206
Amortisation fund	0	-7,947,050	0	-2,435,295	-238,224,393	0	-249,668,222
NET IAS BALANCE AT 31.12.2018	0	1,519,999	250,481	237,066	119,601,934	505	121,609,984
CHANGES FOR FY 2019							
RECLASSIFICATION OF GROSS VALUE AT 01.01.2019	184,909			-184,909	-82,999		-82,999
RECLASSIFICATION OF AMORTISATION FUND AT 01.01.2019	-23,423			23,423	45,690		45,690

CHANGES FROM PURCHASES	0	268,039	0	9,682	15,350,333	241,385	15,869,439
TRANSFERS FOR RECLASSIFICATIONS	0	0	0	0	6,289,241	0	6,289,241
DECREASES	0	-1,934	0	0	-13,204,200	0	-13,206,133
DISPOSAL OF AMORTISATION FUND	0	1,934	0	0	11,469,143	0	11,471,077
2019 AMORTISATION	-36,982	-301,233	0	-26,536	-12,483,633	0	-12,848,383
Gross value	184,909	9,733,155	250,481	2,497,134	366,178,702	241,889	380,147,754
Amortisation Fund	-60,405	-8,246,350	0	-2,438,408	-239,193,193	0	-250,999,839
NET IAS BALANCE AT 31.12.2019	124,504	1,486,805	250,481	58,726	126,985,509	241,889	129,147,915

During the year software licenses were acquired for Euro 223,620, of which specific licences of Euro 39,321 for ERP accounting management software, Euro 141,700 for the Windows environment and related systems engineering, Euro 29,050 for tariff management software and Euro 13,549 for implementation of ERP payroll management software and for other software licenses purchased by Revet.

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 4,552 thousand, of which Euro 4,279 thousand in associates while non-qualified investments amounted to Euro 273 thousand, as reported below.

Description	Balance at 31 12 2019
Equity-accounted investments in Associates	4,278,681
Other non-qualified equity Investments	272,829
TOTAL	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:

GENERAL DETAILS									
Company name	Q.ENERGIA SRL	AL.BE S.r.L.	VALCOFERT SRL	SEARISORSE SPA	REAL SRL	VALDISIEVE SCRL	VETRORENET SRL	HOLME S.p.A. in liquidation	
Main operating office	CERTALDO - VIA PIANGRANDE	PECCIOLI (PI) - VIA GUGLIELMO MARCONI	CERTALDO - LOC. CANTONE S.S. 429	VIAREGGIO - VIA PALADINI	EMPOLI (FI)- VIA MOLIN NUOVO 28/30	FIRENZE (FI) VIA BENEDETTO VARCHI 34 CAP 50132	EMPOLI - VIA VIII MARZO	CASTELLO DI CISTERNA (NA) VIA ANTONIO GRAMSCI 16 CAP 80030	
Registered office	FORLI - VIA A. MASETTI	PECCIOLI (PI) - VIA GUGLIELMO MARCONI	EMPOLI - VIA GARIGLIANO	VIAREGGIO - VIA DEI COMPARNI	EMPOLI (FI)- VIA MOLIN NUOVO 28/30	FIRENZE (FI) VIA BENEDETTO VARCHI 34 CAP 50132	EMPOLI - VIA VIII MARZO	CASTELLO DI CISTERNA (NA) VIA ANTONIO GRAMSCI 16 CAP 80030	
Ownership percentage held by the company	50%	50%	42.50%	24.00%	50.10%	25.00%	49.00%	49.00%	
Share of voting rights held by the company	50%	50%	42.50%	24.00%	50.10%	25.00%	49.00%	49.00%	
ALIA CONSOLIDATED BALANCE SHEET VALUES								TOTAL	
Alia balance sheet value at 31/12/2018	226,658	22,819	31,835	916,179	-	-	563,212	1	1,760,704
Disposals								- 1	- 1
Purchases		500,000	187,006		1,402,800				2,089,806
Reclassifications						350,000			350,000
Change for application of the equity method through	38,461	-4,585	- 45,418		- 3,998	166,328	- 72,615		78,172

P&L									
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

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

- Sea Risorse S.p.A. (a company operating in sorted waste collection operations in two municipal districts of the Versilia region).
- Vetro Revet S.r.l., 49% held by Revet S.p.A.. In 2019, this investment recorded a loss of Euro 148 thousand. Its equity amounted to Euro 612 thousand at 31 December 2019.
- Q.Energia Srl (operating in the energy sector. Its business concerns exclusively the production of electricity through the management of the plant for the recovery and use of the biogas produced by the landfill at S. Martino a Maiano (Certaldo - Florence) for energy purposes.
- Al.be S.r.l. was established in a 50-50 partnership with Belvedere S.p.A. on 11 April 2018. Its purpose is the recovery and processing of waste with the operation of plants for the production of biogas - biomethane and biofuels. At present the company is still dormant. During 2019 it was involved in a capital increase of Euro 1,000,000, with the quotaholder Alia's share amounting to Euro 500,000.
- REAL S.r.l. was established in a 49.90% partnership with RELIFE S.p.A. on 4 November 2019. Its purpose is the collection, processing, sorting, transformation and storage of waste paper. The company was still dormant at 31 December 2019.

Among associates note the investment in Valdisieve Società Consortile, which was reclassified during 2019 as a result of changes in the capital and directly on the quotas held by some quotaholders. In this regard, it should be noted that the amount of Euro 350,000 relates to the values of the investee, which had been stated among "Other equity investments" as early as at 31 December 2018. The investment then increased from 12.33% to 25% as from the extraordinary quotaholders' meeting of Valdisieve S.c.a.r.l. held on 14 February 2019. It is a holding company that holds the capital of A.E.R. S.p.A. (in the Municipal district of Pontassieve), a company that operates the environmental hygiene service in the north area of Florence.

Other non-qualified equity investments:

These amounted to Euro 272,829; 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 154 thousand.

5) Non-current financial assets

Below are the non-current financial assets:

Description	Balance at 31 12 2019	Balance at 31 12 2018	Change
Receivables from	196,780	80,000	116780

Associates			
Guarantee deposits	166,421	158,855	7,566
TOTAL	363,201	238,855	124,346

The balance at 31 December 2019 was Euro 363 thousand, and specifically that relating to associates, equal to Euro 196,780, related to the financial receivable claimed from Valcofert S.r.l.. The balance at 31 December 2018, equal to Euro 238 thousand, included guarantee deposits of Euro 158 thousand and a financial receivable of Euro 80,000 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.

They are reported in the financial statements by offsetting deferred tax asset items, equal to Euro 8,879,919 against the debt for deferred tax liabilities, equal to Euro 40,048.

This approach has been also adopted for reporting the net amount equal to Euro 7,244,814 relating to 2018.

Below is a breakdown of deductible and taxable temporary differences:

	BALANCE SHEET ITEMS	DEFERRED TAX ASSETS AND LIABILITIES 31/12/2018	TEMPORARY DIFFERENCES 31/12/2019	DEFERRED IRES TAX ASSETS/LIABILITIES 31/12/2019	DEFERRED IRAP TAX ASSETS/LIABILITIES 31/12/2019
ALIA (PARENT COMPANY)	Fixed assets	-5,403,194	-17,941,370	-4,305,929	-918,598
	Provision for bad debts	8,049,838	22,580,886	5,419,413	0
	Productivity	618,482	2,490,555	597,733	0
	Litigation risks	412,866	1,543,911	370,539	79,048
	Employee Severance Pay	221,063	943,462	226,431	
	Losses from previous years	3,833,589	26,354,322	6,325,037	0
	Vaiano landfill	237,301	702,768	168,664	35,982
	Vigiano landfill	759,191	3,611,268	866,704	184,897
	Case Passerni landfill	-1,730,420	-5,035,101	-1,208,424	-257,797
	Capital gains divided into instalments	-7,741	-32,256	-7,741	0
	Receivables for deferred tax assets -OCI	332,736	2,215,958	531,830	
	Provision for maintenance risks	79,345	439,983	105,596	22,527
	Provision for bad debts on loans	1,158	202,077	48,498	0
	Allowance for corporate equity (ACE)	0	771,218	185,092	0
IRMEL					

PROGRAMMA AMBIENTE	Fixed assets	-89,572	310,781	-74,592	-14,980
	Provision for bad debts	101,280	422,000	101,280	0
	Productivity	0	0	0	0
	Losses from previous years	38,603	160,847	139,813	0
PROGRAMMA AMBIENTE APUANE	Provision for bad debts	107,376	492,123	118,110	0
	Montignoso landfill			351	70
Q.THERMO	Losses from previous years	140,364	584,850	140,364	0
REVET	Fixed assets	0	-2,987,826	-717,079	-144,013
	Provision for bad debts	0	158,394	38,015	0
	Litigation risks	0	15,736	3,777	758
	Employee Severance Pay	0	46,318	11,116	0
	Tax losses, net of uses of losses 2019		1,758,740	422,098	
	Provision for risks on employee bonuses	0	216,528	51,967	
	Lease debt	0	775,895	186,215	37,398
	Other minor items	0	290,417	69,700	0

	DEFERRED IRES TAX ASSETS	DEFERRED IRES TAX LIABILITIES	DEFERRED IRAP TAX ASSETS	DEFERRED IRAP TAX LIABILITIES
ALIA	14,845,538	-5,522,094	322,454	-1,176,395
IRMEL	0	0	0	0
PROGRAMMA AMBIENTE	101,280	65,221	0	-14,980
PROGRAMMA AMBIENTE APUANE	118,461	0	70	0
Q.THERMO	140,364	0	0	0
REVET	782,888	-717,079	38,156	-144,013
GROUP	15,988,531	-6,173,952	360,680	-1,335,388

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

The receivable for deferred tax assets reported in the statement of financial position (equal to Euro 15,668 thousand) includes the receivable for deferred tax assets through OCI for Euro 532 thousand.

Tax losses will be recovered through the expected tax profits for the period of the concession term, as far as the Parent Company is concerned, and through expected positive tax results, for the other companies included in the consolidation.

Other Non-Current Assets

Description	Balance at 31 12 2019	Balance at 31 12 2018	Change
IRAP tax credit (ACE, Allowance for corporate equity) beyond 12 months	184,389	112,462	71,928
Credit for refund for non-deduction of IRAP tax	71,953		71,953
Receivables from customers due beyond 12 months	29,000		29,000
Prepaid expenses	347,801		347,801
TOTAL	633,143	112,462	520,681

The amount of Euro 184 thousand related to the transformation of the ACE (*Aiuto alla Crescita Economica*, Allowance for corporate equity) surplus into a tax credit that can be offset. Prepaid expenses mainly relate to surety policies.

CURRENT ASSETS

7) Inventories

The table below shows changes in inventories:

Description	Balance at 31 12 2019	Balance at 31 12 2018	Change
Raw Materials, Supplies and Consumables	3,296,092	2,696,631	599,461
Finished products and Goods for resale	614,333	617,859	-3,526
TOTAL	3,910,425	3,314,490	595,935

Inventories, amounting to Euro 3,910 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.

8) Trade receivables

The table below shows the breakdown of trade receivables:

Description	Balance at 31 12 2019	Balance at 31 12 2018	Change
Receivables from Customers	132,367,143	120,746,131	11,621,012
Provision for Bad Debts	-25,174,279	-36,205,542	11,031,263
TOTAL	107,192,865	84,540,589	22,652,275

The balance of trade receivables, amounting to Euro 107,193 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 2019 and receivables from users for TIA (*Tariffa di Igiene Ambientale*, Environmental Hygiene Tariff) bills.

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

Description	31/12/2018	Increases	Uses	31/12/2019
Provision for Bad Debts	36,205,542	457,188	11,488,451	25,174,279

Below is the ageing of customers at 31 December 2019:

BALANCE OF RECEIVABLES - 2019	OVERDUE AMOUNTS				AMOUNTS FALLING DUE
	0-30	31-60	61-90	beyond 90	
132,367,143	4,373,530	1,959,517	1,843,495	40,623,133	83,567,468

9) Current financial assets and Equity investments

Current financial assets

The balance of current financial assets at 31 December 2019 was equal to Euro 54,811 and was made up of Securities held by subsidiary REVET.

Equity investments

Description	Balance at 31 12 2019	Balance at 31 12 2018	Change
Investments held for sale	1,770	1,770	0
TOTAL	1,770	1,770	0

10) Current tax assets

The table below shows the breakdown of current tax assets:

Description	Balance at 31 12 2019	Balance at 31 12 2018	Change
IRES tax advances	2,925,353	3,397,555	-472,202
IRAP tax advances	301,529	866,702	-565,173
Withholding tax receivables from Tax Office	179,670	154,773	24,897

IRES tax receivables		3,783	-3,783
IRAP tax receivables		15,955	-15,955
Other receivables		22,893	-22,893
TOTAL	3,406,552	4,461,661	-1,055,109

The balance at 31 December 2019, equal to Euro 3,406,552, 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.

11) Other current assets

Description	Balance at 31 12 2019	Balance at 31 12 2018	Change
VAT tax receivables from Tax Office	235,973	3,370,662	-3,134,689
Receivable from Tax Office for VAT refund	418	418	0
IRES tax receivables		11,000	-11,000
Receivable for IRAP tax refund	70,499	760,858	-690,359
Other Receivables	5,774,242	5,884,519	-110,277
Accrued income	37,029	0	37,027
Prepaid expenses	1,298,469	1,502,211	-203,741
Withholding tax receivables from Tax Office	728	0	728
TOTALE	7,417,358	11,529,667	-4,112,310

The balance at 31 December 2019, amounting to Euro 7,417 thousand, related to VAT credits for Euro 236 thousand and to Other receivables for Euro 5,774 thousand, of which an amount of Euro 2,700 thousand is claimed from ATO for grants to be received and an amount of Euro 256 thousand from the Tuscany Regional government.

12) Cash and cash equivalents

The table below shows the balances of the items at 31 December 2019:

Description	Balance at 31 12 2019	Balance at 31 12 2018	Change
Current bank accounts	89,903,333	128,043,673	-38,140,340
Postal accounts	616,852	2,070,112	-1,453,260
Money and Cash on hand	25,173	17,134	8,040
TOTAL	90,545,359	130,130,919	-39,585,560

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

5) EXPLANATORY NOTES TO THE LIABILITY ITEMS

13) Share capital

The Alia Group's share capital at 31 December 2019 was Euro 85,376,852 and was divided into ordinary shares and company quotas.

Earnings per share

These are calculated by dividing the profit or loss attributable to the Parent Company's shareholders by the weighted average of ordinary shares outstanding during the period. During the period the nominal share capital of Alia S.p.A. remained unchanged and was divided into 85,376,852 ordinary shares; there were no dilutive factors. Therefore, they amounted to Euro 0.016.

14) Reserves

The table below shows the breakdown of reserves:

Description	Balance at 31/12/2018	Increases for the year	Decreases for the year	Balance at 31/12/2019	Possible use (A) - Distributability (B) - Loss coverage (C)
Legal reserve	1,796,524	51,606		1,848,130	C
Share premium reserve	16,965,073			16,965,073	A,C
Extraordinary reserve	34,012,884	938,649		34,951,533	A,B,C
Ex Asm S.p.A. Business Combination reserve	-2,488,476			-2,488,476	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 Combination reserve	580,659			580,659	A,B,C
OCI Actuarial Loss reserve	-142,692		540,692	-683,384	
Profits carried forward	355,229			355,229	A,B,C
Other reserves	17,883,367	21,018,234	10,783,667	28,117,934	A,B,C
Total	78,290,490	22,008,489	11,324,359	88,974,619	

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.

Extraordinary reserve and other revenue reserves

These increased from Euro 61,325,416 at 1 January 2019 to Euro 72,009,546 at 31 December 2019; the increase for an amount equal to Euro 10,684,130 was mainly due to the positive change in equity of Revet, attributable to an increase in reserves for about Euro 11,404 thousand.

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 2019:

	Equity at 31.12.2019	Profit (loss) at 31.12.2019
Balances as per the financial statements of the Parent Company	166,742,960	- 80,567
Equity of Subsidiaries	36,864,495	1,287,053
Derecognition of the carrying amount of equity investments	- 20,328,819	
Other Adjustments	372,166	196,839
Balances as per the consolidated Financial Statements of the Alia Group	183,650,802	1,403,325
Of which Minority interests	17,424,654	1,015,325

15) Minority interests

Share/quotaholders of:	Equity attributable to minority interests	Net profit (loss) attributable to minority interests
Programma Ambiente Apuane SpA	131,101	-24,885
Q.Thermo Srl	1,562,375	-41,814
Irmel Srl	199,939	63,654
Revet SpA	14,515,914	1,018,369
TOTAL	16,409,329	1,015,325

NON-CURRENT LIABILITIES

16) 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 31/12/2018	17,786,910	1,342,639	4,218,448	6,260,517	43,383	4,185,853	272,477	34,110,226
Provisions					53,044	2,889,534	350,917	3,293,495
Adjustment to Provision	-317,720	-129,434	644,541					197,387
Financial costs (income)	406,958	-12,512	74,164	193,128				661,738
Uses	-146,874	-57,219	-258,418		-11,605	-2,756,191	-183,411	-3,413,718
Surpluses through P&L					-31,778			-31,778
Change in consolidation area								
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

The balance of provisions for risks and charges was Euro 34,817 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 30,005 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.
- The Provision for risks for the Apuane Landfill was determined by a specific third-party expert's report aimed at quantifying the amount to be set aside based on the quantities of waste placed in landfills.
- As regards Case Sartori, a provision for Post-management was not set aside in accordance with the provisions of the EFP drawn up in tendering, which led to awarding the environmental management service of ATO Toscana Centro. According to the plan, the costs incurred for the post-management of

this landfill will in fact be covered annually with the new tariffs, but they will not affect the Company's accounts.

- Provisions for Other risks for Euro 4,319 thousand. This item has been recorded to cover future and possible risks related to pending disputes (for Euro 1,544 thousand); an amount of Euro 2,707 thousand has also been allocated for productivity bonuses payable to employees.
- Provision for restoration and replacement for Euro 440 thousand. This item is recorded to meet costs relating to future and prospective cyclical non-routine maintenance of plants.

Furthermore, the potential impact on the Provisions for post-closure period of landfills in terms of growth, as a result of a theoretical decrease of 50 bps in interest rates, would be equal to Euro +2,608 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 -2,208 thousand.

17) Employee severance pay and other benefits

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

<i>DESCRIPTION</i>	PROVISION FOR EMPLOYEE SEVERANCE PAY
1) Value at 31/12/2018	19,851,834
2) Provisions	55,201
3) Uses	-1,783,178
4) Releases	0
5) Surpluses through P&L	0
6) Other Changes	-43,565
7) Actuarial (Gain) / loss	945,869
8) Interest Cost	242,252
9) VALUE AT 31/12/2019	19,268,413

The item, amounting to Euro 19,268 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 2019	% rate used for FY 2018	% rate used for FY 2019	% rate used for FY 2018
Inflation rate	1.20%	1.50%	1.20%	1.50%
Annual discount rate	0.37%	1.13%	0.77%	1.57%
Annual rate of overall pay increases	2.40%	2.63%	2.40%	2.63%
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.

18) Non-current financial liabilities

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

Description	Balance at 31 12 2019	Balance at 31 12 2018	Change
Bonds	49,749,098	49,672,287	76,811
Payables to banks (Beyond 12 months)	15,511,779	24,908,495	-9,396,716
Lease payables (Beyond 12 months)	1,824,394	1,409,715	414,679
Payables to other lenders (Beyond 12 months)	963,208	1,858,402	-895,194
Payables for Shareholders loans (Beyond 12 months)	126,000	126,000	0
TOTAL	68,174,480	77,974,900	-9,800,420

Below are the changes in payables to banks for loans:

Description	balance at 31/12/2018	Increase from new loans	decrease for repayments	balance at 31/12/2019
Payables to banks	24,908,495	4,678,148	14,737,985	15,511,779

Payables to banks: the balance also includes amounts due to banks for the medium- and long-term portion (equal to Euro 15,512 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 2019.

19) Non-current trade payables

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

In reporting the 2019 financial statements, payables to suppliers due beyond 12 months were reclassified to other non-current liabilities for Euro 5,900,000.00. 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.

20) 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 17,851 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 IAS 39.

Derivative contract type	Interest rate swap	Interest rate swap	Total
Contract number	007052502920	9162590	
Purpose	Hedging	Hedging	

Notional value	Euro 1,492,574	Euro 1,697,146	Euro 3,189,720
Underlying financial risk	Interest rate risk	Interest rate risk	
Fair value	Euro -80,290	Euro -139,029	Euro -219,319
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 234,432 thousand, net of tax of Euro 56,264.

21) Other non-current liabilities

Description	Balance at 31 12 2019	Balance at 31 12 2018	Change
Deferred income beyond 12 months	5,446,675	4,847,990	598,685
Payables to Publiservizi Spa	1,440,000	1,560,000	-120,000
Provincial Tax	600,933	665,198	-64,265
Other payables		12,894	-12,894
Guarantee deposits	279,472	546,639	-267,167
TOTAL	7,767,080	7,632,721	134,360

The payable to Publiservizi S.p.A., equal to Euro 1,440 thousand, relates to an amount owed to this company for the purchase of an industrial shed located in the Municipal district of Fucecchio (Florence).

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

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 2019 and beyond five years can be inferred from the table below:

	FROM 1 TO 5 YEARS	BEYOND 5 YEARS
TOTAL	2,523,655	2,923,021

CURRENT LIABILITIES

22) Current financial liabilities

Below are the total and breakdown of current financial liabilities:

Description	Balance at 31 12 2019	Balance at 31 12 2018	Change
Accrued Bond Interest	1,095,492	1,098,493	-3,001
Payables for Shareholders' Loans (Within 12 months)	27,379	22,969	4,410

Payables to banks within 12 months	39,650,808	36,270,243	3,380,565
Lease payables (Within 12 months)	802,039	0	802,039
Payables to other lenders (Within 12 months)	903,594	2,409,145	-1,505,552
Payables for hired vehicles (Within 12 months)	220,752		220,752
TOTAL	42,700,064	39,800,850	2,899,213

The balance at 31 December 2019 amounted to Euro 42,700,064 (Euro 39,800,850 at 31 December 2018) 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 1,095 thousand, consisting of interest that accrued during the period.

23) Trade payables

The table below shows the total and breakdown of trade payables

Description	Balance at 31 12 2019	Balance at 31 12 2018	Change
Payables to suppliers	75,694,732	83,106,639	-7,411,907
Payables to associates	286,913	815,101	-528,188
Payables to entities controlled by parent companies	27,215	246	26,969
TOTAL	76,008,860	83,921,985	-9,113,126

The balance of Euro 76,009 thousand mainly includes trade payables of Euro 75,695 thousand.

24) Current tax liabilities

Current tax liabilities are broken down in the table below:

Description	Balance at 31 12 2019	Balance at 31 12 2018	Change
IRES tax payables	49,031	6,617	42,414
IRAP tax payables	68,568	29,505	39,063
TOTAL	117,599	36,122	81,477

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

25) Other current liabilities

Description	Balance at 31 12 2019	Balance at 31 12 2018	Change
VAT payables to Tax Office	238,510	56,627	181,883
Other payables	9,463,120	8,141,182	1,321,938
Accrued expenses	94,498	-0	94,498
Deferred income	961,049	783,670	177,379
Deferred VAT - Customers	776	776	0
Withholding tax payables to Tax Office	43,252	43,583	-331
Employee IRPEF tax payables to Tax Office	2,244,889	2,277,420	-32,531
Payables to social security institutions	4,671,700	4,521,968	149,732
Substitute tax payables - Employee Severance Pay	268	7,489	-7,221
Ecotax	201,090	74,284	126,807
Payables to the Municipality of Florence	4,990	222,156	-217,166
TOTAL	17,924,143	16,129,155	1,794,988

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 for Euro 4,565 thousand to payables to employees for accrued holidays untaken and for Euro 1,566 thousand to payables to municipal governments for environmental hardship allowance, while the remaining payables related to amounts due to finance companies and to suppliers for non-trade payables.

6) EXPLANATORY NOTES TO THE INCOME STATEMENT ITEMS

26) Revenues

Revenues

Total revenues from sales and services of the Alia Group recorded in 2019 came to Euro 337,891,349 (Euro 299,626,560 at 31 December 2018). The revenues of parent company Alia Servizi Ambientali S.p.A. alone, deriving from waste collection, treatment and disposal service, amounted to Euro 309,090 thousand, of which an amount of Euro 280,251 thousand came from the Municipalities that are directly and indirectly shareholders of the Company.

The Company has charged the amount of rebalancing in line with the ATO's resolution to the income statement and to invoices to be issued.

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

Description	Balance at 31 12 2019	Balance at 31 12 2018	Change
Revenues from Municipal Governments	280,152,422	267,580,837	12,571,585
Revenues from other sales	53,029,088	31,244,439	21,784,648
Revenues from sale of Finished Products	4,709,839	1,105,759	3,604,080
TOTAL	337,891,349	299,931,035	37,960,314

Change in inventories

Changes in inventories for finished products came to - Euro 3,525, due to the consolidation of Irmel S.r.l. and Revet S.p.A..

Other operating revenues

Other operating revenues of the Alia Group came to Euro 11,482,922 (Euro 6,530,880 at 31 December 2018), including operating revenues of the Parent Company alone for Euro 8,674,717.

The breakdown of Other operating revenues of the Group mainly include:

- Operating grants for Euro 90,282
- Set-up grants for Euro 392,093
- Revenue from penalties for Euro 384,948
- Revenues for claims compensation for Euro 785,298
- Recoveries and reimbursements for Euro 939,771
- GSE electricity production incentives for Euro 264,233
- Contingent assets for Euro 2,104,942
- Other revenues for Euro 1,963,889
- Compensation for transport costs for Euro 135,021
- Capital grants for Euro 700,000
- Incentive tariff for Euro 220,680
- Revenue from company canteen for Euro 313,125
- Reimbursement of disposal costs for Euro 2,763,155.

27) Operating costs

Below are the total and breakdown of operating costs at 31 December 2019:

Description	Balance at 31 12 2019	Balance at 31 12 2018	Change
Fuels and lubricants	7,702,106	7,667,911	34,195
Spare parts	3,243,328	2,515,657	727,671
Bags	1,212,695	1,389,773	-177,077
Consumables	3,556,612	3,267,655	288,957
Chemicals	493,707	336,692	157,015
Other purchases	2,867,928	1,661,683	1,206,244
Costs of Raw Materials and Consumables	19,076,376	16,839,371	2,237,004
Waste collection	44,027,163	41,823,925	2,203,238
Insurance	4,303,980	4,211,947	92,032
TIA tariff collection services	1,067,050	1,019,767	47,282
Legal and notarial fees	590,341	795,791	-205,450
Third-party services	3,810,630	4,350,948	-540,318
Refund to suppliers of regional waste disposal tax	3,151,672	2,185,728	965,944
Others	12,004,973	7,361,951	4,643,022
Third-party processing	6,542,540	2,048,882	4,493,658
Waste disposal services	5,068,296	679,359	4,388,937
Multi-material waste sorting plant operation	1,798,203	397,466	1,400,737
Transport, treatment and disposal services	65,665,608	60,778,555	4,887,053
Cleaning and sweeping services	7,150,738	6,665,210	485,529
Operation and cleaning of green areas and historic centres	5,996,263	5,471,721	524,542
Environmental hardship allowance	2,145,903	2,887,527	-741,624
Maintenance	10,094,361	7,888,296	2,206,064
Energy, water and gas utilities	5,700,671	4,368,819	1,331,853
Rentals and leases payable	4,534,120	3,862,523	671,597
Canteen	1,599,424	1,459,562	139,862
Costs for Services	185,251,935	158,257,975	26,993,960
Wages and salaries	73,229,599	63,726,004	9,503,595
Contracted work	9,606,758	11,803,207	-2,196,449
Social security costs	25,377,661	22,393,537	2,984,124
Employee Severance Pay	4,688,795	4,249,526	439,269
Other personnel costs	3,158,909	2,595,739	563,171

Personnel costs	116,061,722	104,768,012	11,293,710
Regional Disposal Tax	1,884	32,811	-30,927
Contingent liabilities	1,228,361	744,450	483,911
Sundry tax and duties	1,509,503	1,457,097	52,406
Capital losses	776,222	121,882	654,340
Others	1,519,489	1,149,179	370,310
Commissions expense	195,081		195,081
Other operating expenses	5,230,540	3,505,418	1,725,121

Compared to the table of operating costs reported in the notes to the 2018 consolidated financial statements, changes have been made to the breakdown items used in order to ensure a better reporting.

The fees paid to directors and statutory auditors amounted to Euro 379,776 and Euro 115,166, respectively.

The average number of staff employed by the Alia Group during the year was 2,560 units as detailed below:

	ALIA S.p.A.	Revet S.p.A.	IRMEL S.r.l.	Qthermo S.r.l.	Programma Ambiente S.p.A.	Programma Ambiente Apuane S.p.A.	Alia Consolidated Financial Statements
Senior management	12	2				1	15
Middle managers/Office workers	570	49			9	2	630
Manual workers	1,471	143	3		8	2	1,627
Agency staff	254	30			5		289
Total	2,307	224	3	0	22	5	2,560

28) Amortisation, depreciation, provisions and write-downs

Description	Balance at 31 12 2019	Balance at 31 12 2018	Change
<i>Amortisation of intangible assets</i>	364,751	1,060,514	-695,763
<i>Depreciation of property, plant and equipment</i>	6,702,967	3,001,834	3,701,133
<i>Amortisation of Concession Rights</i>	12,483,633	14,130,754	-1,647,121
Subtotal of amortisation and depreciation			
Provisions for risks	555,306	343,776	211,530
Provisions for Post-Closure period of	197,387	-54,230	251,617

landfills			
Other provisions	53,045	43,383	9,662
TOTAL	20,357,088	18,526,031	1,831,057

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

This item is broken down as follows:

Description	Balance at 31 12 2019	Balance at 31 12 2018	Change
Accrual to Provision for bad debts	420,933	576,548	-155,615
TOTAL	420,933	576,548	-155,615

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

Description	Balance at 31 12 2019	Balance at 31 12 2018	Change
Write-downs of subsidiaries	1	0	1
Write-downs of other equity investments		220	-220
TOTAL	1	220	-219

30) Share of profits (losses) of joint ventures and associates

The balance at 31 December 2019 came to Euro 128,172 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.

31) Financial operations

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

Financial income

Description	Balance at 31 12 2019	Balance at 31 12 2018	Change
Consolidation adjustments	-0	688,243	-688,243
Income from equity investments in other	3	3	0

companies			
Other interest income from receivables	276,503	336,177	-59,674
Interest income from current bank accounts	546,871	487,018	59,853
Financial income from discounting of provisions for post-closure period of landfills	12,512	365,630	-353,118
Interest income from subsidiaries	2,852	0	2,852
Income other than the foregoing	3,805	44,100	-40,295
TOTAL	842,546	1,921,170	-1,078,624

Financial costs

The table below shows the breakdown of financial costs:

Description	Balance at 31 12 2019	Balance at 31 12 2018	Change
Interest on loans	882,426	826,391	56,035
Interest expense on Bond	1,423,810	1,421,709	2,100
Default interest expense	4,458	8,582	-4,124
Interest expense on current bank accounts	165,095	197,766	-32,671
Financial costs on discounting of provisions for post-closure period of landfills	481,122		481,122
Interest expense on Employee Severance Pay	242,252	277,760	-35,509
Other interest expense	327,769	66,590	261,178
Interest for IAS adoption		188,149	-188,149
TOTAL	3,526,932	2,986,950	539,982

32) 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 2019 and remained unchanged compared to 2018:

	Alia SpA (parent company)	Irmel Srl	Programma Ambiente SpA	Programma Ambiente Apuane SpA	Q.Thermo Srl	Revet SpA	ALIA GROUP
Difference between production value and costs	106,852,102	199,314	-734,860	-85,584	- 104,493	2,446,993	108,573,472
Increases	1,261,052	83,011	342,042	180,111	26,022	10,665,947	12,558,185
Decreases	99,035,212	44,617	1,260	8,000		7,006,736	106,095,825
Taxable income	9,077,942	237,708	-394,078	86,527	-78,471	6,106,204	15,035,832

IRAP tax rate	5,12%	4,82%	4,82%	4,82%	0,00%	4,82%	0
IRAP tax	464,791	11,458		4,171	0	294,319	774,738

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

	Alia SpA (parent company)	Irmel Srl	Programma Ambiente SpA	Programma Ambiente Apuane SpA	Q. Thermo Srl	Revet SpA	ALIA GROUP
Pre-tax accounting income	-673,716	196,354	-794,736	-130,987	- 104,534	1,833,476	325,856
Increases	7,753,255	112,759	165,350	70,795	26,032	831,623	8,959,814
Decreases	17,498,304	79,985	27,622	10,959	12,766	1,632,095	19,261,731
Tax losses						1,033,004	1,033,004
Taxable income	-10,418,765	229,127	-657,008	-71,151	- 91,268		-11,009,065
IRES tax rate	24%	24%	24%	24%		24%	
IRES tax		54,991					54,991

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

Accrued IRES tax	-	270,069
Accrued IRAP tax		905,985
Change in deferred tax	-	1,516,976
Accrued tax	-	881,060
Income before tax		522,264

7) OTHER INFORMATION

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

Net financial position	Note	31/12/2019	31/12/2018
Non-current bonds	18	-49,749,098	-49,672,287
Non-current bank loans	18	-17,336,174	-26,318,210
Due to shareholders for loans	18	-126,000	-126,000
Other lenders	18	-963,208	-1,858,402
Total non-current financial debt		-68,174,480	-77,974,900
Current bank loans	22	-41,548,339	-37,368,736

Other lenders	22	-1,124,346	-2,409,145
Shareholders' loans	22	-27,379	-22,969
Cash and cash equivalents	12	90,545,359	130,130,919
Total net financial debt		-20,329,184	12,355,169

Fees due to Independent Auditors

Type of service	Entity that has delivered the service	Recipient	Notes	Fees - 2019 (€)
Audit of accounts	PwC SpA	Parent Company Alia Servizi Ambientali SpA	(1)	60,000
	PwC SpA	Subsidiaries	(2)	43,400
Issue of certifications	PwC SpA	Parent Company Alia Servizi Ambientali SpA	(3)	20,630
			Total	124,030

- (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 SpA, Programma Ambiente SpA and Programma Ambiente Apuane SpA and related periodic audits.
- (3) Fees for the assurance engagement on the Disclosure of non-financial information under Legislative Decree No. 254/2016 for the 2019 financial year.

Related-party transactions

The municipal waste service operated by the Alia Group in the area of competence is performed on the basis of agreements signed with local area authorities and concerns the operation of collection, transport, road sweeping and washing services, sending waste for recovery and disposal, etc. on an exclusive basis. The agreements signed with local area authorities regulate the economic aspects of the contractual relationship, as well as the methods of organisation and operation of the service and the quantitative and qualitative levels of the services delivered. The fees due to the operator for the services performed, including municipal waste disposal, treatment and recovery, are set annually according to the national tariff method, as supplemented, from 2013, by the TARES (*Tassa Rifiuti e Servizi*, Waste and Services Tax)/TARI (*Tassa sui Rifiuti*, Waste Tax) legislation. The 2019 fees approved by the local area authorities were invoiced to each Municipality or to the citizens, where the quantity-based tariff fee is applied.

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

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

EURO*1,000	RECEIVABLES	NON-CURRENT FINANCIAL ASSETS	PAYABLES	REVENUES	COSTS
PARENT COMPANIES	15,147	0	5	81,902	514
MUNICIPALITY OF FLORENCE	15,147		5	81,902	514
EURO*1,000	RECEIVABLES	NON-CURRENT FINANCIAL ASSETS	PAYABLES	REVENUES	COSTS
MUNICIPALITIES	38,513	0	2,564	183,049	2,805
MUNICIPALITY OF SIGNA	556		0	3,294	0
MUNICIPALITY OF SESTO FIORENTINO	1,416		616	8,515	262
MUNICIPALITY OF SCANDICCI	1,105			8,158	3
MUNICIPALITY OF CALENZANO	1,118			4,024	0
MUNICIPALITY OF BAGNO A RIPOLI	866		0	4,437	2
MUNICIPALITY OF CAMPI BISENZIO	1,719		438	8,068	178
MUNICIPALITY OF SAN CASCIANO VAL DI PESA	425		0	3,207	18
MUNICIPALITY OF IMPRUNETA	1,112		0	2,407	0
MUNICIPALITY OF GREVE IN CHIANTI	483		0	3,053	14
MUNICIPALITY OF FIESOLE	318		0	2,625	0
MUNICIPALITY OF BARBERINO VAL D'ELSA	111		0	0	0
MUNICIPALITY OF FIGLINE E INCISA VALDARNO	626		1	4756	41
MUNICIPALITY OF SCARPERIA E SAN PIERO	238		0	2,294	0
MUNICIPALITY OF LASTRA A SIGNA	507		0	3,027	0
MUNICIPALITY OF EMPOLI	1,529			7,974	88
MUNICIPALITY OF VINCI	430		0	2,093	9
MUNICIPALITY OF MONTELUPO FIORENTINO	504		0	2,118	13
MUNICIPALITY OF CASTELFIORENTINO	399		0	2,240	31
MUNICIPALITY OF CERRETO GUIDI	856			1,444	3
MUNICIPALITY OF GAMBASSI TERME	176		0	762	0
MUNICIPALITY OF MONTAIONE	139		4	805	0

MUNICIPALITY OF BORGO SAN LORENZO	459		77	3190	139
MUNICIPALITY OF CAPRAIA E LIMITE	152		0	864	0
MUNICIPALITY OF VICCHIO	1,592		0	1187	0
MUNICIPALITY OF FUCECCHIO	679			2,939	21
MUNICIPALITY OF MASSA E COZZILE	262		0	1,275	0
MUNICIPALITY OF BARBERINO DI MUGELLO	395		0	2,121	0
MUNICIPALITY OF MONTESPERTOLI	392		172	2,031	1,090
MUNICIPALITY OF PONTE BUGGIANESE	867		0	1,450	0
MUNICIPALITY OF CERTALDO	572		18	2,130	14
MUNICIPALITY OF LARCIANO	133		0	852	0
MUNICIPALITY OF MONSUMMANO TERME	281		0	2430	7
MUNICIPALITY OF VAGLIA	65		0	741	0
MUNICIPALITY OF PISTOIA	4,526		344	15673	389
MUNICIPALITY OF SERRAVALLE PISTOIESE	157		0	1,293	0
MUNICIPALITY OF CHIESINA UZZANESE	81		0	664	0
MUNICIPALITY OF AGLIANA	403		0	2999	0
MUNICIPALITY OF QUARRATA	622		0	4,813	2
MUNICIPALITY OF MONTALE	299		0	1,972	6
MUNICIPALITY OF BUGGIANO	1,506		0	1,437	0
MUNICIPALITY OF CANTAGALLO	144		7	443	0
MUNICIPALITY OF CARMIGNANO	140		0	1925	0
MUNICIPALITY OF MONTEMURLO	890			3,746	0
MUNICIPALITY OF POGGIO A CAIANO	3,246		0	1,553	0
MUNICIPALITY OF PRATO	2,362		876	30,194	466
MUNICIPALITY OF VAIANO	110		4	1,335	6
MUNICIPALITY OF VERNIO	58		0	849	0
MUNICIPALITY OF ABETONE CUTIGLIANO	212		0	709	0
MUNICIPALITY OF MARLIANA	20		0	515	0

MUNICIPALITY OF MONTECATINI TERME	729		0	5406	0
MUNICIPALITY OF PIEVE A NIEVOLE	412		0	1,207	3
MUNICIPALITY OF PESCIA	1,356		0	3,480	0
MUNICIPALITY OF RIGNANO SULL'ARNO	231		0	1,425	0
MUNICIPALITY OF SAMBUCA PISTOIESE	28		0	222	0
MUNICIPALITY OF SAN MARCELLO PITEGLIO	144		0	1406	0
MUNICIPALITY OF UZZANO	78		0	815	0
MUNICIPALITY OF BARBERINO TAVARNELLE	277		0	2447	0
MUNICIPALITY OF LAMPORECCHIO			7	10	0

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

EURO*1,000	RECEIVABLES	NON-CURRENT FINANCIAL ASSETS	PAYABLES	REVENUES	COSTS
Associates:	1,923	0	77	1,992	1,186
Q.Energia S.r.l.	0	-	0	0	-
REAL	-	-	-	-	-
METALCARTA	-	-	0	-	0
VALDISIEVE	-	-	-	-	-
VETRO REVET	1,923	-	77	1,992	1,185
Al.Be S.r.l.					
Valcofert S.r.l.	0	0	0	0	0
SEA Risorse S.p.A.	0	-	-	-	-

EURO*1,000	RECEIVABLES	NON-CURRENT FINANCIAL ASSETS	PAYABLES	REVENUES	COSTS
Related parties:	6,068	-	1,552	9,283	6,177
Le Soluzioni S.c.r.l.	0	-	2	0	3
Servizi Ecologici Integrati Toscana S.r.l.	6,067	-	1,198	9,265	4,217
Siena Ambiente S.p.A.	1	-	352	18	1,957

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		107,192,865		107,192,865
Other current assets		7,417,358		7,417,358
Cash and cash equivalents		90,545,359		90,545,359
NON-CURRENT ASSETS				
Non-current financial assets		363,201		363,201
Equity investments in other companies		272,829		272,829
Derivatives	33,149			33,149

CURRENT LIABILITIES

Current financial liabilities			42,700,064	42,700,064
Trade payables			76,008,860	76,008,860
Other current liabilities			17,924,143	17,924,143

NON-CURRENT LIABILITIES

Non-current financial liabilities			68,174,480	68,174,480
Non-current trade payables			5,900,000	5,900,000
Other non-current liabilities			7,767,080	7,767,080
Derivatives	219,319			219,319

It should be noted that there were no financial instruments measured at fair value at 31 December 2019, except for the hedging derivatives described above. 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.

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	42,700,064	66,641,498	1,532,982	110,874,544
Trade payables	76,008,860	5,900,000	0	81,908,860
Other payables	18,041,742	3,401,626	4,365,454	25,808,823
Total	136,750,666	75,943,124	5,898,436	218,592,226

At 31 December 2019, "cash and cash equivalents" amounted to Euro 90,545 thousand; thus, there are no problems regarding the repayment of total short-term payables as described above.

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

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

In any case, it is believed that the Group'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.

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 entails 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 active 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 on the issues relating to credit risk and liquidity risk, reference should be made to the report on operations.

Guarantees and commitments

The guarantees given are shown below:

1) surety guarantee for the final deposit in favour of the Toscana Centro Area Authority for an initial value of Euro 11,956 thousand issued by Reale Mutua Assicurazioni on 27 July 2017 and supplemented for Euro 319 thousand in May 2019, for a total value of Euro 12,275 thousand for the period from 30 August 2017 to 30 August 2020;

2) bank guarantees as shown in the table below:

Bank	Type of Guarantee	Nominal Guarantee Amount (amounts in thousands of Euros) 2019
Intesa San Paolo	Surety in favour of the Municipality of Montespertoli for mitigation and restoration projects for the Casa Sartori Landfill	150
Intesa San Paolo	Surety on bank loans of Programma Ambiente S.p.A.	2,047
Intesa San Paolo	Unconditional first-demand guarantee in favour of the GSE energy services operator for subsidiary Q.THERMO S.p.A. (*)	12,400

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

3) For Alia: sureties of Euro 49,847 thousand to cover environmental risks related to landfills and plants under management, as requested by Municipalities, the Tuscany Regional Government, the Metropolitan City of Florence, as well as those issued to the Ministry of the Environment for registration in the Registry of Environmental Operators.

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

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

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 litigation

Disputes with a probable risk of losing the case:

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

As the deadline for appeal was pending last year, we confirmed the allocation to the provision for risks. On 14 June 2018, INPS (Italian Social Security Institute) served an appeal on the Company against the trial judgment (527/2017). The appellate proceedings initiated by INPS were settled by judgment 136 of 21 February 2019, whereby the appeal was rejected. On 26 November 2019 Alia was served with the appeal before the Supreme Court against judgment no. 134 of 21 February 2019 on the part of INPS. Therefore, the amount of Euro 120,319.00 set aside as a provision for risks is confirmed once again.

INPS/INCA services litigation

The judgment handed down by the Court of Florence on 20 March 2015 rejected the appeal filed by the Parent Company (formerly) Quadrifoglio. The latter, as advised by its legal counsel, did not challenge the judgment, which thus became final. However, to date, INPS has not yet taken steps to claim the sums and, therefore, it is considered necessary to set aside a provision each year for an amount of Euro 695,690.00 on a prudential basis.

VAT on TIA tariff

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

Non-validated Waste Identification Forms

These proceedings were initiated by Alia, asking the Tuscany Regional Government - Environment and Energy Department to annul the reports issued by the latter for the use of non-validated Waste Identification Forms (FIR, *Formulari di Identificazione dei Rifiuti*), with a request for hearing under Article 18 of Law 689/1981. Since the proceedings are still ongoing, it is considered appropriate to confirm the provision of Euro 250,000.00 in 2019 too.

Labour litigation

The proceedings with the two employees, already reported in 2017, are still ongoing: therefore, it is considered appropriate to confirm the provision totalling Euro 5,500.00.

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

Breach of contract

The proceedings with a user who claims compensation for damage for the failure to perform the door-to-door service on a private road, which were reported in 2018, are still ongoing. It is then confirmed that the sum of Euro 1,900.00 has been set aside.

Damage compensation for car deposit:

Litigation arising from the merger of ESSEGIEMME into ASM and of the latter into Alia, which was reported in 2018, is still ongoing. A user of a parking area operated by ESSEGIEMME claims his car suffered damages at the Serraglio car park. It is then confirmed that the sum of Euro 6,027.65 has been set aside.

Public Prosecutor's Office investigation into the Company's plants: the investigations, which were started in May 2017 by the Public Prosecutor's Office of Florence into many of the plants used by Alia continued during 2019 too and substantially took into account many of the activities carried out (from the production of soil improvers to biogas, from waste management to the operation of a site undergoing reclamation): hence the vast "catalogue" of offences alleged to have been committed with separate acts (but all falling within the same proceedings). No significant developments emerged during 2019. Preliminary investigations have been completed but we are waiting for the notice referred to in Article 415-*bis* of the Italian Code of Civil Procedure.

Q.tHermo: by resolution no. 868 of 5 July 2019, the Regional Council of Tuscany started the procedure for the review of the Regional Plan for waste management and remediation of polluted sites with a specific modification in order to find alternative solutions to the failure to build the Waste-to-energy plant. The final decision on the action for review before the Council of State should be handed down in 2020. As reported above, Alia acquired 100% of the capital of Q.tHermo from 27 February 2020; the company will proceed with the development of activities complementary to the Concession.

Fatal accident in Maciste: at the end of 2018 the first-instance criminal sentence was filed, which ordered Alia, jointly and severally with accused persons, to pay a total amount of Euro 300,000.00 in favour of Mr Bennardo's heirs. During the course of the year, the Company, together with its broker and an appointed legal counsel, actively endeavoured to cause Generali to pay damages to the aggrieved parties in the civil action and to INAIL (Italian Institute for Insurance against Accidents at Work) on the basis of the policy taken out by CIS at the time. Initially, insurance cover was denied because the accident was considered to have resulted from a work contract between CIS and Mr. Bennardo. Since it clearly emerges from the grounds for the judgment that in no way the activity Mr Bennardo was carrying out at the time of the fatal accident was connected with a work contract, Generali compensated for the damage in full, releasing Alia from any civil liability both to the heirs

and to INAIL. Since the criminal proceedings are continuing, it is considered that the provision should be maintained from which to pay such expenses as Alia should incur.

ASSIC.Toro/Generali (Mr Urti, Esq.) - REVET S.p.A.: this is a dispute with Assicurazione Generali Italia S.p.A. relating to an indemnity that the insurance company must pay Revet.

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

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

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

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

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

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

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

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

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

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

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

ALIA S.p.A.

ENTITY	GRANT	COLLECTION DATE	AMOUNT COLLECTED
MUNICIPALITY OF PRATO	LINE 6 PROJECT	09/04/2019	9,826.92 €
FLORENCE CHAMBER OF COMMERCE	CHAMBER OF COMMERCE GRANT FOR DUAL TRAINING (WORK-SCHOOL)	18/04/2019	2,878.00 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	31/01/2019	28,835.33 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	28/02/2019	19,880.40 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	01/04/2019	13,624.02 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	30/04/2019	61,695.74 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	31/05/2019	13,624.02 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	01/07/2019	17,432.37 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	31/07/2019	17,432.37 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	02/09/2019	17,432.37 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	30/09/2019	17,420.79 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	31/10/2019	17,420.79 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	02/12/2019	17,420.79 €
GESTORE SERVIZI ENERGETICI	INCENTIVE RATE - PV AGREEMENT	31/12/2019	14,635.37 €

GESTORE SERVIZI ENERGETICI	GRIN (Incentive Payment Management) AGREEMENT_000479	29/03/2019	67,754.00 €
GESTORE SERVIZI ENERGETICI	GRIN (Incentive Payment Management) AGREEMENT_000479	31/10/2019	20,356.00 €
GESTORE SERVIZI ENERGETICI	GRIN (Incentive Payment Management) AGREEMENT_000479	29/11/2019	21,328.00 €
GESTORE SERVIZI ENERGETICI	GRIN (Incentive Payment Management) AGREEMENT_000479	31/12/2019	23,042.00 €
GESTORE SERVIZI ENERGETICI	GRIN (Incentive Payment Management) AGREEMENT_000479	28/06/2020	77,797.00 €
GESTORE SERVIZI ENERGETICI	GRIN (Incentive Payment Management) AGREEMENT_000479	30/09/2020	153,225.00 €
GESTORE SERVIZI ENERGETICI	GREEN CERTIFICATES - GRIN (Incentive Payment Management) AGREEMENT __001662 (2016)	29/03/2019	94,558.00 €
ATO TOSCANA	GRANT - 2018	12/03/2019	320,000.00 €
ATO TOSCANA	GRANT - 2018	12/03/2019	480,000.00 €
ATO TOSCANA	GRANT	18/09/2019	1,082,592.33 €
TOTAL			2,610,211.63 €

REVET S.p.A.

- Refund of excise duties on transport fuel for Euro 99 thousand against the submission of specific quarterly requests, with the Customs authorities acknowledging the credit to be used for offsetting.
- Refund of excise duties on diesel fuel consumed by forklift trucks and loaders for Euro 4 thousand received on 20 June 2019;
- Grant to Fondimpresa training for Euro 17 thousand received on 24 October 2019.

Authorisation for publication

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

For the Board of Directors

The Chairman
Paolo Regini

The Chief Executive Officer
Alessia Scappini

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

1. We, the undersigned Alessia Scappini in her capacity as Chief Executive Officer and Gustavo Giani in his capacity as Financial Reporting Manager of Alia Servizi Ambientali S.p.A. hereby certify, also taking account of the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998:

- adequacy in relation to the characteristics of the business (also taking account of any possible changes that occurred during the year) and
- actual application of administrative and accounting procedures for the preparation of the consolidated financial statements at 31 December 2019.

2. No significant issues are reported in this regard.

3. Furthermore, it is certified that the consolidated financial statements:

- a) have been prepared in accordance with the applicable International Accounting Standards acknowledged by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- b) correspond to the results in the accounting books and records;
- c) are suitable to give a true and fair view of the financial position, results of operations and cash flows of the issuer, together with a description of the main risks and uncertainties to which they are exposed.

Date: 9 June 2020

Delegated Governing Body

Alessia Scappini

Financial Reporting Manager

Gustavo Giani

**Independent Auditor’s Report on the Consolidated
Financial Statements**



Independent auditor's report

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

To the shareholders of Alia Servizi Ambientali SpA

Report on the Audit of the 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 2019, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement of 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 2019, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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

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forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters

Auditing procedures performed in response to key audit matters

Post-landfill management provisions

Notes to the consolidated financial statements as of 31 December 2019: note 16 "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 2019 amounted to Euro 30 million, which represented 6.6% 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. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Alia Servizi Ambientali SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Alia Servizi Ambientali Group as of 31 December 2019, 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. 58/98, with the consolidated financial statements of the Alia Servizi Ambientali Group as of 31 December 2019 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Alia Servizi Ambientali Group as of 31 December 2019 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

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, 12 June 2020

PricewaterhouseCoopers SpA

Signed by

Luigi Necci
(Partner)

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