

# Financial statements 2020

consolidated financial statements  
as at 31 December 2020



**Veritas S.p.A.**

Venetian energy, water resources, and territory environment services

*registered office*

Santa Croce 489, Venice

**Board of Directors**

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Vladimiro Agostini

*Directors*

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*Alternate Auditors*

Andrea Burlini

Maria Giovanna Ronconi

**Independent Auditing firm**

EY S.p.A.

Customer services freephone number 800 466 466

[www.gruppoveritas.it](http://www.gruppoveritas.it)

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# 2

## Consolidated Financial Statements



## 2.1 Report on operations

### 2.1.1 Activities and operations during 2020

Dear Shareholders,

The Shareholders' Meeting of Veritas S.p.A. held on 27 June 2008 recommended that, as provided for by Italian laws, the Veritas Group apply Legislative Decree No. 38 of 28 February 2005 on a voluntary basis, opting for the publication of the consolidated financial statements in compliance with IAS/IFRS standards.

The financial statements must be approved within 180 days from the close of the period, as indicated by Articles of Association and Article 2364 of the Italian Civil Code, since the group is required to draw up the consolidated financial statements pursuant to Article 25 of Legislative Decree No. 127/91.

The financial statements of the Veritas Group, as at 31 December 2020, reveal a net profit of EUR 6,260 thousand compared with EUR 7,798 thousand of the consolidated financial statements as at 31 December 2019.

If we consider the consolidated result including the share of minority interests, the profit comes to EUR 4,684 thousand, compared to a consolidated profit of EUR 4,548 thousand in 2019.

The consolidated financial statements include the financial statements of the parent company Veritas S.p.A. and the financial statements of the companies over which Veritas S.p.A. exercises controlling rights, either directly or indirectly (through its subsidiaries), determines their financial and operating choices, and obtains the relative benefits thereof.

The parent company also adopts, as of 2017, the IAS/IFRS for the purposes of drafting the separate financial statements, pursuant to Legislative Decree 38/2005 governing EIP (public interest entities).

Listed below are the companies, which, in compliance with the IAS 27 provisions, are included in the scope of consolidation as at 31 December 2020:

<u>consolidated companies</u>	<u>head office</u>	<u>share capital</u>	<u>31.12.2020</u>	<u>31.12.2019</u>
			<u>Group's shareholding</u>	
Veritas S.p.A. (parent company)	Venice	145,397,150		
Ecoprogetto Venezia S.r.l.	Venice	53,607,273	56.68%	44.86%
Mive S.r.l. <i>in liquidation</i>	Mirano (Ve)	110,000	100.00%	100.00%
Eco-ricicli Veritas S.r.l.	Venice	7,000,000	82.34%	82.34%
Sifagest S.c.a.r.l. <i>in liquidation</i>	Venice	500,000	65.00%	65.00%
Asvo S.p.A.	Portogruaro (Ve)	18,969,650	55.75%	55.75%
Consorzio bonifica Fusina <i>in liquidation</i>	Venice	100,000	82.05%	82.05%
Metalrecycling Venice S.r.l.	Venice	100,000	82.34%	82.34%
Depuracque servizi S.r.l.	Salzano (Ve)	223,080	100.00%	100.00%
Lecher ricerche e analisi S.r.l.	Salzano (Ve)	46,800	100.00%	100.00%
Rive S.r.l.	Venice	100,000	70.00%	70.00%
<i>company that left the scope of consolidation as at 30.06.2020</i>				
Vier S.c.a.r.l.	Venice	100,000	49.00%	100.00%

In 2020, the following changes to the scope of consolidation with respect to the previous year:

- on 28 April 2020, the shareholders' meeting of Ecoprogetto S.r.l. resolved to increase the share capital through new cash contributions of EUR 15 million (previously intended for financing future share capital increases). Therefore, from the aforementioned date, the new

share capital amounted to EUR 53,607 thousand, the parent company increased its stake to 46.64%, while the subsidiary Asvo S.p.A. redetermined its equity investment at 18% following the transaction.

- in June 2020, Veritas sold 51% of the share capital of Vier S.r.l. to some private shareholders, for a consideration of EUR 529 thousand. Following this sale, Vier S.r.l. was reclassified as an associate. Subsequently, in July 2020, the Vier shareholders' meeting resolved the conversion into a limited liability consortium company.

In addition, the following associates and jointly controlled companies are valued using the equity method:

companies valued with the equity method	head office	share capital	31.12.2020 Group's shareholding	31.12.2019
<b>associates</b>				
Insula S.p.A.	Venice	3,706,000	24.73%	24.73%
Sifa s.c.p.a.	Mestre (Ve)	30,000,000	33.17%	33.17%
Ecoplastiche Venezia S.r.l.	Venice	100,000	32.94%	32.94%
Veritas Conegliano S.r.l.	Venice	100,000	48.80%	48.80%
Vier S.c.a.r.l.	Venice	100,000	49.00%	
<i>Discontinued companies</i>				
Rpm – Riconversione Porto Marghera S.c.a.r.l. in liquidation	Salzano (Ve)	10,000	0.00%	40.00%

Compared to the previous year, note:

- Following the sale of 51% of the shares, Vier S.c.a.r.l. was reclassified as an associate;
- in 2020, the liquidation procedure of the associate Rpm - Riconversione Porto Marghera S.c.a.r.l. in liquidation, of which Depuracque Servizi held a share capital of 40, was completed and the company was cancelled from the Register of Companies.

Ecoplastiche Venezia S.r.l. is an associate of Eco-ricicli Veritas S.r.l.

In addition, the following should be noted:

- in December 2020, the parent company acquired from Veneto Acque S.p.A. the business unit consisting of the complex of organised assets called the Venice-Chioggia sub-lagoon pipeline, or the first section of the regional infrastructure called Savec (Central Veneto water supply scheme) - eastern part;
- in 2020, Eco-ricicli acquired from the company F.Ili Busato Autotrasporti and from Litorale Trasporti - Moviter di Bozzato Guerino & c. snc the business units involved in the transport of urban waste on behalf of third parties.

Veritas S.p.A.'s share capital, subscribed and paid-up, as at 31 December 2020, amounted to EUR 145,397 thousand; no changes were recorded with respect to the previous year.

The Group provides services (local public, environmental and integrated water services) in 51 partner municipalities belonging to the 'optimal subdivisions' of the Venice and Treviso provinces. Service users total more than 920,000, including almost the entire Venice metropolitan area and 18% of the inhabitants in the Veneto region, in addition to approximately 40 million tourists visiting Venice each year, the surrounding areas and coastal towns of Jesolo, Eraclea, and Chioggia (with the exception of this period of the health emergency), for a total of more than 1 million equivalent inhabitants.

Thanks to the merger of Asi in 2017, Veritas guarantees the integrated water service to 36 Municipalities.

As regards the waste management services, the territorial sub-division of Veritas S.p.A. is that resulting from the aggregation of the areas of competence of the three companies operating prior

to the merger of 2007 (Vesta S.p.A., Acm S.p.A. and Asp S.p.A.), in addition, over time, to the area of the Municipality of Cavarzere, Cona, San Donà di Piave, Fossalta di Piave e Mogliano Veneto, Ceggia, Eraclea, Jesolo, Musile di Piave, Noventa di Piave, Torre di Mosto. Asvo S.p.A. covers the territory of its eleven partner municipalities, which are also partners of Veritas.

The year 2020 was characterised by the exceptional effects of the health emergency deriving from the COVID-19 virus pandemic.

These effects were reflected in the operating and financial management of the group in many respects; the main financial effect, as better described below, concerned the non-collection of the water and environmental service bills, also due to the postponement, provided by the emergency regulations and by the resolutions of the local authorities, of the invoicing issues and debt collection activities.

This situation has consequently led to an increase in the estimates regarding the risk of insolvency of billing receivables.

A further consequence was the use of additional forms of financing.

In particular, in December 2020, the parent company issued a new bond loan for EUR 100 million, while in November 2020 a loan of EUR 40 million was stipulated with Sace guarantee in accordance with the provisions of Legislative Decree 23/2020 (so-called Liquidity decree).

The emergency situation then forced the Group to review personnel policies, in particular with the reduction in seasonal workers' recruitment by further reorganising operational areas and offices (also due to the forced adoption of *smart working* policies).

The table below shows the main income statement figures of the Veritas group relating to 2020 and the comparison with the previous year, in thousands of Euro; the weight relating to each individual item is also compared with respect to net total revenues.

income statement figures (in thousands of Euro)	2020	%	2019	%
<b>total net income</b>	<b>427,545</b>	<b>100.00%</b>	<b>431,264</b>	<b>100.00%</b>
personnel expenses	-164,189	-38.40%	-166,378	-38.58%
other operating costs and accruals	-189,947	-44.43%	-190,152	-44.09%
<b>EBITDA</b>	<b>73,409</b>	<b>17.17%</b>	<b>74,734</b>	<b>17.33%</b>
amortisation, depreciation and write-downs	-46,614	-10.90%	-44,711	-10.37%
provisions for risks and charges	-6,016	-1.41%	-9,606	-2.23%
<b>operating income</b>	<b>20,779</b>	<b>4.86%</b>	<b>20,417</b>	<b>4.73%</b>
portion pertaining to shareholdings valued with the equity method	45	0.01%	161	0.04%
financial (income) charges	-12,261	-2.87%	-10,511	-2.44%
<b>income before taxes</b>	<b>8,563</b>	<b>2.00%</b>	<b>10,067</b>	<b>2.33%</b>
income taxes for the year	-3,879	-0.91%	-5,519	-1.28%
<b>profit (loss) for the year from continuing operations</b>	<b>4,684</b>	<b>1.10%</b>	<b>4,548</b>	<b>1.05%</b>
net profit (loss) from assets held for sale	0	0.00%	0	0.00%
<b>consolidated profit (loss) for the year</b>	<b>4,684</b>	<b>1.10%</b>	<b>4,548</b>	<b>1.05%</b>
profit (loss) pertaining to minority interests	-1,576	-0.37%	-3,250	-0.75%
<b>profit (loss) pertaining to the Group</b>	<b>6,260</b>	<b>1.46%</b>	<b>7,798</b>	<b>1.81%</b>

\* EBITDA represents the difference between operating revenues and costs before amortisation/depreciation (already net of the amounts for grants for plants), other write-downs of fixed assets, provisions for risks and other allocations.

EBITDA defined in this way is a measurement used by the group's management to monitor and evaluate the company's operating performance, and given it is not identified as an accounting measurement under both Italian and international accounting standards, it must not be considered an alternative way of measuring the trend in the group's result. Given that the composition of EBITDA is not regulated by the reference accounting standards, the calculation method applied by the group may not be consistent with the one adopted by other entities and, therefore, may not be comparable.

**Total net revenues** amounted to EUR 428 million, down by EUR 3.7 million compared to 2019, with a decrease of 0.86%.

Revenues from tariffs or from the municipal fee for waste management for Veritas and Asvo



also decreased. This decrease relates to the application, for tariffs and waste management fees, of the waste tariff method (MTR - Metodo Tariffario Rifiuti) approved with resolution No. 443/2019/R/RIF of 31 October 2019 by the Regulatory Authority for Energy Networks and the Environment (hereinafter ARERA).

This method, which applies starting from the tariffs for 2020, also envisaged the recalculation of the financial plans for the years 2018 and 2019; therefore, already in the previous year, Veritas had already calculated these equalisations in a timely manner and recorded them on an accrual basis for an amount of EUR 7.3 million.

By contrast, Asvo requested the recognition of a tariff equalisations of EUR 0.9 million to cover higher dry waste disposal costs and the management of beach waste relating to the year 2019.

Subsequent interpretations of the method by the Catchment Area Council of Venezia Ambiente reduced the amount of the 2018 and 2019 equalisations already recorded by Veritas, and therefore these financial statements were written down by EUR 4.2 million, pending the approval of the 2021 PEFs (Piano Economico Finanziario - Economic and Financial Plan) by the Board itself, at which time the amount of the equalisations due to the manager will be formalised.

As regards the approval of the 2020 PEFs with the new method for Veritas, which took place with resolution No. 17 of 17 December 2020 of the Catchment Area Council, despite the positive net tariff equalisations in favour of Veritas amounting to EUR 6.2 million, the parent company only recognised EUR 0.9 in the financial statements, i.e. only the part referring to the tariff increase of 6.6% associated with the individual Municipality (*Cap* set by the method), while the part in excess of *Cap*, equal to EUR 5.3 million, as it is subject to prior investigation by the ARERA Authority, will be accounted for at the time of the final approval of the 2020 PEFs that should take place during 2021.

Therefore, the decrease in revenues for waste management recorded in the Veritas' financial statements, including the write-down of the equalisations of the previous years, amounted to approximately 6.5%.

As regards the approval of the 2020 PEFs for Asvo, which took place with resolution No. 11 of 30 November 2020 of the Catchment Area Council, the subsidiary recognised the tariff equalisations (all within *Cap*) for EUR 0.3 million, in addition, as in the previous year, to the recognition of the higher charges related to the higher cost of dry waste disposal for EUR 0.7 million, for which it submitted a specific application to the Catchment Area Council.

Revenues from water pricing, regarding the parent company, amounted to EUR 118.7 million (+ EUR 3.3 million compared to the previous year).

The tariff method (MTI-3) approved in December 2019 by ARERA with resolution 580/2019/R/IDR, valid for the tariffs of the period 2020-2023, is applied to the tariff of the integrated water service. Consequently, with resolution No. 46/2021/R/IDR of 9 February 2021, the same authority approved the tariffs to be applied to Veritas for the above-mentioned period.

The water tariff for 2020 recorded a negative tariff adjustment of 2.7% compared to 2019.

Ecoprogetto Venezia S.r.l. recorded a decrease in typical revenues due to the crisis generated by the COVID-19 pandemic and partly due to the non-transmission of the CSS to the Enel Palladio plant in Fusina, an event that had already occurred in 2019, with the consequent need to negotiate the by-product of the waste transformation process at Italian or foreign sites with significant impacts on economic management. (EUR -2 million).

Revenues from the sale of scrap and waste, as well as revenues from processing and collection of Eco-ricicli's recycling banks, recorded a significant increase compared to the previous year due to the increase in entry volumes (+ EUR 2.5 million).

The activation of the mixed metals line in Metalrecycling, whose start-up allowed the company

to place an interesting quantity of precious metals on the market, led to a significant increase in revenues (+EUR 2.6 million).

**Personnel expenses** (EUR 164.2 million) decreased by 1.32% compared to 2019 (EUR 166.4 million); the average headcount was 3,370.

This result was achieved, despite the increase in the workforce of approximately 121 employees, thanks to the implementation of remuneration policies strongly oriented towards the containment of personnel costs and strategic reorganisation operations, also implemented to deal with difficulties generated by the COVID-19 emergency. These included:

- the reduction of approximately 40% in the recruitment of seasonal personnel compared to the previous year;
- the application of a selective turnover with respect to company personnel leaving for various reasons (retirement, resignations, dismissals, etc.);
- the recourse to social safety nets (emergency salary integration fund);
- the discharging of residual holiday entitlement and other indicators linked to paid leave;
- lower disbursements linked to the performance bonus, compared to the amount allocated in the previous year.

The increase in the average number of employees is mainly attributable to Veritas (+65), Ecoricicli (+43) and Depuracque (+7), due to insourcing and the coverage of new services, while Metalrecycling recorded a decrease (-3).

FTE average annual workforce	2020	2019	changes
senior managers	23.5	21.67	1.83
middle managers	84.15	85.11	-0.96
white-collar employees	982.4	932.05	50.35
blue-collar employees	2,280.04	2,210.10	69.94
<b>average total workforce</b>	<b>3,370.09</b>	<b>3,248.93</b>	<b>121.16</b>

The ratio of labour costs to total net revenues is 38.40%, compared to 38.58% in revenues in 2019.

**Other operating costs and accruals** account for 44.43% of total revenues. On the whole, they remained in line with the previous year (44.09%).

**The gross operating margin (EBITDA)** was equal to EUR 73.4 million, marking a slight decrease of 1.77% compared to EUR 74.7 million in 2019.

**The operating income (EBIT)**, amounting to EUR 20.8 million, increased by 1,77% compared to EUR 20.4 million in 2019.

**Net financial charges**, equal to EUR 12.3 million, increased compared to 2019 by EUR 1.8 million.

**Income before taxation** amounted to EUR 8.6 million, down compared to EUR 10.1 million in 2019. It accounts for 2% of total net revenues.

**Income taxes** for the financial year amounted to EUR 3.9 million, compared to EUR 5.5 million in 2019.

**The consolidated profit for the year** was EUR 4,684 thousand, compared to EUR 4,548 thousand in 2019.

**Profit (loss) pertaining to minority interests** amounted to EUR -1,576 thousand (EUR -3,250 thousand in 2019), relating mainly to the subsidiaries Ecoprogetto S.r.l., Eco-ricicli Veritas S.r.l., Asvo S.p.A. and Metalrecycling S.r.l. This result was impacted, in particular, by the performance of Ecoprogetto Veritas S.r.l.

Listed below are the main equity figures of the Veritas Group (in thousands of Euro):

balance sheet figures (in thousands of Euro)	31.12.2020	inc. %	31.12.2019	inc. %
fixed assets and other non-current assets	712,591	105%	688,778	110%
net working capital	-33,179	-5%	-64,218	-10%
<b>net invested capital</b>	<b>679,412</b>	<b>100%</b>	<b>624,560</b>	<b>100%</b>
total Group shareholders' equity	266,520	39%	261,786	42%
shareholders' equity pertaining to minority interest	29,718	4%	30,258	5%
net non-current liabilities (excluding loans)	124,060	18%	133,103	21%
net financial position	259,114	38%	199,413	32%
<b>funding sources</b>	<b>679,412</b>	<b>100%</b>	<b>624,560</b>	<b>100%</b>

\* The net financial position, calculated according to the criteria set out in the main financial *covenants* in place as at 31 December 2020, is the difference between all short-term financial liabilities and financial assets (in the case of the Veritas Group, the latter only include cash and cash equivalents). The net financial position does not include the payable due to the Municipality of Venice, already previously rescheduled as long-term, amounting to EUR 22,427 thousand.

**Fixed assets and other non-current assets** rose by EUR 23.8 million compared to the previous year.

Investments made during 2020 in technical fixed assets amounted to EUR 76.7 million, with an increase of EUR 8.3 million compared to the previous year, broken down as follows:

technical investments (in thousands of EUR)	2020	2019
intangible assets	6,856	6,320
property, plant and equipment	42,753	44,723
assets for concession services	27,096	17,411
<b>total investments</b>	<b>76,705</b>	<b>68,454</b>

In addition to these investments, in 2020, Veritas acquired the business unit relating to the Venice-Chioggia sub-lagoon pipeline, part of the Savec Est regional infrastructure, for an amount of EUR 7.1 million; on the other hand, Eco-ricicli acquired two business units relating to the haulage of goods and waste on behalf of third parties for a total amount of EUR 2.1 million.

The **net working capital** went from EUR -64.2 million at the end of 2019 to EUR -33.2 million, decreasing its negative *trend* (thereby increasing the amount of capital invested and therefore the financial need) for EUR 31 million.

**Shareholders' equity** rose by a total of EUR 4.7 million compared to the previous year, with a net profit of EUR 4.7 million. Shareholders' equity pertaining to minority interests fell by EUR 0.5 million, acknowledging the loss of Ecoprogetto, while the profit for the year pertaining to the group amounted to EUR 6.3 million.

**Net non-current liabilities** amounted to EUR 124.1 million compared to EUR 133.1 million as at 31 December 2019, with a decrease of EUR 9.0 million; these consist of medium/long-term liabilities to other parties and of provisions, including employee severance indemnity.

The Group's **net financial position** at the end of the year increased by EUR 59.7 million, from EUR -199.4 million to EUR -259.1 million. This increase is mainly due to the negative effects on collections deriving from the billing due to the COVID-19 emergency for the parent company, in addition to the inclusion of new *lease* liabilities based on IFRS 16 and the payable for the purchase by Veritas of the Savec Est business unit, but, despite this increase, the equilibrium levels with respect to the group's shareholders' equity and operating profitability are still confirmed. Please refer to the cash flow statement for an accurate definition of the individual monetary changes.

The Group recorded a high level of indebtedness, but characterised by a sustainable ratio of NFP to EBITDA, equal to 3.53, compared with 2.67 of the previous year.

The net financial position is composed as follows:

(thousands of Euro)	31.12.2020	31.12.2019
<b>cash and cash equivalents</b>	<b>-204,634</b>	<b>-118,921</b>
payables due to banks and current portion of loans	39,358	37,349
current portion of loans from other funders	116,216	14,973
derivative financial instruments - liabilities	868	259
short-term financial payables due to partner entities	840	727
<b>current financial debt</b>	<b>157,282</b>	<b>53,308</b>
<b>net current financial debt</b>	<b>-47,352</b>	<b>-65,613</b>
medium/long-term loans	172,911	138,473
medium/long-term loans from other funders	121,358	119,656
medium/long-term financial payables due to associates	2,243	0
medium/long-term financial payables due to partner entities	9,954	6,897
<b>non-current financial debt</b>	<b>306,466</b>	<b>265,026</b>
<b>net financial debt</b>	<b>259,114</b>	<b>199,413</b>

#### Reconciliation between the separate financial statements of the parent company and the consolidated financial statements

As from 2017, the parent company drafts the separate financial statements according to IFRS. Based on paragraph D17 of the *revised* IFRS 1, in the opening balance sheet (1 January 2016), the group valued the assets and liabilities of the separate financial statements at the same values stated in the consolidated financial statements, already drafted according to IFRS standards, except for the adjustments due to consolidation. For further details on the movements in 2020, please refer to the Statement of Changes in Shareholders' Equity of the parent company in the separate financial statements:

	result for the year 2020	sharehold- ers' equity 2020	result for the year 2019	sharehold- ers' equity 2019
<b>profit (loss) for the year and shareholders' equity of the parent company</b>	<b>4,749</b>	<b>258,100</b>	<b>7,094</b>	<b>253,883</b>
portion of profit (loss) for the year and of shareholders' equity of subsidiaries, net of the book value of equity investments	215	39,152	-2,730	38,441
consolidation adjustments, net of the tax effect due to:				
allocation of consolidation differences, and associated amortisation	-309	12,445	-309	12,754
elimination of intercompany profits	-220	-12,903	92	-12,631
other adjustments	249	-556	402	-402
<b>total consolidated profit (loss) for the year and shareholders' equity</b>	<b>4,684</b>	<b>296,238</b>	<b>4,548</b>	<b>292,044</b>
share capital and reserves pertaining to minority interests	1,576	-29,718	3,250	-30,258
<b>total profit (loss) for the year and shareholders' equity of the Group</b>	<b>6,260</b>	<b>266,520</b>	<b>7,798</b>	<b>261,786</b>

## 2.1.2 Risks and uncertainties

### Consequences of the COVID-19 pandemic health emergency

The year 2020 was characterised by the exceptional effects of the health emergency caused by the COVID-19 virus pandemic.

The measures imposed by both the Italian Government and in general by most of the other countries in the world, initially led to the almost total block of economic and social activities (March-April 2020 period) and then subsequently, with the new restrictions decreed in October 2020 onwards, to an overall slowdown of the Italian and international economy.

However, operating in essential services, the Veritas Group has never stopped its activities, but has had to implement, like all other operators, measures to avoid the spread of the virus in the workplace.

To this end, emergency *smart working* was activated for over 600 employees in the parent company alone; a *Safety Protocol* was also drawn up to limit the spread of COVID-19 and protect the health of workers, which had a strong impact on work activities.

Given the general situation, the inevitable slowdown in operating activities also forced the group to take advantage of the extraordinary measures implemented by the Government to ensure its employees' jobs. Recourse was therefore made to the COVID-19 emergency FIS (salary integration fund), which provided for the payment of 80% of the salaries of employees affected by the reduction or suspension of working hours, while the remaining portion of salary was guaranteed by Veritas.

### Impact on revenues

As regards **the revenues of the integrated water service** of the parent company, the tariff regulation essentially envisages a guaranteed turnover (VRG) based on the principle of *full cost recovery*.

Therefore, the reduction in water consumption due to the health emergency did not entail the recognition of lower revenues but rather a credit for tariff equalisations that will be recovered according to the ordinary methods envisaged by the tariff method.

With regard to **revenues from the environmental service**, the new tariff method envisages the definition of Financial Plans based on the actual costs relating to the second previous year.

Therefore, also in this case, the full coverage of costs is guaranteed in theory (net of the two-year *time lag* between incurring costs and their recognition and the setting of the limit of tariff increases - *Cap* - currently established by the method at 6.6%).

In reality, the regulatory framework regarding waste management tariffs has become complicated with the emergency regulations, as Article 107 of Italian Legislative Decree 18/2020 ("Cure Italy" decree) gave the Municipalities the possibility to confirm for 2020 the tariffs of the TARI and the TARIP approved for 2019, an option used by practically all the shareholder Municipalities.

The same provision also indicated the obligation to approve the 2020 PEFs by 31 December 2020 and that any equalisations between the costs resulting from the 2020 PEF and the costs determined for 2019 may be spread over the next three years.

So future PEFs born already burdened by such equalisations portions, however, portions that - at least in the current formulation of the method - are also subject to a *Cap* limit of 6.6% of the tariff increase on the previous year.

It should also be noted that, given the resolutions of the Catchment Area Council, future PEFs

will also be burdened by the instalment of the 2018 equalisations (on the 2021-2023 PEFs) and probably also by the instalment of the 2019 equalisations (in the process of being approved with the 2021 PEFs).

The recognition of the equalisations amounts in excess of the *Cap* is not in any case precluded, but further approval by the Authority is required, currently underway for the 2020 equalisations.

With regard to billing to users, the individual Municipalities have provided, especially for those activities most affected by the restrictions, both in the case of TARI and TARIP, a series of facilitations aimed at reducing the charge to these users.

**In 2020, cemetery revenues** also increased as a result of the cremations carried out for the Lombard and Emilian municipalities hard hit by the first wave of the pandemic, and as a result of the second wave that strongly affected the territory falling within the reference catchment area of the crematoria.

As a result of the drastic reduction in tourism in the historic centre of Venice due to the health emergency, **revenues from toilets** in the Municipality of Venice decreased drastically for the parent company (EUR -955 thousand, a decrease of 99% compared to the revenues of the previous year) and **the supply of water to ships** in the port of Venice (EUR -902 thousand, a decrease of 81% compared to revenues in the previous year).

### Impact on costs

As regards the costs for the consumption of materials, a reduction in **costs for fuels** emerged, both due to the lower use of company vehicles and the decrease in the price of fuel, while the purchase of **clothing and personal protective equipment**, for the purpose of to guarantee the health safety of workers, increased.

In costs for services, the most important change as a result of the health emergency is the reduction in **utility costs** (EUR -3,666 thousand), due to both lower consumption as a result of the restrictions, and to the temporary changes made in general to the tariffs to deal with companies in difficulty.

With regard to **personnel costs**, the policies implemented to deal with the COVID-19 emergency led to an overall reduction in these costs (EUR -2.2 million euro compared to the previous year). Among the measures adopted for this purpose, especially by the parent company, we note the reduction of about 40% in the recruitment of seasonal staffing compared to the previous year, the application of a selective turnover with respect to the departures of workers from the company and, as already mentioned, the use of social safety nets (emergency Wage Guarantee Fund).

### Financial impact

During 2020, there was inevitably a reduction in collections relating to the water and environmental service bills (especially if we consider the high tourist impact on the area served by the Group), also due to the postponement, envisaged by the emergency regulations and by the resolutions of local authorities, of invoice issuing and debt collection activities.

The effect of the above, including the TARI tax collection, recorded with respect to the parent company, led to an increase in the negative net financial position of more than EUR 30 million.

Therefore, to deal with this financial tension, the Group has implemented a series of measures to secure liquidity, through the use of additional forms of financing.

In particular, note that:

- in December 2020, Veritas issued a new bond loan for EUR 100 million, placed on the Irish regulated market;
- in November 2020, Veritas took out a loan of EUR 40 million co-financed by two banks, backed by Sace guarantee in accordance with the provisions of Italian Legislative Decree 23/2020 (the so-called 'Liquidity decree').

The parent company also entered into a number of *factoring* contracts for the non-recourse factoring of receivables from shareholder entities with a usable *ceiling* of more than EUR 55 million.

The use of other forms of financing led to an increase in financial expenses for the year of EUR 1,045 thousand.

### Assumption of going concern

In consideration of the above, also in terms of medium/long-term planning, there are no problems with regard to the assumption of the Group as a going concern.

In any event, the parent company carried out an analysis of the potential future impacts of the health emergency on the economic activity, on the financial position and on the economic results of the company and of the Group and, on the basis of the different scenarios configured, the existence of the assumption of going concern is in any case confirmed.

### Impairment of fixed assets

Also in this case, there was no impairment of goodwill and other fixed assets.

### Measurement of expected credit losses

With regard to expected losses on trade receivables, the Group has modified its calculations to take into account the insolvency generated by the health emergency.

In particular, the calculation of expected losses through a matrix system based on historical information was supplemented with the analysis of the increases in insolvency caused by the economic restrictions for the health emergency.

These calculations led to an increase in the historical insolvency ratios underlying the calculation of expected losses, with the consequent increase in the provision for write-down of receivables in the year (+ EUR 3,706 thousand, almost double compared to the previous year).

Since the analysis of the increases in insolvency generated by the health emergency inevitably refers to a relatively short period of time and therefore subject to fluctuations, it will be necessary to monitor its performance over a longer and therefore more reliable period of time also in relation to the upcoming adjustments of the economic recovery and to the restart of executive procedures for debt collection.

### Effects on operating leases (IFRS 16)

The Group did not have to resort to any suspension of lease payments and therefore there are no particular effects on operating *leases* as a result of the health emergency.



## Financial management policies and objectives

The Group manages the financial policy tools based on a service approach for investments in public infrastructures and in service of the industrial activities that it carries out on behalf of the local community to which it belongs. The objective pursued is finding a balance between sources and loans as regards the necessary financial requirements, always based on a medium/long-term perspective, to allow investments to be made, and maintaining the necessary short-term liquidity to guarantee compliance with the treasury commitments.

In order to achieve these objectives, all the available financial instruments are used, on both the liability and asset side of invested liquidity.

The Group's policy makes no provision for the subscription of speculative derivative instruments, solely fixed contracts purely for hedging purposes in order to avoid (*swaps*) or limit (*caps*) the risk of changes in interest rates.

The average net financial position of the Group in 2020 was negative by approximately EUR 229.3 million (EUR 185.8 million in 2019) and generated effective gross financial expenses, servicing the debt, of EUR 10.3 million (compared to EUR 9.6 million in 2019), showing an effective weighted average charge of 4.5% (in 2019 it stood at 5.18%).

The figure on financial charges was impacted, as in the previous year, by the effects of the accounting of amortised cost, and discounting and the non-monetary effects relative to the application of IFRS 16 (*Leases*).

The illustrated situation highlights a deterioration substantially linked to the changes in net working capital of the parent company, due to: loss of revenue from bills due to the COVID-19 health emergency, higher repayments compared to the previous year to the shareholder Municipalities (against lower TARI collections, again due to the health emergency), and greater short-term financial support to associated companies.

The external economic and financial scenario in which the Group found itself operating in 2020 was characterised by severe imbalances, temporal and partly in absolute value, due to the sanitary emergency in the inflows from billing, both direct (water and TARIP) and on behalf of the shareholder municipalities (TARI); on the other hand, the group fully maintained its investment commitments in the area.

To obtain adequate levels of liquidity, various financing opportunities were exploited, using both medium-term loans and short-term instruments, such as *factoring*, according to lines of action identified in the company repositioning plans, developed as a reaction to the effects of the pandemic.

During the year, the important assignment of the treasury management (with cash advances) of the parent company was also renewed, by means of a public tender procedure, and a new bond loan of EUR 100 million was also issued on the regulated market of *Euronext Dublin*, to support long-term investment plans.

The Group's credit risk profile is normal and consistent with industry trends.

Billing receivables are, by nature, fragmented over a very high number of users, with limited individual amounts on average.

The COVID-19 health emergency has had a significant impact, especially on the supply chains of economic operators linked to the world of tourism, entertainment and catering, important sectors in the provinces of Venice and Treviso.

The percentage of insolvency relating to urban hygiene receivables (TARIP), which historically was around 5%, a percentage to be considered low in the sector, shows a growth that can be temporarily estimated at around one and a half percentage points.



It should be remembered that after the transfer to the TARI, the credit risk, both in the past and present (and therefore in the future) dimension, is substantially borne by the municipal administrations, either directly or indirectly, and must be taken into account in the final formulation of the tariff.

On the other hand, in the water sector, where the percentages of insolvency are historically lower, quantifiable in the order of 1% of turnover, we see growth that, temporarily, can be estimated at around half a percentage point.

These changes, due to the pandemic health emergency, will have to be confirmed or otherwise in the future, in relation to the adjustments of the economic recovery and the restart, now blocked, of the debt collection enforcement procedures.

### **Risk related to financial indebtedness**

The objective of maintaining an adequate financial balance was in any event also achieved in the year ended, as the Group managed to implement an operational and financial management that, despite feeling the impacts of the health emergency, did not substantially increase the financial debt risk.

Accounting EBITDA in 2019 amounted to EUR 74,734 thousand, down in 2020 to EUR 73,409 thousand.

Cash flow from operating/income management improved by EUR 4.7 million, while there were greater outflows in the management of financial expenses, also due to the overlapping time of two bonds.

On the contrary, as already mentioned, the management of working capital (EUR -39.6 million) had a negative impact on the levels of net debt and liquidity.

Operating investments decreased to EUR 64.1 million compared to EUR 70.1 in 2019, while the management of equity investments produced a positive net cash flow of EUR 2.9 million (in 2019 it was negative for EUR 1.4 million).

In 2020 the refinancing of the Group's debt resulted in new medium/long-term loans of EUR 167.2 million, against repayments of previous loans of roughly EUR 35 million.

The figure for the final net financial position went from EUR -199,413 thousand in 2019 to EUR 259,114 thousand, including the effect of non-monetary components (IFRS 16, *leases*, payables in instalments, etc.); as a result, the ratio between NFP and EBITDA worsened, albeit continuing to remain sustainable, from 2.67 to 3.53; this ratio value is to be considered only temporary due to the distortions induced in cash flows by the pandemic phenomenon.

It should be noted that the Group's indebtedness is always affected by the significant size of the 'water assets' of the parent company, whose book value (net of the component relating to the portion of public grants to partially finance the works) is very significant.

Most of these assets, in particular the water supply and sewerage pipelines, have very long 'useful lives' (conservatively estimated at 40 years according to the national ARERA standards) and consequently low depreciation rates.

Since the tariff recovery, which remunerates this type of investment according to amortisation and depreciation and financial charges, is implemented over a very long interval of time, in the meantime actually generates a continuous need for capital to be refunded, given the uneven duration of bank credit facilities and financial lending policies, which favour 'short/medium term periods'.

It should also be noted that the capital lent by the banking system (therefore excluding bond loans) has a weighted average loan residual life and bond amortizing at the end of the year, currently around 6.3 years, with reimbursement plans broken down as follows (effective expiry data):

medium-term loans	2021	2022	2023	2024	2025	after
<b>207,737</b>	34,826	41,508	38,853	33,076	24,427	35,047

The parent company has two bonds with the following characteristics:

	original amount	repayment	maturity
Veritas loan issued on regulated markets	100,000	<i>bullet</i>	2021
former Asi loan issued on regulated markets	15,000	<i>amortizing</i>	2034
Veritas loan issued on regulated markets	100,000	<i>bullet</i>	2027

Some medium/long-term loans finalised over the years, as well as the bonds, envisage contractual terms that imply compliance with certain economic-financial parameters (covenants) based on the annual results of the consolidated financial statements, the separate financial statements of the parent company and the financial statements of the other group companies.

In 2020, the Group observed the parameters set out in the respective contracts, except Eco-ricicli Veritas S.r.l. in relation to a bank loan with MPS stipulated in 2018, for which the covenants established were partially guaranteed. For prudential purposes, the entire residual debt was already reclassified to short-term from the previous year. In any case, the bank has already informally expressed its intention not to avail itself of the early termination clause; the contract, among other things, does not make provision for the application of penalties for said case.

### **Risk related to insufficient liquidity and procurement of financial resources**

During 2020, the general economic situation highlighted a strong and anomalous regression due to the pandemic, with vertical drops in GDP in every country, an element that pushed the governments of the European Community, but not only them, to increase national deficits with actions for immediate relief to many economic and social categories and measures to safeguard employment, as well as approving a major plan of future infrastructural investments and innovation. However, elements of uncertainty remain on the actual magnitude of the recovery and the restart of national GDP, in order to support the additional debt generated.

The Group does not believe it has any particular issues with regard to credit risk, although the general economic situation in the last few years has led to increased financial difficulties for people and companies. In fact, billing receivables are, by nature, fragmented over a very high number of users, with limited individual amounts on average.

In the event of the insolvency of the counterparty, the maximum credit risk for the Group's other financial assets, which consist of cash and cash equivalents, financial assets available for sale, loan notes and some derivative instruments, is equal to the carrying amount of these assets.

The Group controls the liquidity risk by using a planning instrument for the use of cash. This instrument takes into account the maturity term of both financial instruments and financial assets (trade receivables and other financial assets), as well as cash flows expected from transactions.

As at 31 December 2020, the Group reported unused credit facilities amounting to EUR 106.6 million, compared to EUR 106.5 million as at 31 December 2019.

Liquidity risk consists of the risk that the available financial resources may not be sufficient to meet all the obligations with a short-term maturity date, amounting to roughly EUR 34.5 million in loans and EUR 100.75 million in bonds by 31 December 2021, and tackle possible negative variations in working capital.

The company is still of the opinion that the operating investment plans, which are being implemented above all in the water sector, are being offset in the tariffs, even though not always entirely, due to the effect of the regulatory context of the tariff adjustments defined by ARERA.

Although regulated, the integrated water service sector on the one hand considers the parent company as a concession operator, i.e. with no competitors, but on the other hand, it exposes expected future cash flows to uncertainty stemming from the variability of the regulatory framework, which appears to be increasingly more restrictive in recognising actual operating costs.

This trend also emerged with the first application of the new waste MTR 2020 tariff method, which means that the Group has not yet recovered the higher costs incurred in 2019 and 2020, despite having maintained all the necessary investment commitments.

### **Dispute regarding application of VAT on TIA (waste management tariff)**

The judgment of the civil Supreme Court (joint sittings) 5078/2016, filed on 15 March 2016, provided a definitive interpretation regarding the application of VAT on the waste management tariff established by Article 49 of Italian Legislative Decree 22/1997 (so-called TIA1).

The judgment, considering the absence of a reciprocal relationship between the service and the fee received by the service provider, defines TIA1 as a tax collection and, consequently, outside the scope of application of VAT.

The aforementioned judgment is incorporated in a long-standing and complex event.

Italian Legislative Decree 22/1997 (Ronchi decree) had replaced the old urban waste removal tax (Tarsu) with the environmental hygienetariff (TIA or TIA1). According to an initial interpretation, also supported by specific circulars from the tax authorities, this tariff had the nature of a fee for a service provided and, therefore, VAT had to be applied.

Subsequently, by contrast, following judgment of the Constitutional Court 238/2009 which, despite only incidentally, had declared the tax nature of the TIA, the case law has been strongly aligned with the Court's findings, consequently rejecting the correctness of the application of tax.

In the meantime, with Italian Legislative Decree 152/2006, the integrated environmental tariff was introduced (so-called TIA2) which, in the intentions of the legislator, should have replaced TIA1.

Article 14, paragraph 33 of Legislative Decree 78/2010 had also established that TIA2 did not have the nature of a tax.

Lastly, circular 3/2010 of the Ministry of Finance, through the assimilation of the nature of TIA2 with TIA1, reiterated that VAT should be applied to both tariffs.

Despite this clear position of the tax authorities, firm case law, both on merits and legitimacy, contradicted what was affirmed in ministerial circular 3/2010 on the assimilation of TIA1 with TIA2, with the result being that TIA1, at least at case law level, continued to be considered a tax.

Veritas, as all other companies that provide waste management services associated with Fed-erambiente - Utilitalia, nonetheless had continued with the approach already adopted in 2009,

at the time of the judgment of the Constitutional Court, suspending the reimbursements to users of VAT applied to bills, pending an explicit legislative amendment in that regard, especially based on the substantive consideration that the tax requested from users was not in Veritas' available funds given that, owing to its nature of neutral tax, had always been paid to the tax authorities.

In addition, in 2012, following the request for a tax ruling presented by Veritas, the Italian Revenue Agency had replied, confirming the correctness of the application of VAT on TIA, reiterating the interpretation of the disputed circular 3/2010 of the Ministry of Finance.

Therefore, a situation of conflict arose within the institutions, given that, on the one hand, the Italian Revenue Agency recognised the application of VAT as correct and, on the other, by contrast, the case law argued the exact opposite.

Thanks to the clarity of the judgment of the Supreme Court (joint sittings) of 2016, it can no longer be denied that TIA1 lies outside the scope of application of VAT.

The estimate of the amount of VAT applied by Veritas on TIA1 amounted, in the various years, to roughly EUR 84 million, divided almost equally between domestic and non-domestic users.

Nonetheless, it should be noted that Veritas' risk profile on the matter is considered extremely limited, for the following reasons:

- the general principle for which VAT is a neutral tax for commercial operators like Veritas is always valid;
- it is inconceivable that Veritas will have to repay VAT on TIA1 charged to users if the Government does not first regulate the repayment methods (multiple years, millions of invoices, hundreds of thousands of users, a strong demographic trend etc.);
- it is considered that, at financial level, the amounts in question were paid by Veritas to the tax authorities and, therefore, does not have them physically available;
- owing to the aforementioned VAT neutrality mechanism, business users deducted said VAT themselves, something that now could be interpreted similarly as an illegal act;
- again owing to the VAT neutrality mechanism, there is no regulation that establishes whether account also needs to be taken of an effect of the non-deductibility of VAT on purchases relating to the environmental segment, in consideration of the fact that said cost had to be an additional component to be charged to users through the TIA1;
- if the TIA1 is a tax then Veritas should have issued invoices for the service provided to the Municipalities instead of to users, and the Municipalities, given unable to deduct VAT, should have increased the amount of the TIA1 tax to be charged in turn to users by the amount of non-deductible VAT: therefore, the end user would nonetheless be required to pay VAT (or incorporated in the tax or stated separately in the invoice).
- with regard to the refusal of the requests for reimbursement submitted by Veritas for the recovery of VAT on TIA1, in turn reimbursed as a result of disputes with users, the Italian Revenue Agency has for now always been unsuccessful with regard to the judicial review cases put forward by Veritas.

It is also considered that, for the proceedings already launched and for those in progress, in which Veritas was called to repay VAT to the user, the Italian Revenue Agency would no longer have any right to be able to deny the reimbursement to Veritas of the VAT already repaid to the user; therefore, the risk remains residual, limited to any legal costs to be reimbursed to the counterparty (risk, nonetheless, already allocated in the financial statements).

It should also be noted that the declared tax nature of TIA1 with effect beforehand, made it possible in 2016 to recover for income purposes the amount accumulated in the provision for the risk of insolvency in previous years, given that it shifted the risk of insolvency to the taxing Municipality (the Catchment Area Council of Venezia Ambiente also issued a judgment on said

approach, in that regard, by means of memorandum No. 585 of 11 November 2016).

However, at the current state of play, following the judgment of the Supreme Court in March 2016, on the matter of VAT on TIA1, specific, official positions have still not been adopted by the institutional bodies (Government, Ministry of the Economy or Revenue Agency), except for some open-ended replies to parliamentary questions.

As regards subsequent tariff reforms for the waste service, i.e. TIA2 pursuant to Italian Legislative Decree 152/2006, the tariff pursuant to Article 14 paragraphs 29-32 of Decree Law 201/2011 ('TARES fee') and the tariff pursuant to Article 1, paragraph 668 of law 147/2013 ('quantity-based TARI'), the parent company presented, in June 2016, an additional request for a tax ruling to the Italian Revenue Agency, asking if the application of VAT also for these additional forms of tariffs was still correct, in view of the reasons of the judgment of the Supreme Court (joint sittings), in support of the tax nature of the TIA1.

The Revenue Agency replied in September 2016, confirming the application of VAT for said tariff cases.

As regards TIA2, pursuant to Legislative Decree 152/2006, the Supreme Court (joint sittings), by means of judgment No. 8631/2020 and No. 8632/2020, filed on 7 May 2020, confirmed the private-law nature of the tariff in question and that it is subject to VAT, highlighting, among other things, its different characteristics from TIA1 (therefore contradicting the stance taken in much of the previous case law which had assimilated the two tariffs from a tax perspective).

Moreover, the very recent judgment No. 11290/2021, filed on 29 April 2021, also by the Supreme Court (joint sittings), affirmed the private nature and the liability to VAT also for the exact TARI tariff.

## Relations with related parties

The relations with related parties are extensively outlined in Note No. 45 to the consolidated financial statements, to which reference should be made.

## Assignments

### *Integrated water service and integrated urban hygiene service*

The Parent Company manages, within the municipal territories of the partner local authorities, several public local services, some of them with a supra-municipal relevance at the level of sub-division, now an optimal and homogeneous territorial catchment area, pursuant to explicit legal provisions, such as the integrated water service and the management service for municipal and other similar waste.

As for the integrated water service, the Shareholders' Meeting of the relevant authority for the Venetian lagoon sub-division (now Catchment Area Council), through additional provisions, has recognised that Veritas S.p.A. is a company compliant with the in-house management model, according to the characteristics identified by EU laws, a recognition confirmed also by the authority of Venezia Ambiente for the waste integrated management service, with resolution No. 6 of 30 June 2008.

The authority of the Venetian lagoon sub-division, with resolution of 30 July 2008, No. 806, stated 'a confirmation that the duration of the assignment of the integrated water service to Veritas S.p.A. is set at 31 December 2018'.

Conversely, as regards the waste integrated management service, the Municipality of Venice, among the partner local authorities, with resolution No. 121 of 1999, indicated the duration of the assignment of the service to be 20 years (to the end of 2019).

Thanks to the merger of Acm S.p.A., Vesta S.p.A. and Asp S.p.A. in 2007, the partner Municipalities, while confirming the continuation of the services previously assigned to the merging companies, to the new company Veritas S.p.A., did not establish any deadline for the expiration of such assignments. As at said date, in addition to the water service and the integrated management of waste, the merged companies carried out additional services on behalf of the partner Municipalities, such as cemeteries, markets, public hygienic services, based on specific agreements signed with each local authority.

An agreement was signed on 11 July 2016 for the regulation of the performance of the integrated water service in the optimal territorial sub-division of the Venice lagoon, registration No. 1276 of 12 July 2016, modifying the previous agreement signed on 19 October 2004, registration No. 976/2004, whose duration was maintained until 31 December 2018.

On 16 July 2018, the Catchment Area Council for the Venetian lagoon requested the registration of Veritas S.p.A. in the Anac list of in-house contracting authorities pursuant to Article 192 of Italian Legislative Decree No. 50 of 18 April 2016.

On 20 December 2018, an agreement was signed between the Catchment Area Council of the and Veritas S.p.A. for the regulation of the integrated water service within the optimal territorial scope of the Venice Lagoon, collection No. 44421, index No. 141026, of notary public Francesco Candiani of Venice, whose duration is scheduled until 31 December 2038, without prejudice to the right of extension exercised by the Catchment Area Council for a period of six months under the same conditions, without prejudice to any different terms that may be permitted or imposed by law.

As regards waste, the majority of the partner Municipalities of Veritas S.p.A. endorsed the resolution pursuant to Article 34 of the Italian Legislative Decree 179/2012 confirming, amongst other things, again pursuant to and in accordance with Article 34 of Italian Legislative Decree 179/2012, that services currently managed through Veritas S.p.A. and Group companies will continue until 26 June 2038, unless different durations should apply as a result of the regulations, in particular those in the process of being issued, and except where any split-off measures should be imposed by future regulations and the application of current regulations.

The Catchment Area Council of Venezia Ambiente was established on 24 November 2014, after the signing of the 'Agreement for the establishment and functioning of the Catchment Area Council of Venezia Ambiente regarding the integrated urban waste management service in the Venice catchment area', by representatives from all 44 Municipalities in the Venice metropolitan area and the Municipality of Mogliano Veneto. The replacement of the Catchment Area Council in the activities and legal relations of Ato Venezia Ambiente in liquidation was completed by resolution No. 3 of 27 April 2015 of the Catchment Area Committee.

By means of resolution No. 11 of 17 December 2015 of the Catchment Area Assembly, the Catchment Area Council of Venezia Ambiente revealed its intention to align the different deadlines of the assignments of the urban waste management service approved by the Municipalities served by the operator Veritas, referring the decision to subsequent assemblies.

By means of resolution No. 4 of 25 May 2016 of the Catchment Area Council of Venezia Ambiente, the final alignment of the expiries of the assignments of the integrated waste cycle management service in the municipalities in the catchment area with the unitary Group deadline of June 2038 was approved, already resolved by the majority of the municipalities themselves (36 out of 45) and to be resolved also by another eight municipalities in the catchment area for which the assignment was to expire in 2016 or will expire before 2038, as well as for the Municipality of Mira which, by means of resolution No. 115 of 23 December 2013, had established the duration of the assignment until 31 December 2038.

In February 2019, the Catchment Area Council launched a preliminary procedure for the purposes of alignment of the expiry of the in-house assignment in the Municipality of Venice. By means of assembly resolution No. 12 of 15 November 2019, the Catchment Area Council then approved the Report pursuant to Article 34 of Decree Law 179/2012 which defines and explains the choice of in-



house providing model for the assignment to Veritas S.p.A. of the urban waste service in the Municipality of Venice, as well as the alignment of the expiry of the in-house assignment to Veritas S.p.A. of the urban waste service in the Municipality of Venice until 2038 and the associated draft service contract, also deciding to defer to a later provision the alignment of the expiry for the two Municipalities of Scorzè and Fossalta di Piave.

On 2 July 2018, the Catchment Area Council of Venezia Ambiente requested the registration of Veritas S.p.A. in the Anac list of in-house awarding authorities pursuant to Article 192 of Legislative Decree No. 50 of 18 April 2016.

The Catchment Area Council of Venezia Ambiente, with resolution No. 7 of 13 February 2020 of the Institutional Committee, approved the new service contract scheme, replacing the service contract scheme approved by the Catchment Area Shareholders' Meeting resolution No. 12 of 15 November 2019, to be signed between the Catchment Area Council, the Municipality of Venice and the operator Veritas S.p.A.

It should also be noted that the majority of the partner local authorities of Veritas in 2015 adopted the resolutions approving the rationalisation plans of the investees and the corporate shareholdings in implementation of Article 1, paragraph 611 of law 190/2014 (2015 stability law); Veritas, in line with the plan approved by the partner local authorities, by means of the ordinary assembly resolution of 26 June 2015, approved the *Plan for the rationalisation and management of the investments of Veritas S.p.A. 2013-2016*.

Veritas' Board of Directors approved the update to said plan on 17 March 2016, previously approved by the Coordination and Control Committee on the same date. The updated version of this plan made provision, among other things, for the implementation of projects involving the aggregation in Veritas S.p.A. of the companies Asi S.p.A. (already an integrated water service operator in the Municipalities of Caorle, Ceggia, Cessalto, Eraclea, Fossalta di Piave, Jesolo, Musile di Piave, Noventa di Piave, San Donà di Piave, Torre di Mosto, Zenson di Piave) and Alisea S.p.A. (manager, at the time, of the integrated waste cycle in the Municipalities of Ceggia, Eraclea, Fossalta di Piave, Jesolo, Musile di Piave, Noventa di Piave, Torre di Mosto).

In fact, the companies Asi S.p.A., Alisea S.p.A., Veritas S.p.A., in line with the regulatory provisions in force and the guidelines of the competent Catchment Area Councils, drafted integration projects in order to make it possible to manage the aforementioned services through a single manager for each reference or catchment area. The merger by incorporation of Asi S.p.A. was completed in 2017, and that of Alisea in 2018.

It should be noted that Asvo S.p.A. is the in-house contractor of waste management services for the eleven partner Municipalities, which are also partners of Veritas.

As regards waste treatment, in the Fusina area, the subsidiary Ecoprogetto Venezia S.r.l. manages the integrated hub for the treatment and development of residual urban waste for the catchment area of Venezia Ambiente, which includes the Municipalities that assigned the urban waste collection, removal and treatment service to the Veritas Group. It is also the logistics station for the transfer, selection and grinding of many of the separated waste fractions collected.

The subsidiary Eco-ricicli Veritas S.r.l. instead deals with the selection and treatment of materials deriving from separate waste collection (glass, paper, plastic, metals, etc.) for their recycling, collection and logistics-transport relating to the materials to be selected. It treats both materials transferred by the Group and collected separately by other operators in the zone, for subsequent delivery and development, primarily in Chain Consortia.

### **Other services**

In 2015, the Municipality of Venice renewed Veritas' cemetery services management assignment for 20 years, until 30 September 2035.

The parent company also holds the assignment for cemetery services management in the Municipalities of Spinea (until 2030), Martellago (until 2022) and Mirano (until 2021).

In June 2020, management started of the crematorium of the cemetery of Conegliano, built by the associated company Veritas Conegliano and granted under management to Veritas until 2046.

With regard to the installation of high tide footbridges, also only relating to the Municipality of Venice, the duration of concessions was extended to the parent company annually until 31 December 2019. By means of resolution of the Municipal Council of 18 December 2019, the high tide footbridge installation service was assigned until 26 June 2038.

By means of the same resolution, the Municipality of Venice awarded in-house to Veritas the rodent control, disinfection and disinfestation service until 30 November 2024, and in line with the duration of the assignment of the integrated water service approved by the Venice Lagoon Catchment Area Council, awarded the service for the management of the mainland and Lido rainwater pumping systems and mobile barriers in Malamocco, effective from December 2019, and the fire prevention water supply system management and maintenance service for Venice, effective from 1 December 2019 until 31 December 2038.

From 1 January 2020, for a duration of 10 years, the same Municipality awarded Veritas the service for the inspection and assessment of civil thermal plants in the Municipal territory for which a complaint or report is received by the municipal administration.

With regard to the management of public toilets, again for the Municipality of Venice and also by the parent company, the duration of the concession is extended from year to year and in fact at this time until 31 December 2021.

The management of fish markets (also concerning the Municipality of Venice alone) was considered by the parent company as a service to be discontinued and transferred to the granting entity to be reassigned, also due to updates in the sector's legal requirements and the territorial conditions of this activity. This is nonetheless a marginal activity from an economic-financial perspective.

Furthermore, the public lighting and heating management service is active for the Municipality of Chioggia, with duration up to 2030.

The management of public lighting was also assigned to Veritas by the Municipality of Fossalta di Portogruaro until 2021 and by the Municipality of Fiesso d'Artico until 2027.

Asvo S.p.A., as an in-house contracting company, has carried out cemetery services for the Municipality of Portogruaro from 2018, for the Municipalities of San Michele al Tagliamento, San Stino di Livenza, Fossalta di Portogruaro and Cinto Caomaggiore from 2019. Effective from 2019 for the Municipality of Portogruaro and from 2020 also for the Municipalities of San Michele al Tagliamento and Fossalta di Portogruaro, it oversees the maintenance of public green areas.

The Depuracque group, controlled since July 2018 handles the management, transport and disposal of hazardous and non-hazardous waste, environmental redevelopment, water treatment, whether effluents and waste, chemical analysis and environmental advisory services, interacting with the parent company and various group companies.

## Environment Code

Note should be taken of the regulations contained in Italian Legislative Decree 152/2006 also known as the *Environment Code*, regarding management of the integrated water service and the *integrated management of urban waste*.

In particular, with regard to the integrated water service, note should be taken of Article 147 of Italian Legislative Decree 152/2006, as supplemented and amended by the subsequent relevant



legal provisions.

The regulation indicated above establishes that 'the water services are organised on the basis of the optimal territorial subdivisions defined by the regions in implementation of Italian *Law No. 36 of 5 January 1994*. The regions that did not identify the sub-division government bodies will do so, by means of a resolution, within the final term of 31 December 2014. If this term passes without a resolution, Article 8 of Italian Law No. 131 of 5 June 2003 applies. The local authorities falling under the same optimal sub-division participate, as per mandatory requirements, in the sub-division government body, identified by the competent region for each optimal territorial sub-division, to which fulfilment of the responsibilities due to them regarding water resource management is transferred, including therein the planning of water infrastructures pursuant to Article 143, paragraph 1'.

Article 149-bis of the *Environment Code* inserted by Article 7, paragraph 1, letter d) of Italian Legislative Decree No. 133 of 12 September 2014, converted, with amendments, by Law No. 164 of 11 November 2014, and amended by Article 1, paragraph 615, Law No. 190 of 23 December 2014, then expressly recognises the possibility of the direct assignment of the integrated water service to in-house companies.

With reference to the *integrated urban waste management service*, Article 200 of the *Environment Code* establishes that 'Urban waste management is organised on the basis of optimal territorial subdivisions (Ambiti Territoriali Ottimali), hereinafter also known as ATOs, outlined in the regional plan pursuant to Article 199, in compliance with the guidelines set forth in Article 195, paragraph 1, letters m), n) and o), and according to the following criteria:

- a) removal of the fragmentation of operations through an integrated waste management service;
- b) achievement of adequate operational dimensions, defined on the basis of physical, demographic and technical parameters and based on political-administrative divisions;
- c) adequate evaluation of the road and rail communication system in order to optimise transport within the ATO;
- d) valuation of common requirements and similarities in the production and management of waste;
- e) appraisal of waste management plants already constructed and in operation;
- f) consideration of previous limits so that the new ATOs only deviate from the previous ones based on the justified needs of effectiveness, efficiency and inexpensiveness.

Article 202 of the repeatedly mentioned *Environment Code* confirms that the service must be organised in observance of the 'EU principles and provisions, according to the applicable regulation governing the assignment of local public services...'

During 2020, several legislative decrees were issued to implement the European package of measures on circular economy, which amended six directives on waste and landfills; it should be noted in particular that Italian Legislative Decree No. 116/2020, introduced significant changes to Italian Legislative Decree 152/2016, among others, concerning the definition of 'urban waste'.

## The European legislation

The legitimacy of the assignments of public services to in-house companies was confirmed by European Directive No. 23 of 26 February 2014 regarding the award of concession contracts and European Directive No. 24 of 26 February 2014 concerning public tenders.

## The public contracts code

The reference European directives were acknowledged in Italian Legislative Decree No. 50 of 18 April 2016 (*Public Contracts Code*) and subsequent amendments and additions. In particular, Article 5 of the *Public Contracts Code*, as amended by Article 6, paragraph 1, of Italian Legislative Decree No. 56 of 19 April 2017, describes the requirements of the in-house assignment.

In particular, Article 192 (special regime of in-house assignments) of the same Italian Legislative Decree 50/2016 as amended by Italian Legislative Decree 56/2017, in force from 20 May 2017, makes provision for the following:

- 1. The list was established at ANAC of contracting authorities and contracting bodies that operate through direct assignments vis-à-vis their own in-house companies pursuant to Article 5, also in order to guarantee adequate levels of publicity and transparency in public contracts. The inclusion in the list is on-demand, after the compliance with the requirements has been established, in accordance to the procedures and criteria defined by the Authority. For the collection of information and verification of the aforementioned requirements, the Authority uses IT procedures, also through the connection, based on the appropriate agreements, with the relevant systems in use at other public administrations and other entities operating in the public contracts sector. The request for registration allows the contracting administrations and contracting bodies under their responsibility, to directly assign contracts to the operating entity. This is without prejudice to the obligation of the publication of deeds connected with the direct assignment according to the provisions of paragraph 3.*
- 2. For the purposes of the in-house assignment of a contract for services available on the market based on the competition regime, commissioning bodies evaluate the economic suitability of the offer of the in-house entities beforehand, regarding the object and value of the service, explaining the reasons for not assigning the contract through recourse to the market, as well as the benefits for the local community of the form of management chosen beforehand, also with reference to the objectives of universality and social relations, efficiency, cost effectiveness and service quality, as well as optimal use of public resources.*
- 3. All deeds related to the assignment of public contracts and concession contracts between entities in the public sector, where not confidential pursuant to Article 162 are published and updated on the client's profile in the transparent Administration section, in compliance with the provisions of Italian Legislative decree No. 33 of 14 March 2013, in open-data format.*

## The consolidated law on state-owned companies

Italian Legislative Decree No. 175 of 19 August 2016 (*consolidated law on state-owned companies*) entered into force on 23 September 2016, issued in implementation of Article 18 of Italian Law No. 124 of 7 August 2015, containing Government powers regarding the reorganisation of public administrations (otherwise known as the 'Madia' law), subsequently amended by Legislative Decree No. 100 of 16 June 2017, Law No. 205 of 27 December 2017 and Law No. 145 of 30 December 2018, which governs the incorporation of companies by public administrations, as well as the purchase, maintenance and management of shareholdings by said administrations, in fully or partially state-owned companies, either directly or indirectly.

In particular, as regards the field of subjective application of Italian Legislative Decree 175/2016 and subsequent amendments and additions, Article 1, paragraph 5, states: "5. The provisions of this decree apply, only if expressly provided, to listed companies, as defined by Article 2, paragraph 1, letter p, as well as to their investees, while Article 2, paragraph 1, letter p) defines listed companies: 'p) "listed companies": publicly-owned companies that issue shares listed on regulated markets: companies that have issued, as at 31 December 2015, financial instruments, other than shares, listed on regulated markets'.

The parent company falls under the definition of listed companies pursuant to the aforementioned regulatory provision given that, in November 2014, it issued significant financial instruments in bonds listed on regulated markets, following a procedure undertaken at the start of the same year,

assuming the status of 'public interest entity' pursuant to Article 16, paragraph 1 of Italian Legislative Decree 39/2010 and subsequent amendments and additions, to which the provisions of Italian Legislative Decree 175/2016 and subsequent amendments and additions shall therefore only apply where expressly envisaged, and so where there is no express provision for applicability, the consolidated law shall not apply.

In any case, the consolidated law on state-owned companies does not appear to contain, in the case in point, provisions that may directly impact the duration of the existing assignments.

Article 16, paragraph 1 sets forth that in-house companies receive direct assignments of public contracts from administrations that exercise similar control over them, or from each of the administrations that exercise joint similar control over them only in the absence of the investment of private capital, with the exception of that prescribed by the legal provisions and that takes place in forms that do not involve control or the power to veto, nor the exercise of a significant influence.

Paragraph 3 sets forth that the articles of association require more than eighty percent of turnover to be achieved in carrying out jobs assigned to the company by the public entity or partner public entities and paragraph 3-bis sets out that additional production with respect to the predominant production is only allowed on the condition that it makes it possible to achieve economies of scale or other recoveries of productive efficiency in exercising the company's core business.

Paragraph 7 (final) requires observance of the Public Contracts Code when acquiring works, goods and services.

## 2.1.3 Significant events during the year

Among significant events, potentially able to influence the performance of company activities, the following should be noted.

### COVID-19 pandemic health emergency

Please refer what already described in paragraph 2.1.2 *Risks and uncertainties*.

### Regulations on water tariffs

With the year 2020, the new regulatory period (2020-2023) regulated by the MTI-3 method (ARERA Resolution 580/2019/R/IDR) came into force.

Therefore, with resolution No. 17 of 17 December 2020, the Catchment Area Council of the Venetian lagoon approved the regulatory framework for the period in question, with the definition of the tariffs to be applied for the 2020-2021 period and the forecast of tariffs for the 2022-2023 period, which will then be subject to biennial updates.

With resolution No. 46/2021/R/IDR of 9 February 2021, ARERA also approved the 2020-2023 regulatory framework, with amendments. The changes made by ARERA with respect to what was resolved by the Catchment Area Council refer only to the individual components of the VRG, but the total VRG and the *theta* indices were confirmed as per the resolution of the Catchment Area Council.

The Authority has also had to deal with the effects of the health emergency, with the adoption of measures aimed at ensuring the continuity and availability of essential services and conditions of maximum safety and protection for the personnel of the supplying companies.

### Regulations on tariffs for the municipal waste management service

By means of ARERA resolution 443/2019/R/RIF of 31 October 2019, the waste tariff method (MTR) was approved for the 2018-2021 regulatory period, with rules for the preparation of the 2020-2021 tariffs and recalculation of the 2018-2019 financial plans, with subsequent determination of equalisations.

Due to the health emergency, however, Article 107 of Italian Legislative Decree 18/2020 ('Cura Italia' decree) subsequently gave Municipalities the possibility to confirm for 2020 the tariffs of the TARI and TARIP approved for 2019 (option used by almost all the shareholder Municipalities).

The same provision also included the obligation to approve the 2020 PEF by 31 December 2020 and that any equalisation between the costs resulting from the 2020 PEF and the costs determined for the year 2019 should be spread over the next three years.

With resolution No. 17 of 18 December 2020, therefore, the Catchment Area Council of Venezia Ambiente approved the Veritas' 2020 PEFs with resolution No. 11 of 30 November 2020, the Asvo's 2020 PEFs, with this method for allocating the 2020 equalisations, and starting the preliminary investigation at the Authority for the confirmation of the equalisations beyond the 6.6% *cap*.

Considering that the 2020 PEFs approved by the Catchment Area Council did not generate a tariff change (as the tariffs remained the same as in 2019), there was no obligation for the Municipalities to approve them further. However, most of the Municipalities decided in any case to take note of what had been approved by the Catchment Area Council.

## Investments and acquisitions of business units

The program for the rationalisation the investees, approved by the shareholder Municipalities pursuant to the Consolidated Law on public entities owned companies (Italian Legislative Decree 175/2016), continued also during 2020.

In June 2020, Veritas sold 51% of the share capital of Vier S.r.l. to some private shareholders, for a consideration of EUR 529 thousand, and following this sale, Vier S.r.l. was reclassified as an associate. Subsequently, in July 2020, the Vier shareholders' meeting resolved the conversion into a limited liability consortium company.

In April 2020, the share capital increase of Ecoprogetto subscribed by Veritas was resolved through the conversion of the loan into a payment for future share capital increase already disbursed in October 2019. Therefore, from the aforementioned date, the parent company increased its stake to 46.64%, while the subsidiary Asvo S.p.A. redetermined its equity investment at 18%.

In October 2020, the company RPM S.c.a.r.l. in liquidation, an indirect associate of Veritas through Depuracque Servizi S.r.l., was cancelled from the register of companies.

In December 2020, the parent company acquired from Veneto Acque S.p.A. the business unit consisting of the complex of organised assets known as the Venice-Chioggia sub-lagoon pipeline, i.e. the first section of the regional infrastructure known as Savec (Central Veneto water supply scheme) - eastern part.

In 2020, Eco-ricicli acquired, from the company F.lli Busato Autotrasporti and from Litorale Trasporti - Moviter di Bozzato Guerino e c. snc, the business units involved in the transport of urban waste on behalf of third parties.

These financial statements include some valuation adjustments to the value of equity investments (equal to EUR 41 thousand).

Please note that operating associates in any case retain a fundamental role in contributing to the industrial and market management of the Group, providing it with the necessary strategic flexibility in the management of industry activities.

## Other events - operational management

In June 2020, the crematorium of the cemetery of Conegliano became operational, built by the associate Veritas Conegliano and granted under management to Veritas until 2046.

On 2 December 2020, Eco-ricicli Veritas S.r.l. received an official communication from the Veritas Group regarding the award of the European tender procedure relating to services for the treatment and selection of urban waste deriving from the differentiated waste collection of the metropolitan city of Venice and the Municipality of Mogliano Veneto, for the subsequent development and/or disposal for a period of 12 years.

In the last quarter of 2020, by decree of the director of the Protection and development of the territory of the Veneto Region, Ecoprogetto was granted authorisation for the technological updating project of the Fusina plant hub for waste management, which, among other things, envisages the possibility of co-incinerating also the SSF (secondary solid fuel) obtained from the industrial waste treatment process in the two already authorised lines.

The first L1 line went into operation in December 2020 while the second is under construction. During the year, the procedure for identifying the general contractor for the construction of the L2 line will be managed, which will make it possible to autonomously enhance all the SSF produced.

During the year, the subsidiary Eco-ricicli started the selection of an associated business for the realisation in partnership of the new accessory 'glass' and 'residue review' lines. The entity identified is the company Omd S.r.l. The pilot plant for the selection of the semi-finished raw glass output from the VPL1 and VPL2 lines has now been built and tested, and the final plant is being completed. The residue review line has completed the design phase and is awaiting the appropriate environmental authorisations for construction. Following the creation of the new glass line, the industrial agreement with the associated business Ecopatè/Sibelco Green Solution was successfully renegotiated.

During the year, the subsidiary Eco-ricicli realised the new metals line in partnership with Italsort S.r.l. The metals line was fully completed with regard to the “ferrous packaging” section and this made it possible to intensify commercial agreements with the Ricrea Consortium, also in partnership with the subsidiary Metalrecycling Venice S.r.l.

On the other hand, the “non-ferrous packaging” section of Eco-recycle is being completed, which has as its main consequence the signing of important collaboration agreements with the Cial consortium.

On 24 December 2020, Eco-recycle also obtained the environmental authorisation required for the construction of the new bulky plant, whose provisional operation took place on 28 January 2021.

In the second half of 2020, a mixed metal treatment plant was introduced, as part of the Metalrecycling Venice company production system. This is a medium-small size material characterised by the interesting presence of non-ferrous metals that would not have been intercepted with the previous mechanical selection system. The new production process made it possible, on the one hand, to optimise the treatment of materials coming from the urban flow, and on the other hand, it allowed the subsidiary to also interface with industrial processes waste sector. The mixed metal selection line, managed by Italsort S.r.l., was launched in June 2020.

Moreover, at the end of September 2020, Metalrecycling Venice saw the provisional start-up, within the mixed metals line, of the shredding line dedicated to post-consumer packaging scrap iron; subcontracting was assigned to the National Steel Consortium until 31 December 2021.

From a financial point of view, the year was characterised by two important transactions for the parent company: the first transaction concerns the signing in November 2020 of a pool loan agreement with two banks, backed by a Sace guarantee pursuant to Legislative Decree 23/2020, for EUR 40 million over 5 years, while the other transaction concerns the new issue in December 2020 of a 7-year bond loan for EUR 100 million, placed on the Irish regulated market. The subsidiaries took out new bank loans for EUR 12 million.

## Disputes

In June 2020, the first dispute with the Veneto Region relating to the payment of the regional tax of EUR 2 million for the transfer of waste to the Ca' Rossa landfill for the period 2005-2008 was finally closed in favour of the parent company, due to the ruling in favour of Veritas issued by the Supreme Court.

In November 2020, a further dispute with the Italian Revenue Agency relating to the request for payment of EUR 2.3 million for the registration tax on the transfer of land by the Municipality of Venice was finally closed in favour of the parent company, due to the effect of signing the settlement agreement with the Agency, which does not provide for any payment by the company.

On 2 March 2020, the Supreme Court judgment against the subsidiary Ecoprogetto Venezia and in favour of the Italian Revenue Agency in relation to the classification of property assets located in the Integrated Hub of Fusina was made public. As a result of the new judgment, the expenses due from 2008, the year the dispute started, were recalculated, and the ICI/IMU tax costs in the company plan from 2020 were revised. The latest developments are not fully defined from a legal point of view and outline an uncertain picture both on the amount of the tax

due and of the related charges, in the absence of a clear ruling in relation to the accessory charges and possibly from which year (the Supreme Court did not mention it in the judgment, nor did the last judgments of the Tax Commissions issued in December 2020) taking into account that until 2011, by virtue of the two favourable judgments, the company was not in fact even bound to pay the ICI/IMU tax.

In addition, pending the ruling of the Supreme Court, different actions were not possible, such as adhering to forms of tax relief on the registering of (see the “bolt-on regulation” issued with the 2016 Stability Law, or forms of arbitration agreement again introduced by government, prevented by the fact that Ecoprogetto was not legally in default).

Supported by the opinions expressed by the legal advisors who have assist the subsidiary in the various levels of proceedings, the administrative body deemed that a negative outcome for the subsidiary was reasonably probable and not remote, not only for the portion of the IMU tax of EUR 6.9 million, already allocated to the provision in the 2019 financial year for all the years subject to judgment, but also for the amounts of related charges reported in the assessments notified by the Municipality of Venice for the years 2008-2019 for EUR 3.9 million, set aside in the 2020 financial year.



## 2.1.4 Business outlook

The performance of the first months of 2021 was affected by the consequences of the ongoing health emergency.

Therefore, the risks and uncertainties deriving from the restrictions on the economy due to the pandemic, as well as the protection measure put in place by the Group, which include the remuneration policies aimed at reducing personnel costs and the personnel reorganisation operations, still apply.

The group in particular is also monitoring the trend of collections from bills, also in consideration of the ongoing suspension of compulsory collection activities.

The process for the approval of the 2021 PEFs for waste management by the Council of the catchment area of Venezia Ambiente is in progress, also in preparation for the approval of the 2020 PEFs by ARERA, resolved in December 2020 by the Council, which will also establish the recovery methods of equalisations exceeding the *Cap*.

Since the MTR method is in force for the period 2018-2021, consultations have begun by the Authority for the preparation of the new MTR-2 method.

The new method will necessarily have to review the obligation to process PEFs for each assignment, or for each Municipality, also allowing the possibility of processing a single PEF for each area or a limited number of PEFs aggregated by group of Municipalities; it would also be desirable to change the *Cap* mechanism in the case of carry-over of previous equalisations, as also proposed by the trade association Utilitalia.

In 2021, the first positive effects generated by the start-up in December 2020 of the Ecoprogetto L1 waste-to-energy line were seen, as it guarantees a reduction in disposal costs and a reduction in operational risks in the management of outgoing SSF flows.

In the last quarter of 2020, by decree of the director of the Protection and development of the territory of the Veneto Region, Ecoprogetto was authorised to enhance the energy value of the SSF produced within the hub in two plant lines, one of which came into operation in December and the second under construction in the coming years.

During the year, the procedure for identifying the general contractor for the construction of the L2 line will be managed, which will make it possible to autonomously enhance all the SSF produced.

In addition, in 2021, the actions defined at the time of the expression of interest for the individualisation of the associated business of the paper chain for Eco-recycling will be completed.

In January 2021, Veritas repurchased from Garange San Marco the Sant'Andrea area sold in 2011, which at the time was to be used to expand the building used for parking adjacent to the area.

In February 2021, the acquisition of the Savec Est infrastructure was completed with the purchase of the business unit relating to the second and third sections by the parent company.

On 14 May 2021, the parent company repaid the amount of EUR 100 million relating to the bond loan issued in 2014 on the Irish regulated market.



The rationalisation of equity investments continued also for the year 2021, both with regard to the subsidiaries (with the possibility of a business combination between Veritas and Asvo and between Ecoprogetto and Eco-ricicli) and for the associates (with the possibility of the purchase from Insula of a business unit by the parent company).

Veritas is analysing any possible intervention scenarios regarding the Sifa dispute generated as a result of the injunction notified on 16 February 2021 by the Court of Venice and requested by Unicredit against Sifa, as a result of the transactions of: a) factoring at Unicredit of receivables due to the shareholder company Mantovani from Sifa, b) request for payment of these receivables on maturity by Unicredit from Sifa, c) rejection by Sifa of said request for the alleged non-transferability of receivables as pertaining to the current *pactum de non petendo*, linked to the redefinition of the concession.

## 2.2 Consolidated statement of financial position

assets (in thousands of Euro)	notes	31.12.2020	31.12.2019
<b>non-current assets</b>			
intangible assets	6	23,360	21,334
concession services	6	244,776	227,930
goodwill	7	21,223	21,223
tangible fixed assets	8	333,747	329,236
investment property	9	18,414	18,417
shareholdings in associates and jointly controlled companies	10	11,102	10,443
other equity investments	11	1,470	1,511
long-term receivables due from partner entities	16	2,664	3,330
long-term receivables due from associates and jointly controlled companies	17	14,260	10,676
other financial assets	12	8,388	10,472
receivables due from subsidiaries held for sale	5	0	0
receivables due for income taxes	19	5,624	5,531
deferred tax assets	43	27,563	28,675
<b>total non-current assets</b>		<b>712,591</b>	<b>688,778</b>
<b>current assets</b>			
inventories	13	7,867	7,149
contract work in progress	14	2,642	1,890
trade receivables	15	101,630	100,298
receivables due from partner entities	16	23,268	21,697
receivables due from subsidiaries held for sale	5	0	0
receivables due from associates and jointly controlled companies	17	4,714	4,556
other receivables	18	21,722	17,289
receivables due for current income taxes	19	3,688	893
cash and cash equivalents	20	204,634	118,921
derivative financial instruments - assets	30	1	3
<b>total current assets</b>		<b>370,166</b>	<b>272,696</b>
<b>assets held for sale</b>	<b>5</b>	<b>3,865</b>	<b>3,819</b>
<b>total assets</b>		<b>1,086,622</b>	<b>965,293</b>

liabilities and shareholders' equity (in thousands of Euro)	notes	31.12.2020	31.12.2019
<b>shareholders' equity</b>			
share capital	21	145,397	145,397
own shares	21	-1	-1
reserves	21	121,124	116,390
<b>shareholders' equity pertaining to the group</b>		<b>266,520</b>	<b>261,786</b>
share capital and reserves pertaining to minority interests	21	29,718	30,258
<b>total shareholders' equity pertaining to minority interest</b>		<b>29,718</b>	<b>30,258</b>
<b>total shareholders' equity</b>		<b>296,238</b>	<b>292,044</b>
<b>non-current liabilities</b>			
medium/long-term loans	22	172,911	138,473
loans from other funders	23	121,358	119,656
provisions for risks and charges	24	67,340	76,989
employee severance indemnity	25	25,438	26,131
long-term payables due to subsidiaries held for sale	5	0	0
long-term payables due to partner entities	26	9,954	6,898
long-term payables due to associates and jointly controlled companies	27	2,243	0
other non-current liabilities	28	23,648	21,902
deferred tax liabilities	43	7,633	8,080
<b>total non-current liabilities</b>		<b>430,525</b>	<b>398,129</b>
<b>current liabilities</b>			
trade payables	29	97,733	88,686
payables due to partner entities	26	64,946	87,553
payables due to subsidiaries held for sale	5	0	0
payables due to associates and jointly controlled companies	27	2,386	4,380
payables due to banks and current portion of medium/long-term loans	22	39,358	37,349
loans from other funders	23	116,166	14,973
derivative financial instruments	30	868	259
other current liabilities	31	38,244	41,572
current tax payables	32	158	348
<b>total current liabilities</b>		<b>359,859</b>	<b>275,120</b>
<b>liabilities held for sale</b>	<b>5</b>	<b>0</b>	<b>0</b>
<b>total liabilities</b>		<b>790,384</b>	<b>673,249</b>
<b>total liabilities and shareholders' equity</b>		<b>1,086,622</b>	<b>965,293</b>

## 2.3 Consolidated statement of comprehensive income

comprehensive income statement (in thousands of Euro)	notes	2020	2019
<b>continuing operations</b>			
revenues from sales and services	33	411,964	418,211
other income	34	15,581	13,053
<b>total revenues</b>		<b>427,545</b>	<b>431,264</b>
costs for raw and ancillary materials and consumables	35	-33,386	-31,104
costs for services	36	-134,215	-140,716
costs for use of third-party assets	37	-6,004	-6,632
personnel costs	38	-164,189	-166,378
other operating costs	39	-22,358	-21,306
amortisation, depreciation and write-downs	40	-46,614	-44,711
<b>operating income</b>		<b>20,779</b>	<b>20,417</b>
portion of profit (loss) from shareholdings valued with the equity method	41	45	161
financial charges	42	-13,144	-12,099
financial income	42	883	1,588
<b>income before taxes</b>		<b>8,563</b>	<b>10,067</b>
income taxes for the year	43	-3,879	-5,519
<b>profit (loss) for the year from continuing operations</b>		<b>4,684</b>	<b>4,548</b>
assets held for sale			0
<b>net profit (loss) from assets held for sale</b>		<b>0</b>	<b>0</b>
<b>consolidated profit (loss) for the year</b>		<b>4,684</b>	<b>4,548</b>
<b>profit (loss) pertaining to minority interests</b>		<b>-1,576</b>	<b>-3,250</b>
<b>profit (loss) pertaining to the Group</b>		<b>6,260</b>	<b>7,798</b>
<b>other components of the comprehensive income statement</b>	<b>notes</b>	<b>2020</b>	<b>2019</b>
Consolidated profit (loss) for the year		4,684	4,548
other components of the comprehensive income statement that will be reclassified subsequently under the profit/(loss) for the year			
<b>Conversion difference</b>			
(loss)/net profit on cash flow hedges	30	-457	
<b>income taxes pertaining to other components of the comprehensive income statement</b>		110	
other components of the comprehensive income statement that will not be subsequently reclassified under the profit/(loss) for the year			
<b>actuarial gains (losses) on defined benefit pension plans</b>	25	-349	-1,318
<b>income taxes pertaining to other components of the comprehensive income statement</b>		84	316
comprehensive profit (loss) for the year net of taxes		4,071	3,546
<b>attributable to:</b>			
<b>parent company shareholders:</b>		5,658	6,817
<b>minority shareholders</b>		-1,587	-3,271
comprehensive profit (loss) for the year net of taxes		4,071	3,546

## 2.4 Changes in shareholders' equity

(thousands of Euro)	share capital	legal reserve	own shares	other reserves	valuation of associates using the equity method	profit/(loss) for the period pertaining the Group	total shareholders' equity of the Group	share capital and reserves pertaining to minority interests	profit (loss) for the period pertaining to minority interests	total shareholders' equity pertaining to minority interests	total shareholders' equity
<b>balance as at 1 January 2019</b>	<b>145,397</b>	<b>2,988</b>	<b>-1</b>	<b>85,916</b>	<b>154</b>	<b>20,579</b>	<b>255,034</b>	<b>33,656</b>	<b>-125</b>	<b>33,531</b>	<b>288,565</b>
share capital increase and business combination											
allocation of previous year's profit/(loss)		915		19,664		-20,579	0	-125	125	0	0
own shares in portfolio											
business combinations											
other transactions				-65			-65	-2		-2	-67
dividends											
acquisition of minority interests											
increase in minority interests											
other comprehensive income components				-981			-981	-21		-21	-1,002
result as at 31 December 2019						7,798	7,798	-3,250		-3,250	4,548
<b>balance as at 31 December 2019</b>	<b>145,397</b>	<b>3,903</b>	<b>-1</b>	<b>104,534</b>	<b>154</b>	<b>7,798</b>	<b>261,786</b>	<b>33,508</b>	<b>-3,250</b>	<b>30,258</b>	<b>292,044</b>
<b>balance as at 1 January 2020</b>	<b>145,397</b>	<b>3,903</b>	<b>-1</b>	<b>104,534</b>	<b>154</b>	<b>7,798</b>	<b>261,786</b>	<b>33,508</b>	<b>-3,250</b>	<b>30,258</b>	<b>292,044</b>
share capital increase and business combination											
allocation of previous year's profit/(loss)		355		7,443		-7,798	0	-3,250	3,250	0	0
own shares in portfolio											
business combinations				-880			-880	951		951	71
other transactions				-43			-43	96		96	53
dividends											
acquisition of minority interests											
increase in minority interests											
other comprehensive income components				-602			-602	-11		-11	-613
result as at 31 December 2020						6,260	6,260	-1,576		-1,576	4,684
<b>balance as at 31 December 2020</b>	<b>145,397</b>	<b>4,258</b>	<b>-1</b>	<b>110,452</b>	<b>154</b>	<b>6,260</b>	<b>266,520</b>	<b>31,294</b>	<b>-1,576</b>	<b>29,718</b>	<b>296,238</b>

## 2.5 Cash flow statement

cash flow statement (in thousands of Euro)	2020	2019
<b>cash flow generated by operating activities</b>		
profit (loss) for the period pertaining to the Group	6,260	7,798
profit (loss) for the period pertaining to minority interests	-1,576	-3,250
<b>cash flows generated by operating activities</b>		
(interest receivable)/interest payable for the year	11,405	10,262
income taxes for the year	3,879	5,519
<b>adjustments to reconcile net profit with cash and cash equivalents generated (used) by operating activities</b>		
amortisation, depreciation and write-downs	46,614	44,758
financial income (charges) from discounting	856	249
write-down of receivables and inventories	12,262	4,395
change in fair value of interest rate derivatives	0	0
portion pertaining to investments valued with the equity method	-45	-161
capital gains/losses		
from disposal of property, plant and equipment and investment property	-1,785	-572
from disposal of shareholdings	0	0
provision (use)		
employee severance indemnity	-878	-1,618
provisions for risks and charges	2,454	8,450
other adjustments for non-monetary elements	-8,453	-9,534
<b>cash flows before changes in NWC</b>	<b>70,993</b>	<b>66,294</b>
<b>changes in net working capital</b>		
inventories	-936	-364
contract work in progress	-752	712
trade receivables	-15,851	-7,199
other receivables	-1,734	5,605
trade payables	-14,916	-1,403
payables due to subsidiaries held for sale	-2,160	3,086
other current payables	-3,233	-3,225
<b>total changes in current assets and liabilities</b>	<b>-39,582</b>	<b>-2,788</b>
<b>other adjustments</b>		
(interest paid)	-11,475	-10,192
interest income	1,379	1,327
(income taxes paid)	-5,887	-5,370
dividends received	22	0
change in other non-current payables	2,251	6,056
<b>cash flow generated (used) by operating activities</b>	<b>17,701</b>	<b>55,327</b>

<b>cash flow statement (in thousands of Euro)</b>	<b>2020</b>	<b>2019</b>
<b>cash flows generated from investment activities</b>		
disposal of intangible assets	0	2
disposal of property, plant and equipment and concession services	1,229	3,148
net assets/liabilities held for sale	-46	0
transfer (acquisition) of minority interests	0	0
dividends from associates and joint ventures	0	0
investments in business combinations net of liquidity acquired	-6,332	-2,985
purchases of intangible assets	-7,007	-6,320
investments in concession services	-23,985	-19,232
purchase of property, plant and equipment and investment property	-33,131	-44,522
purchase of shareholdings in associates and joint ventures	0	-750
grants collected for plants	5,616	8,212
sale/(purchase) of shareholdings in associates and joint ventures	265	0
disinvestments (investments) in other equity investments	0	39
disinvestments/(investments) in other financial assets and receivables due from associates	2,599	-678
<b>cash flow generated (used) by investment activities</b>	<b>-60,792</b>	<b>-63,086</b>
<b>cash flows generated from financing activities</b>		
shareholders' equity		
transfer (acquisition) of own shares	0	0
other changes in shareholders' equity	0	0
dividends paid out	-1	0
third-party financing		
loans taken out		
medium/long-term	67,200	40,940
medium/long term from other financiers and factoring	0	0
collections/(payments) on derivative instruments	0	-36
bond issue	100,000	0
increase/(decrease) in payables due to associates and jointly controlled companies	-142	0
increase/(decrease) in short-term payables due to banks	-3,252	5,550
(repayment) of		
medium/long-term	-27,302	-21,934
medium/long term from other financiers	-5,242	5,448
increase/(decrease) in financial payables due to partner entities	-1,707	-1,246
(reimbursement) of bonds	-750	-750
<b>cash flow generated (used) by financing activities</b>	<b>128,804</b>	<b>27,972</b>
<b>net increase/(decrease) in cash and cash equivalents</b>	<b>85,713</b>	<b>20,213</b>
<b>cash and cash equivalents at the start of the year</b>	<b>118,921</b>	<b>98,708</b>
<b>cash and cash equivalents at the close of the year</b>	<b>204,634</b>	<b>118,921</b>

## 2.6 Notes to the financial statements

### ACCOUNTING STANDARDS AND NOTES TO THE FINANCIAL STATEMENTS

#### I. Corporate information

Veritas S.p.A., parent company of the same group, is a joint-stock company with registered office in Italy.

The main activities of the Veritas Group involve:

- the integrated municipal waste management service in the territories of 45 partner municipalities of the Veritas Group. The services include street sweeping, collection and disposal of waste through waste treatment plants, including wet and dry fractions, and material deriving from separated collection. The inhabitants receiving the services total more than 920,000, in addition to roughly 40 million tourists who visit Venice each year, the surrounding areas and coastal towns of Jesolo, Eraclea and Chioggia (with the exception of this health emergency period), for a total of over 1 million equivalent inhabitants;
- management of the integrated water service (collection, pumping, treatment and distribution of water for civil and industrial use, collection and purification of domestic and industrial waste-water) carried out in the territories of the 36 partner Municipalities of the parent company, as the sole manager of the entire catchment area of the Venetian lagoon. The Group provides the integrated water service and purifies wastewater in the territories of the partner municipalities, with a population of roughly 790,000 inhabitants.

During 2020, the Group billed roughly 70 million cubic meters of water. Veritas also manages 15 kilometres of the industrial water supply of Porto Marghera which dispenses about 4.2 million cubic metres of water.

The aqueduct network is 5,700 km long and, for the water purification cycle, a 2,800 km-long sewerage network channelling roughly 80 million cubic metres of waste-water to 11 large purification plants and 27 small/medium purification plants is being used. In addition, the Group is involved with its Engineering division in developing investments in aqueduct and sewerage networks as well as purification plants, both for the necessary upgrades to existing plants and the construction of new conduits;

- the management of certain local public services for the Municipality of Venice, such as cemetery services, management of the fish market and waste management services; the service of construction of footbridges is also provided, which enables people to walk in the Venetian historical area in the event of high tides; from the end of 2018, Veritas has been involved, with the objectives of operating coordination, in single metropolitan call centre activities following the implementation of the new *Czrm – (Citizen relationship management)* system, developed by the Municipality of Venice and its subsidiaries;
- the management of the heating and public lighting service for the Municipality of Chioggia, Fossalta di Portogruaro and Fiesse d'Artico, cemetery services (include cemetery green areas) in the Municipalities of Spinea, Martellago, Mirano, Portogruaro, San Michele al Tagliamento, San Stino di Livenza, Fossalta di Portogruaro and Cinto Caomaggiore;
- environmental reclamations (characterisation plans, safety, monitoring plans) assigned by both the partner municipalities and other public authorities;
- the management of two crematoria in Marghera, Spinea and Conegliano;
- the management of hazardous and non-hazardous waste, environmental redevelopment with hi-tech mobile systems through the subsidiary *Depuracque servizi S.r.l.*;



- the development of the activities of the Rtn (toxic and hazardous waste) waste treatment plant in Fusina by the subsidiary Rive S.r.l.

The current consolidated financial statements of the Veritas Group have been approved with a resolution issued by the Board of Directors on 25 May 2021.

## 2.1 Drafting criteria

The consolidated financial statements of Veritas S.p.A. for the year ended as at 31 December 2020 were drawn up by the parent company in compliance with the *International Financial Reporting Standards* (IFRS), adopted by the European Commission according to the procedure set forth in Article 6 of Regulation No. 1606/2002 of the European Parliament and of the Council dated 19 July 2002, relative to the application of international accounting standards, in force at the time this document was drawn up. The IFRS also refer to all the revised international accounting standards (IAS) and all interpretations of the *International Financial Reporting Interpretations Committee* (IFRIC), previously termed the *Standing Interpretations Committee* (SIC).

The consolidated financial statements provide comparative information relating to the previous year and are composed of:

- a statement of financial position, distinguished by current and non-current assets and liabilities based on their realisation or extinguishment as part of the normal group operating cycle within twelve months from the close of the year;
- a comprehensive income statement, which shows costs and revenues classified by nature, the method deemed by directors to be more representative with respect to the business sector in which the group operates;
- a cash flow statement prepared using the indirect method;
- a statement of changes in shareholders' equity;
- explanatory notes containing the information required by the applicable legislation and the international accounting standards, shown appropriately with reference to the financial statement layouts used.

These consolidated financial statements are presented in Euros, which is the functional currency adopted by the Group pursuant to Article 5, paragraph 2 of Italian Legislative Decree No. 38 of 28 February 2005 and in compliance with IAS 1, and all the figures are rounded up to thousand Euro unless indicated otherwise.

The consolidated financial statements are audited, pursuant to Article 14 of Italian Legislative Decree No. 39 of 27 January 2010 by the independent auditing firm Ernst & Young S.p.A.

The general principle adopted in preparing these consolidated financial statements is the cost principle, with the exception of financial assets and financial liabilities (including derivatives) measured at fair value.

The financial statements were drafted in the assumption of the Group as a going concern. In particular, in consideration of the ongoing COVID-19 pandemic, the Group carried out an analysis of the potential future impacts of the health emergency on the economic activity, on the financial position and on the economic results of the parent company and of the Group and, on the basis of the different configured scenarios, the going concern assumption is confirmed in any event.

### Accounting standards, amendments and interpretations applied as at 1 January 2020

The accounting standards adopted for the preparation of the consolidated financial statements as at 31 December 2020 are the same as those used to draft the economic-financial data presented for comparative purposes.

The following amendments to the standards that are in force for years starting on or after 1 January 2020 became effective in 2020. The Group did not arrange for the early adoption of any other standard, interpretation or amendment issued but still not in force. The nature and impact of each amendment is described below:

■ *Amendments to IFRS 3: definition of a business:* the amendments to IFRS 3 clarify that to be considered a business, an integrated set of activities and assets must include at least one input and an underlying process that together significantly contribute to the capacity to create an output. Furthermore, it was clarified that a business can exist without including all the inputs and processes necessary to create an output. These amendments had no impact on the Group's consolidated financial statements, but could have an impact on future years should the Group carry out business combinations.

■ *Amendments to IFRS 7, IFRS 9 and IAS 39: reform of the interest rate benchmark:* the amendments to IFRS 9 and IAS 39 provide a number of practical expedients applicable to hedging relationships that are directly impacted by the reference interest rate reform. A hedging relationship that is impacted by the reform is subject to uncertainties regarding the timing and amount of cash flows based on the reference rate in relation to the hedged instrument. These amendments have no impact on the Group's consolidated financial statements as there are no interest rate hedges.

■ *Amendments to IAS 1 and IAS 8 - definition of material:* the amendments provide a new definition of materiality which states that information is material if it is reasonable to assume that its omission, misstatement or concealment could influence decisions that are taken by the main users of general purpose financial statements on the basis of these financial statements, provide financial information about the specific entity that prepares the financial statements.

The materiality depends on the nature or extent of the information, or on both. An entity assesses whether the information, individually or in combination with other information, is material in the context of the financial statements, taken as a whole. Information is concealed if it is communicated in such a way as to have, for the main users of the financial statements, an effect similar to that of omission or incorrect representation of the same information. These amendments had no impact on the consolidated financial statements and no future impact is expected for the Group.

■ *Conceptual Framework for Financial Reporting issued on 29 March 2018:* the *Conceptual Framework* does not represent a standard and none of the concepts contained therein take precedence over the concepts or requirements of a standard. The purpose of the *Conceptual Framework* is to support the IASB in the development of standards, to help those drafting them to develop homogeneous accounting policies where there are no applicable standards in specific circumstances, and to help all parties involved to understand and interpret the standards.

The revised version of the *Conceptual Framework* includes some new concepts, provides updated definitions and updated recognition criteria for assets and liabilities, and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

■ *Amendment to IFRS 16 COVID-19 Related Rent Concessions:* on 28 May 2020 the IASB published an amendment to IFRS 16. The amendment allows a lessee not to apply the IFRS 16 requirements to the accounting effects of contractual changes for the reductions of the lease payments granted by the lessors that are a direct consequence of the COVID-19 epidemic. The amendment introduces a practical expedient according to which a lessee may choose not to assess whether the reduction in lease payments represent contractual changes. A lessee who chooses to use this expedient accounts for these reductions as if they were not contractual changes in the scope of IFRS 16.

The amendments are applicable to financial statements whose accounting period starts on 1 June 2020 or later. Early adoption is permitted. These amendments had no impact on the consolidated financial statements of the Group.

## Accounting standards and/or interpretations still not applicable at the reporting date and not adopted early by the Group

The standards and interpretations that, at the date of preparation of the consolidated financial statements, had already been issued but were not yet in force are illustrated below. The Group intends to adopt these standards and interpretations, if applicable, when they come into force.

- *IFRS 17 - Insurance contracts*: in May 2017, IASB issued IFRS 17 *Insurance contracts*, a new complete standard relating to insurance contracts that covers their recognition and measurement, presentation and disclosure.

When it enters into force, it will replace IFRS 4 *Insurance Contracts*, which was issued in 2005. IFRS 17 applies to all types of insurance contracts (for example: life, non-life, direct insurance and reinsurance) irrespective of the type of issuing entity, as well as several guarantees and financial instruments with discretionary participation features.

For that purpose, limited exemptions shall apply. The general objective of IFRS 17 is to present an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast with the provisions of IFRS 4, which are largely based on maintaining the previous accounting standards, IFRS 17 provides a comprehensive model for insurance contracts that covers all relevant accounting aspects. The core aspect of the new standard is the general model, supplemented by: a specific adjustment for contracts with direct participation characteristics (*the variable fee approach*) and a simplified approach (*the premium allocation approach*), mainly for short-term contracts.

IFRS 17 will be in force for annual periods beginning on or after 1 January 2021, and will require the presentation of comparative balances. Early application is permitted, in which case the entity must also have adopted IFRS 9 and IFRS 15 at the date of first-time application of IFRS 17 or previously. This standard does not apply to the Group.

- *Amendments to IAS 1: Classification of Liabilities as Current or Non-current*: in January 2020, the IASB published amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - what is meant by the right to postpone the expiry date;
  - that the right of postponement must exist at the end of the year;
  - the classification is not affected by the probability with which the entity will exercise its right of postponement;
  - only if an embedded derivative in a convertible liability is itself an equity instrument does the liability's maturity have no impact on its classification.

The amendments will be effective for financial years beginning on or after 1 January 2023, and must be applied retrospectively. The Group is currently assessing the impact of changes on the current situation and in the event that it becomes necessary to renegotiate existing loan agreements.

- *Reference to the Conceptual Framework - Amendments to IFRS 3*: in May 2020, the IASB published the amendments to IFRS 3 *Business Combinations - Reference to the Conceptual Framework*. The amendments aim to replace the references to the *Framework for the Preparation and Presentation of Financial Statements*, published in 1989, with references to the *Conceptual Framework for Financial Reporting* published in March 2018 without a significant change in the requirements of the standard.

The *Board* also added an exception to the IFRS 3 valuation principles to avoid the risk of potential losses or “next day” profits arising from liabilities and contingent liabilities that would fall within the scope of IAS 37 or IFRIC 21 *Levies*, if contracted separately. At the same time, the *Board* decided to clarify that the existing guidance in IFRS 3 for contingent assets

will not be impacted by the update of the references to the *Framework for the Preparation and Presentation of Financial Statements*.

The amendments will be effective for the financial years starting on 1 January 2022 and apply prospectively.

- *Property, Plant and Equipment: proceeds before the Intended Use - Amendments to IAS 16*: in May 2020, the IASB published *Property, Plant and Equipment - Proceeds before the Intended Use*, which prohibits entities to deduct the cost of a property, plant and machinery asset, any revenue from the sale of products sold in the period in which said asset is brought to the location or conditions necessary for it to be able to operate in the manner for which it was planned by management. Instead, an entity recognises the revenue from the sale of these products, and the costs to produce those products, in the income statement.

The amendment will be effective for years beginning on or after 1 January 2022 and must be applied retrospectively to Property, plant and equipment assets made available for use on or after the start date of the period prior to the period in which the entity applies this amendment for the first time.

No material impacts are expected for the Group with reference to these changes.

- *Onerous Contracts - Costs of Fulfilling a Contract - Amendments to IAS 37*: in May 2020, the IASB published amendments to IAS 37 to specify which costs must be considered by an entity in assessing whether a contract is onerous or at a loss.

The amendment provides for the application of a '*directly related cost approach*'. Costs that refer directly to a contract for the supply of goods or services include both incremental costs and costs directly attributed to the contractual activities. General and administrative expenses are not directly related to a contract and are excluded unless they are explicitly recharged to the counterparty on the basis of the contract.

The amendments will be effective for years beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet met all its obligations at the beginning of the year in which it will apply these amendments for the first time.

- *IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter*: as part of the 2018-2020 IFRS standards' annual improvement process, the IASB published an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. This amendment allows a subsidiary that chooses to apply paragraph D16(a) of IFRS 1 to account for the cumulative translation differences based on the amounts recorded by the parent company, taking into account the date of transition to IFRS by the parent company. This amendment also applies to associates or joint ventures that choose to apply paragraph D16(a) of IFRS 1.

The amendment will be effective for years beginning on or after 1 January 2022, early application is permitted.

- *IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities*: as part of the IFRS standards' 2018-2020 annual improvements process, the IASB published an amendment to IFRS 9. This amendment clarifies the fees that an entity includes in determining whether the conditions of a new or modified financial liability are substantially different from the conditions of the original financial liability. These fees include only those paid or received between the debtor and the lender, including those paid or received by the debtor or by the lender on behalf of others. An entity applies this amendment to financial liabilities that are amended or exchanged after the date of the first period in which the entity applies the amendment for the first time.

The amendment will be effective for years beginning on or after 1 January 2022, early application is permitted. The Group will apply this amendment to financial liabilities that are

amended or exchanged subsequently or at the date of the first financial year in which the entity applies this amendment for the first time.

No material impacts are expected for the Group with reference to this amendment.

## Presentation in compliance with IFRS

The consolidated financial statements of Veritas S.p.A. have been drawn up in compliance with the *International Financial Reporting Standards* (IFRS).

## Consolidation principles

The consolidated financial statements include the financial statements of Veritas S.p.A. and of its subsidiaries, drawn up on 31 December each year.

Control is obtained when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls a subsidiary if, and only if, the Group has:

- power over the investee (i.e. the Group 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, the presumption is that the majority of voting rights involves control. In support of this presumption and when the Group holds less than the majority of the voting rights (or similar rights), it considers all relevant facts and circumstances to establish whether it controls the investee, including:

- contractual arrangements with other holders of voting rights;
- rights deriving from contractual arrangements;
- voting rights and potential voting rights of the Group.

The Group reconsiders whether or not it has control of a subsidiary if the facts and circumstances indicate that there have been changes in one or more of the three relevant elements for the purposes of defining control.

The parent company has drafted the separate financial statements from 2017 in compliance with the *International financial reporting standards* (IAS/IFRS), pursuant to Italian Legislative Decree 38/2005 regarding Public Interest Entities (Article 16, paragraph 1, letter a of Italian Legislative Decree 39/2010). The date of transition to the IAS/IFRS was identified as 1 January 2016. Since the Group availed itself of the right to draft the consolidated financial statements in compliance with IAS/IFRS from 31 December 2007, Veritas recorded the assets and liabilities in the opening balance sheet of the separate financial statements (IFRS) and in the subsequent separate financial statements, at the same values reported in the accounting position prepared for the consolidated financial statements of the Group (paragraph D17 of IFRS 1 revised).

The subsidiaries are fully consolidated, starting from the date of their acquisition, that is, from the date when the Group acquires control, and cease to be consolidated at the date when control is transferred outside of the Group.

The financial statements of the subsidiaries, drafted in accordance with Italian accounting standards (OIC), for each reporting period, are re-stated in compliance with IAS/IFRS. When necessary, appropriate adjustments are made to the financial statements of the subsidiaries, to assure compliance with the Group's accounting policies.

All the balances and the inter-company transactions, including any unrealised profits and losses

deriving from operations carried out among the companies of the Group, are completely written-off.

Minority interests represent the part of profits or losses and of the net assets not held by the Group and are recorded under a separate item of the income statement, and in the balance sheet under shareholders' equity components, separate from the Group's shareholders' equity.

The losses are attributed to minority interests even if this implies that the minority interest has a negative balance.

The changes in the profit-sharing of the parent company in a subsidiary, which do not involve loss of control, are recorded as share capital transactions. In particular, regarding acquisition of a minority interest, the difference between the price paid and the carrying amount of the portion that is part of the acquired net assets is recorded directly under shareholders' equity.

If the parent company loses control of a subsidiary, it:

- writes off the assets (including any goodwill) as well as the liabilities of the subsidiary;
- writes off the carrying amounts of any percentage of minority interest held in the former subsidiary;
- writes off the accumulated exchange rate differences recorded under shareholders' equity;
- records the fair value of the corresponding amount received;
- records the fair value of any shareholding held in the former subsidiary;
- records any profit or loss in the income statement;
- reclassifies the relevant portion of components held by the parent company that were previously recognised in the comprehensive income statements, in the income statement or under retained profits, as appropriate.



## 2.2 Discretionary assessments and significant accounting estimates

In the drawing up of the financial statements of the Group, the Directors are required to carry out discretionary measurements, estimates and assumptions that may affect the figures referring to revenues, costs, assets and liabilities, as well as the indication of potential liabilities as at the date of the financial statements. However, the uncertainties about these assumptions and estimates may determine outcomes which may require, in the future, significant adjustments to the carrying value of such assets and liabilities.

### Discretionary assessments

In applying the accounting principles adopted by the Group, the Directors have taken decisions based on the following discretionary assessments (except for those involving estimates) with a significant effect on the items recorded in the financial statements.

### Duration of assignments

With reference to the duration of the assignments, please refer fully to the description in paragraph 2.1.1 *Activities and operations of the Report on Operations* for the consolidated financial statements.

### Estimates and assumptions

Indicated below are key assumptions concerning the future and other important sources of uncertainty in the estimates, as at the date of the financial statements, which could produce significant adjustments in the balance sheet assets and liabilities within the forthcoming financial year.

The Group based its estimates and assumptions on the parameters available at the moment of preparation of the consolidated financial statements. However, the current circumstances and assumptions on future events could change due to variations in the market or events that are out of the Group's control. These changes, if they occur, are reflected in the assumptions when they take place,

The Group carried out an analysis of the potential future impacts of the ongoing health emergency on the economic activity, on the financial position and on the economic results of the parent company and of the Group, configuring various scenarios for verifying the existence of the going concern assumption.

### Non-financial impaired assets

The Group assesses, at each financial statement date, if there are any indicators of impairment affecting all non-financial assets. Goodwill is measured annually for impairment losses. Other non-financial assets are measured annually for any impairment losses when there are indications that the carrying amount may not be recovered.

Once the calculations of the value in use have been determined, the Directors must estimate the cash flows expected from the assets or from the cash-generating units and choose a discount rate that allows for calculating the current value of these cash flows.

The Group has verified whether, due to the effects of the current health emergency, there may be impairment losses.

Additional details and a sensitivity analysis of the key assumptions are included in Note 7.

## Recognition of revenues

Revenues are recorded to the extent to which it is probable that the economic benefits will be achieved by the Group and the relative amount can be determined in a reliable manner, regardless of their collection. Revenues are measured at the fair value of the payment received or to be received, taking into account the contractually defined payment terms and excluding trade discounts and rebates.

The recognition of revenues presumes the use of estimates based on the best information available which may be subject, nonetheless, to changes as a result of new information, not available at the time of the estimate.

## Provision for expected losses on trade receivables and contractual activities

The group set aside a provision for write-down for expected credit losses (ECLs) for all financial assets, as required by IFRS 9. The Group uses a matrix to calculate the ECLs for trade receivables. The allocation rates are based on days past due for each category of customers grouped into the various segments that present similar trends of historical loss.

The matrix is initially based on historical insolvency rates observed by the Group. The Group will calibrate the matrix to refine the historical data on credit losses with provisional elements. At each reference date, the historical insolvency rates are updated and the changes in estimates on provisional elements are analysed.

The measurement of the correlation between historical insolvency rates, the provisional economic conditions and the ECL is a significant estimate. The amount of ECL is sensitive to changes in the circumstances and economic conditions envisaged. Also the historical experience of the trend in credit losses of the Group and the forecast future economic conditions may not be representative of the actual insolvency of the customer in the future.

In order to take into account the effects of the health emergency on insolvency, the group has updated the allocation rates also taking into account an analysis of the increases in insolvency recorded in the short term affected by the emergency as well as the trends of historical losses.

Further details are provided in Note 15.

## Deferred tax assets

Deferred tax assets are recognised against all temporary differences and tax losses carried forward, to the extent of the likely existence of adequate future tax credits against which these temporary differences may be reabsorbed and these losses may be used. The Directors are required to carry out a significant discretionary assessment to determine the amount of deferred tax assets that can be recorded. They must estimate the likely time frame of their occurrence and the amount of future taxable income as well as a strategy for planning future taxes. Further details are provided in Note 43.

## Employee benefits – Employee severance indemnity

The cost of defined benefit pension schemes, in particular the employee severance indemnity (TFR) accrued as at 31 December 2019, is determined by using actuarial valuations. The actuarial valuation requires assumptions to be drawn up regarding discount rates, future wage increases, turnover rates, mortality rates and future pension increases. Owing to the complexity of the evaluation and the long-term nature of these plans, these estimates are subject to significant degrees of uncertainty. Further details are provided in Note 25.

## Provisions for the post-closure recovery of landfill areas

The Group has recorded provisions for charges related to the recovery of areas used as landfill sites which will be sustained at the end of use of the landfill area for post-closure management. In determining the amount of these provisions, some estimates and assumptions have been deemed necessary, with regard to discount rates and estimated charges for the recovery and clean-up of the sites, as well as the volumes to be conferred. Further details are provided in Note 24.

## Leases – Estimate of incremental borrowing rate

The Group cannot easily determine the implicit interest rate of the lease and, therefore, uses the incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the interest rate that the lessee must pay for a loan, with similar duration and guarantees, needed to obtain an asset of a similar value to the asset consisting of the right of use in a similar economic context. Therefore, the incremental borrowing rate reflects what the group should have paid, and this requires the company to draw up an estimate where there are no observable data or when the rates must be adjusted to reflect the lease terms and conditions. The Group estimates the incremental borrowing rate by using observable data (such as market interest rates) if available.

## Significant assessment in determining the lease term of contracts that contain an extension option - the Group as lessee

The Group determines the duration of the lease as the non-cancellable period, in addition to the periods covered by an extension, if it is reasonably certain that it will be exercised, and the periods covered by a lease termination option, if it is reasonably certain not to be exercised.

The Group has the possibility, for some of its leases, to extend the lease or conclude it early. The group applies its judgment in assessing whether there is reasonable certainty of the renewal options being exercised. That said, the group considers all factors recorded which may involve an economic incentive to exercise the renewal options or conclude the contract. After the date of effectiveness, the Group reviews the estimates regarding the duration of the lease where a significant event occurs or there is a notable change in the circumstances that are under its control and which may influence the capacity to exercise (or not exercise) the renewal or early termination option (for example, investments in improvements to leased assets or significant specific modifications to the leased asset).

The periods covered by early cancellation options are included in the period of duration of the lease only when it is reasonably certain that they will not be exercised.

## 2.3 Scope of consolidation

The consolidated financial statements include the financial statements of the parent company Veritas S.p.A. and the financial statements of the companies over which Veritas S.p.A. exercises controlling rights, either directly or indirectly (through its subsidiaries), determines their financial and operating choices, and obtains the relative benefits thereof.

Listed below are the companies, which, in compliance with the provisions of IAS 27, are included on a line-by-line basis in the consolidation scope as at 31 December 2020:

consolidated companies	head office	share capital	31.12.2020 Group's shareholding	31.12.2019
Veritas S.p.A. (parent company)	Venice	145,397,150		
<b>companies consolidated on a line-by-line basis</b>				
Ecoprogetto Venezia S.r.l.	Venice	53,607,273	56.68%	44.86%
Mive S.r.l. <i>in liquidation</i>	Mirano (Ve)	110,000	100.00%	100.00%
Eco-ricicli Veritas S.r.l.	Venice	7,000,000	82.34%	82.34%
Sifagest S.c.a.r.l. <i>in liquidation</i>	Venice	500,000	65.00%	65.00%
Asvo S.p.A.	Portogruaro (Ve)	18,969,650	55.75%	55.75%
Consorzio bonifica Fusina <i>in liquidation</i>	Venice	100,000	82.05%	82.05%
Metalrecycling Venice S.r.l.	Venice	100,000	82.34%	82.34%
Depuracque servizi S.r.l.	Salzano (Ve)	223,080	100.00%	100.00%
Lecher ricerche e analisi S.r.l.	Salzano (Ve)	46,800	100.00%	100.00%
Rive S.r.l.	Venice	100,000	70.00%	70.00%
<i>company that left the scope of consolidation as at 30.06.2020</i>				
Vier S.c.a.r.l.	Venice	100,000	49.00%	100.00%

Please refer to Note 3 of the Group's consolidated financial statements for further details on the corporate transactions that concern it.

In addition, the following associates and jointly controlled companies are valued using the equity method:

companies valued with the equity method	head office	share capital	31.12.2020 Group's shareholding	31.12.2019
<b>associates</b>				
Insula S.p.A.	Venice	3,706,000	24.73%	24.73%
Sifa scpa	Mestre (Ve)	30,000,000	33.17%	33.17%
Ecoplastiche Venezia S.r.l.	Venice	100,000	32.94%	32.94%
Veritas Conegliano S.r.l.	Venice	100,000	48.80%	48.80%
Vier S.c.a.r.l.	Venice	100,000	49.00%	
<i>discontinued company</i>				
Rpm – Riconversione Porto Marghera S.c.a.r.l. <i>in liquidation</i>	Salzano (Ve)	10,000	0.00%	40.00%

## 2.4 Accounting criteria

The valuation of the financial statement items has been carried out on the basis of the general criteria of prudence and accruals, with a view to the business as a going-concern. For the purposes of the accounting entries, priority is given to the economic substance of the transactions rather than their legal form.

The same standards and criteria applied in preparing the comparative data were used to prepare these consolidated financial statements, taking into account the new accounting standards reported previously.

As far as the income statement is concerned, the costs and revenues stated include those recorded at year-end, which have a balancing entry in the statement of financial position. In this regard, income is included only if realised by the close of the year, while account has been taken of the risks and losses even if known after said date.

The criteria and principles adopted are outlined here below:

### Intangible assets

Intangible fixed assets which are identifiable and can be monitored, and whose cost can be reliably determined based on the supposition that said assets will generate future economic benefits, are recorded in the accounts.

Intangible assets that are acquired separately are initially capitalised at cost, whereas those acquired through business combination transactions are capitalised at fair value as at the acquisition date. After the initial recognition, intangible assets are recorded at cost, net of amortisation provisions and any accumulated impairment losses. Internally produced intangible assets, except for development costs, are not capitalised and are recorded in the income statement of the period in which they occurred.

The useful life of each intangible asset is valued as definite or indefinite.

Intangible assets with finite life are amortised over their useful life and subject to a value consistency test whenever there are signs of a possible impairment loss. The period and method of amortisation applied are reassessed at the end of each financial year or more frequently, if necessary. Changes in the useful life or methods with which future financial benefits, related to the intangible asset, are accrued by the Group, are recorded by appropriately changing the period or the amortisation method and are treated as changes to the accounting estimates.

The amortisation commences when the asset is available for utilisation or in any case begins to produce economic benefit for the business.

Amortisation of the intangible assets with finite life is recorded in the income statement under the cost category corresponding to the function of the intangible asset.

Intangible assets with indefinite useful life are subject to an annual assessment of impairment loss, at an individual or cash generating unit level. For these assets, no amortisation is recognised. The useful life of an intangible asset with indefinite life is reassessed on an annual basis in order to ensure the persistence of the conditions on which this classification was based. Otherwise, the change in the useful life from indefinite to definite is done on a prospective basis.

An intangible asset is eliminated at the time of disposal or when no future economic benefits are expected from its use. Profits or losses deriving from the sale of an intangible fixed asset are measured as the difference between the net gain from the sale and the carrying amount of the intangible fixed asset, and are recorded in the income statement when the intangible fixed asset is sold.

Below is a summary of the principles applied by the Group to intangible assets:

intangible fixed assets	public service concessions	software licences
<b>useful life</b>	definite	definite
<b>amortisation method used</b>	amortised on a straight-line basis for the entire duration of the concession	amortised on a straight-line basis over a period of three or five years
<b>internally produced or acquired product</b>	acquired	acquired

## Concession services

IFRIC 12 applies to public or private concession service agreements if the following conditions are satisfied:

- the granting entity controls, or regulates which services the concessionaire must provide with the infrastructure, to whom it must provide them and at what price;
- the granting entity controls, through ownership, or other methods, any residual significant interest in the infrastructure on expiry of the agreement.

If all the above conditions are met, the concessionaire must not recognise infrastructures as owned property, plant and equipment; this is due to the fact that the service concession contract grants it use of the infrastructures, but not their availability on expiry of the concession. Therefore, these infrastructures must be recorded as financial assets or intangible assets depending on whether the concessionaire has an unconditional right to receive the contractually guaranteed cash flows, regardless of the actual use of the infrastructure or not. Essentially, the so-called “financial asset model” must be applied only in cases in which the concessionaire is not exposed to demand risk and, therefore, all occasions in which the cash flows envisaged in the concession agreement are such as to allow it to recover its credit/investment regardless of the actual use of the infrastructure by customers.

The Group identified all activities of the integrated water cycle managed as concession services.

The value of the concession services is adjusted by the value of the government grants received.

## Tangible fixed assets

Tangible fixed assets are recorded at historical cost – including all ancillary costs directly attributable and necessary to commission the asset for the use for which it was acquired – to be increased, when relevant and pursuant to current obligations, by the current amount of the estimated cost for the dismantling and removal of the asset. In particular, in relation to the plant and machinery item, this cost includes the costs for parts replacement, when incurred, if compliant with the valuation criteria. If significant parts of these tangible assets have different useful lives, these components are recorded separately.

Similarly, when important revisions are carried out, the cost is included in the carrying amount of the plant or the equipment as a replacement, if the valuation criterion is fulfilled. Other costs for repairs and maintenance, when incurred, are recorded in the income statement.

Financial charges, incurred for investments in assets which normally require quite a long period of time to be ready for use or sale (*qualifying asset* pursuant to IAS 23 - *Borrowing Costs*), are capitalised on the cost of the asset and amortised over the useful life of the class of assets to which they refer. All the other financial charges are recorded in the income statement at the

time they are incurred.

Financial expenses are comprised of interest and other costs that the entity incurs in relation to obtaining loans.

Land, free of construction or annexed to buildings, is normally not depreciated since it has an unlimited useful life.

Areas of land in which a landfill is situated are depreciated over the operating life of the landfill itself.

Tangible assets are recorded net of accumulated depreciation and any impairment losses, determined according to the methods described hereinafter.

Depreciation is calculated on a straight-line basis according to the estimated useful life of the asset for the company, which is reassessed, as with the residual values and depreciation method, on an annual basis, while any necessary changes are made and applied prospectively.

Depreciation rates have been reviewed, at Group level, starting from the 2007 financial year, based on a specific appraisal estimate carried out by an independent appraiser and which has redefined these rates according to the estimated residual useful life of the assets.



The main economic-technical rates used by the Group during 2020, include the following:

tangible fixed assets	category	depreciation rates	
			% 2019
land	land and buildings		indefinite life
industrial and civil buildings	land and buildings/leased assets	2.5% - 3% - 4%; from 5.88% to 9.52%;	32.33%
lightweight constructions	land and buildings		4% - 6.5% - 10%
fixed water systems	land and buildings		2.5%
tanks	plant and machinery		3% - 4%
water and sewerage pipes (including flood traps and first rain tanks)	plant and machinery		2.5%
water and sewerage lift stations	plant and machinery		3% - 5% - 6%
water purification systems	plant and machinery		3% - 4% - 5%
water and sewerage connections	plant and machinery		2.5% - 4%
purification plants	plant and machinery		3% - 5% - 7% - 15%
Photovoltaic plants	plant and machinery		4% - 5% - 7%
machinery	plant and machinery		6.5% - 9% - 10% - 15%
waste disposal systems (except landfill sites)	plant and machinery	3% - 5% - 6% - 7.5% - 8.5% - 15%	
waste disposal systems - landfill sites	plant and machinery		depending on the % of landfill filling
waste pre-treatment plants	plant and machinery		based on the shorter of the useful technical life and the duration of the concession or contract
SSF1 line, SSF2 line and connection plant	plant and machinery		depending on duration (residual useful life 2029)
other waste management systems	plant and machinery		7%
electrical, electronic and thermo-technical systems	plant and machinery	7% - 10%; from 6.67% to 33.3%	
fixed water systems	plant and machinery		2.5%
remote-control systems	plant and machinery		7%
equipment and laboratories	industrial and commercial equipment		7.5% - 10% - 15%
containers and light containers	industrial and commercial equipment		6.25% - 9% - 12.5% - 15%
meters	industrial and commercial equipment		7%
metal boats	other assets		3% - 5.5% - 10%
boat equipment	other assets		7% - 9%
vehicles	other assets		15% - 16.5% - 20% - 25%
industrial vehicles	other assets/leased assets		8% - 10% - 16.5% - 20%
operating machines and internal handling equipment	other assets		6.5% - 7% - 8% - 9% - 20%
motor vehicles	other assets		10% - 25%
furniture and furnishings	other assets		7% - 8.5% - 12% - 15%
computer and office equipment	other assets		16.5% - 20%
communication equipment	other assets		9%
mobile phones	other assets		20%
leasehold improvements	leasehold improvements		based on the shorter of the useful technical life and the duration of the underlying agreement
assets subject to free-of-charge reversion	assets subject to free-of-charge reversion		based on the shorter of the useful technical life and the duration of the concession

For the fixed assets acquired in the course of the period, the depreciation starts when the asset is ready for use. For capitalised improvement initiatives, carried out on existing equipment, the full rate was applied.

A tangible asset is written-off from the financial statements at the time of its sale or when no financial benefits are expected from its use or disposal. Any losses or gains (calculated as the difference between net revenues from the sale and carrying value) are included in the income statement of the period when such write-off occurred.

## Leasing

The Group evaluates, at the time of signing of a contract whether it is, or contains, a lease. In other words, if the contract confers the right to control the use of an identified asset for a period of time in exchange for payment.

### The Group as the lessee

The Group adopts a single approach for the recognition and measurement of all leases, except for short-term or low-value leases. The Group recognises liabilities relating to lease payments *and the asset for right of use which represents the right to use the asset underlying the contract.*

- **Asset for right of use:** the Group recognises the assets for right of use at the lease start date (i.e. the date on which the underlying asset is available for use). Assets for the right of use are measured at cost, net of accumulated amortisation and impairment, and adjusted for any remeasurement of lease liabilities. The cost of assets for the right of use includes the amount of lease liabilities recognised, the direct initial costs incurred and the lease payments made at the date of effectiveness or before the start net of all incentives received. Assets for the right of use are amortised on a straight-line basis from the date of effectiveness until the end of the useful life of the asset consisting of the right of use or, if earlier, at the end of the duration of the lease based on the economic-technical rates already used.

If the lease transfers the ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the asset consisting of the right of use reflects the fact that the lessee will exercise the purchase option, the lessee must amortise the asset consisting of the right of use from the date of effectiveness until the end of the useful life of the underlying asset.

- **Lease liabilities:** at the date of effectiveness of the lease, the Group records the lease liabilities by measuring them at the present value of payments due and still not paid at that date. The payments due include fixed payments (including in-substance fixed payments) net of any lease incentives to be received, variable payments that depend on an index or rate, and the amounts that are expected will need to be paid in the form of guarantees of the residual value. Lease payments also include the exercise price of a purchase option if it is reasonably certain that this option will be exercised by the Group and the lease termination penalties, if the lease term takes into account that the Group will exercise the lease termination option.

Variable lease payments that do not depend on an index or rate are recognised as costs in the period in which the event is verified or the condition that generated the payment.

In calculating the present value of the payments due, the Group uses the incremental borrowing rate at the start date if the implicit interest rate cannot be easily determined. After the date of effectiveness, the amount of the lease liability increases to take account of the interest on the lease liability and decreases to consider the payments made. Lastly, the book value of lease payables is redetermined in the event of changes or due to the revision of the contractual terms for the modification of payments; it is also redetermined in the presence of changes regarding the evaluation of the option to purchase the underlying asset or due to variations in future payments that stem from a change in an index or rate used to determine these payments.

The lease liabilities of the Group are included in the items Loans from other funders (see note 23) and Payables due to partner entities (see note 26).

- **Short-term leases and low value leases:** the Group applies the exemption for the recognition of short-term leases relating to property, machinery and equipment (i.e. leases for which the terms of the lease expire within 12 months from the date of initial application or with a duration of 12 months or less and do not include a purchase option). The Group has also applied the exemption for leases relating to low-value assets in relation to contracts for office

equipment and electronic devices whose value is considered low. Short-term lease payments and leases for low-value assets are recognised as costs on a straight-line basis over the lease term.

### The Group as the lessor

The leasing contracts, which essentially attribute to the Group all the risks and benefits of the ownership of the asset, are classified as operating leases. Lease income deriving from operating leases must be recognised over the term of the lease, and are included in revenues in the income statement given their operating nature. The initial trading costs are added to the carrying amount of the leased asset and stated based on the duration of the agreement on the same basis as income from leasing transactions. Non-budgeted rentals are recognised as revenues in their accrual period.

### Investment property

Investment property is initially recorded at the purchase cost, inclusive of trading costs. The carrying amount includes the costs for parts replacement of an investment property at the time when this cost is incurred, provided that the recognition criteria are met and excluding routine maintenance costs. Subsequently to the initial recognition at cost, investment property, except for land, is systematically depreciated during each period on a straight-line basis, and according to rates deemed representative of the residual possibility of using such property.

Investment property is written off in the financial statements when sold or when the investment is unusable over time and no other future financial benefits are expected from its sale. Any gains or losses deriving from the collection or disposal of investment property are recorded in the income statements of the period in which such collection or disposal is carried out.

The reclassifications from or to investment property occur when, and only when, its use changes. If property intended for direct use becomes an investment property, the Group recognises these assets in compliance with the criteria set forth in the Property, plant and equipment paragraph until the date when the use in question changes.

No property owned on the basis of operating leasing agreements has been classified as investment property.

### Business combinations and goodwill

Business combinations are recorded based on the acquisition method.

The cost of an acquisition is calculated as the sum of the amount paid, valued at fair value as at the acquisition date, and the amount of any minority interest held in the acquired asset. For each business combination, the purchaser must assess any minority interest held in the acquired property at fair value, or proportionate to the minority interests held in the net identifiable assets of the acquired property. Acquisition costs are expensed and classified under administrative expenses.

The Group determines that it has acquired a business when the integrated set of activities and assets includes at least one production factor and a substantial process that together significantly contribute to the ability to generate an output. The acquired process is considered substantial if it is crucial to the ability to continue to generate an output and the acquired factors of production include an organised workforce that has the necessary skills, knowledge or experience to carry out this process or significantly contributes to the ability to continue to generate output, and is considered unique or scarce or cannot be replaced without costs, efforts or significant delays to the ability to continue to generate an output.

When the Group acquires a business, it must classify or designate the acquired financial assets or liabilities in compliance with the contractual terms, financial conditions and any other existing conditions in force at the date of acquisition. This includes an assessment aimed at establishing whether the embedded derivative should be separated from the primary agreement.

If the business combination is carried out in multiple phases, the purchaser must recalculate the fair value of the shareholding previously held and valued according to the equity method, and record in the income statement any resulting profit or loss.

Any potential consideration must be recorded by the purchaser at fair value at the date of acquisition. The potential consideration classified as assets is not subject to remeasurement and its subsequent payment is accounted for by the equity method as the contra entry. The change in the fair value of a potential consideration classified as asset or liability, such as a financial instrument subject to IFRS 9 Financial instruments, must be recognised in the income statement in accordance with IFRS 9. A potential consideration that does not fall within the scope of IFRS 9 is measured at fair value at the reporting date and the changes in fair value are recognised in the income statement

Goodwill is initially valued at the cost measured as a surplus between the sum of the paid consideration and the recognised amount of minority interests versus the acquired identifiable assets and liabilities taken over by the Group. If the fair value of the net assets acquired exceeds the total consideration paid, the Group again verifies whether it has correctly identified all assets acquired and all liabilities assumed and reviews the procedures used to determine the amounts to be recognised at the acquisition date. If the consideration is lower than the fair value of the net assets of the acquired subsidiary, the difference is recognised in the income statement.

After the initial recognition, goodwill is valued at cost, net of any accumulated impairment losses. In order to assess the impairment loss, goodwill acquired in a business combination must be allocated, from the date of its acquisition, to each cash flow-generating unit of the Group which is expected to benefit from the combination, regardless of the fact that other assets or liabilities of the acquired entity are assigned to such units.

If goodwill has been allocated to a cash-generating unit and the entity disposes of the assets of this unit, the goodwill associated with the disposed asset must be included in the carrying amount of the asset when the gain or loss resulting from the disposal is determined. The goodwill associated with the disposed asset must be determined on the basis of the relative values of the disposed asset and of the portion of the cash-generating unit that is retained.

### Discontinuing or discontinued operations

A discontinuing or discontinued operation is a component of the Group which is about to be discontinued or has already been discontinued and which represents an important independent business unit or a geographical area of operations. An activity is classified as discontinued at the time of its discontinuation: when an activity is classified as discontinued, the income statement is re-determined as if the operation was discontinued from the beginning of the comparative period.

### Investments in associates or joint ventures

The shareholdings of the Group in associates are valued using the equity method.

An associate is a company over which the Group exercises a significant influence and which is not classifiable as a subsidiary or joint venture company. Significant influence is the power to participate in the financial and operating policy decisions of the investee (but not control or joint control).

A joint venture is a contractual agreement pursuant to which two or more parties carry out an economic activity subject to joint control; a jointly controlled company is a joint venture which involves the establishment of a separate company in which each participant holds a stake.

Pursuant to the equity method, the investment in an associate or joint venture is recognised in the balance sheet at cost, increased by any change subsequent to the acquisition, under the portion of the net assets of the associate or joint venture pertaining to the Group. Goodwill referring to the associate or joint venture is included in the carrying amount of the investment and is not subject to amortisation. The income statement reflects the portion of the profit (loss) of the associate or joint venture which pertains to the Group. Account is taken of the equity method also for the measurement of associates and jointly controlled companies which the parent company recognises in the separate financial statements at purchase or subscription cost, adjusted in the presence of impairment, to bring it into line with the recoverable value, pursuant to IAS 36 (*Impairment of assets*).

Any changes in the other components of the comprehensive income statement relating to these investee companies are presented as part of the Group's comprehensive income statement. If an associate or investee recognises adjustments directly in the shareholders' equity, the Group recognises its portion and records it – where applicable – in the statement of changes to shareholders' equity. Gains and losses on transactions between the Group and the associate or joint venture are eliminated in proportion to the investment.

The accounting period end date of the associates is aligned to that of the Group: the joint venture draws up a statement for the consolidation as at the close of the financial year of the parent company and applies consistent accounting principles. The accounting standards used, if they do comply with those used by the Group, are adjusted in order to make them consistent with those of the Group for transactions and events of the same nature and under similar circumstances.

Following application of the equity method, the Group assesses whether it is necessary to recognise impairment of its equity investment in the associates or joint venture. At each reporting date, the Group assesses whether there is objective evidence that the equity investments in associates or joint ventures are impaired. In that case, the Group calculates the amount of the loss as the difference between the recoverable value of the associate or joint venture and its carrying amount in its financial statements, recognising this difference in the income statement in the item "portion of profit (loss) of associates and joint ventures".

When the Group loses significant influence over an associated company or when it has joint control over a joint venture, it designates and recognises the remaining investment at fair value. The difference between the book value of the equity investment at the date of the loss of significant influence or joint control and the fair value of the remaining equity investment and the fees received is recognised in the income statement.

When the Group contributes or sells goods to the joint venture, the recognition of any profit or loss resulting from this transaction reflects the content of the transaction itself. When the Group acquires goods or services from the joint venture, it does not recognise its share of profit deriving from the transaction until it sells the relevant good or service to an independent third party.

### **Non-financial impaired assets**

At each year-end, the Group assesses the existence of indicators of impaired assets. In this case, or in the cases where an annual review of impairment is required, the Group makes an estimate of the recoverable value. The recoverable value is the greater between the fair value of the asset or of the cash-generating unit, net of sale costs, and its usage value. The recoverable value is calculated for each asset, except when cash-generating assets are not sufficiently independent from those generated by other assets or groups of assets.

If the book value of an asset is greater than its recoverable value, it means that this asset has undergone an impairment loss and is consequently written-down until it reaches its recoverable value. In determining the value in use, the Group discounts the estimated future cash flows to the current amount using a pre-tax discounting rate which reflects the market assessment of the current value of money and the specific risks to which the asset is exposed. In determining the fair value less costs to sell, an adequate valuation model is used. These calculations are carried out by measuring the value in use through the DCF model.

Impairment losses on continuing operations are recognised in the income statement under the cost categories, consistently with the function of the asset that highlighted the impairment loss. Exceptions include the previously revalued fixed assets where the revaluation was recognised through equity. In these cases, the impairment loss is also booked to equity up to the amount of the previous revaluation.

At each financial statement closing date, the Group assesses – with reference to assets other than goodwill – any indication of the absence (or reduction) of impairment losses previously recognised and, in the presence of these indications, estimates the recoverable value. The value of a previously written down asset can be reinstated only if there have been changes in the estimates on which the calculation of the recoverable amount was based and determined subsequently to the recognition of the latest impairment loss.

The write-back cannot exceed the book value which would have been determined, net of any amortisation/depreciation, if no impairment loss had been recognised in previous financial periods. This write-back is recognised in the income statement unless the fixed asset is recorded at a revalued amount, in which case the write-back is treated as a revaluation gain.

The following criteria are used for recording impairment losses related to specific types of assets.

### **Goodwill**

Goodwill is tested for impairment on at least an annual basis and, more frequently, when circumstances suggest that the book value may be subject to impairment.

Impairment losses on goodwill are determined by measuring the recoverable amount of the cash-generating unit to which the goodwill refers.

If the recoverable amount of the cash-generating unit is lower than the carrying amount of the cash-generating unit to which the goodwill was allocated, an impairment loss is recognised. The impairment of the goodwill value cannot be recovered in future periods. The Group carries out an annual assessment of goodwill impairment as at 31 December.

### **Associates and joint ventures**

After applying the equity method, the Group determines whether it is necessary to recognise an additional loss from its shareholdings in associates. At each financial statements date, the Group determines if there is unbiased evidence that a shareholding in an associate has been subject to an impairment loss. If this is the case, the Group calculates the amount of the loss as the difference between the fair value of the associate and the purchase cost of the shareholding and records the loss in the income statement.

### **Shareholdings and other financial assets**

According to IFRS 9, at the time of initial recognition, financial assets are classified, depending on the data, at amortised cost, at fair value recognised through OCI and at fair value through profit and loss.



The classification of financial assets at the moment of initial recognition depends on the characteristics of the contractual cash flows of the financial assets and the business model the Group uses to manage them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not recognised at fair value in the income statement, transaction costs. Trade receivables that do not contain a significant financing component are measured at the price of the transaction determined according to IFRS 15. Additional details are provided in the paragraph of the accounting standards - Revenues.

In order for a financial asset to be classified and measured at amortised cost or at fair value through OCI, it must generate cash flows that depend solely on the principal and interest on the amount of principal to be repaid (so-called *solely payments of principal and interest* SpPI). This valuation is indicated as a SPPI test and is performed at instrument level. Financial assets whose cash flows do not meet the above requirements (SPPI) are classified and measured at fair value through profit and loss.

The Group's business model for the management of financial assets refers to the way in which it manages its financial assets to generate cash flows. The business model determines whether the cash flows will derive from the collection of contractual cash flows, from the sale of financial assets or from both.

All standardised (regular way) purchases and sales of financial assets are recognised at their trade date or at the date when the Group undertakes to purchase the asset. The term 'standardised purchases and sales' refers to all transactions on financial assets involving the transfer of the asset in the time period set forth in the rules and regulations of the market where the transaction takes place.

For the purposes of subsequent measurement, the financial assets are classified into four categories:

- financial assets at amortised cost (debt instruments);
- financial assets carried at fair value through OCI with reclassification of accumulated profits and losses (debt instruments);
- financial assets carried at fair value through OCI without the reversal of accumulated profits and losses at the moment of elimination (equity instruments);
- financial assets carried at fair value through profit or loss.

The Group determines the classification of its own financial assets after the initial recognition and, where appropriate and permitted, reviews this classification at the close of each financial period.

### Financial assets at amortised cost

The Group measures financial assets at amortised cost if both the following requirements are satisfied:

- the financial asset is held within the framework of a business model whose objective is ownership of financial assets for the purpose of collecting the contractual cash flows;
- the contractual terms of the financial asset provide for cash flows on specific dates, represented solely by payments of principal and interest on the amount of principal to be repaid.

The financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recorded in the income statement when the asset is eliminated, modified or revalued.

Financial assets at amortised cost include trade receivables, assets held to maturity and loans.



## Financial assets carried at fair value through OCI (debt instruments)

The Group measures financial assets at fair value through OCI if both the following requirements are satisfied:

- the financial asset is held within the framework of a business model whose objective is achieved through both the collection of the contractual cash flows and through the sale of financial assets; and
- the contractual terms of the financial asset provide for cash flows on specific dates, represented solely by payments of principal and interest calculated on the amount of principal to be repaid.

For assets from debt instruments measured at fair value through OCI, interest income, exchange differences and impairment, together with recoveries, are booked to the income statement and are calculated in the same way as financial assets measured at amortised cost. The remaining fair value changes are recognised through OCI. At the moment of elimination, the cumulative change in the fair value recognised through OCI is reclassified to the income statement.

## Investments in equity instruments

At the time of initial recognition, the Group can irrevocably choose to classify its equity investments as equity instruments recognised at fair value through OCI, when they satisfy the definition of equity instruments pursuant to IAS 32 'Financial instruments: Presentation' and are not held for trading. The classification is determined for each individual instrument.

Gains and losses recognised on said financial assets are never reversed to the income statement. Dividends are recognised as other revenues in the income statement when the right to payment has been resolved, except when the Group benefits from said income as a recovery of part of the cost of the financial asset, in which case these gains are recognised through OCI. Equity instruments booked at fair value through OCI are not subject to impairment tests.

## Financial assets at fair value with changes recorded in the income statement

Financial instruments at fair value with changes recorded in the income statement are booked to the statement of financial position at fair value and the net changes in fair value booked to the income statement.

Derivative instruments and listed equity investments that the Group has not chosen irrevocably to classify at fair value through OCI fall into this category. Dividends on listed equity investments are recognised as other income in the income statement when the right to payment has been established.

The embedded derivative contained in a non-derivative hybrid contract, in a financial liability or a principal non-financial contract, is separated from the main contract and accounted as a separate derivative, if: its economic characteristics and associated risks are not strictly related to those of the principal contract; a separate instrument with said terms as the embedded derivative would satisfy the definition of derivative; and the hybrid contract is not measured at fair value through profit and loss. Embedded derivatives are measured at fair value, with the fair value changes booked to the income statement. A recalculation only happens in the event of a change in the terms of the contract which significantly alters the cash flows otherwise expected or a reclassification of a financial asset to a category other than fair value in the income statement.

## Derecognition of financial assets

A financial asset (or where applicable, part of a financial asset or part of a group of similar financial assets) is written off in the financial statements when:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred the right to receive the cash flows from the asset or assumed the contractual obligation to pay them in full and without delay and (a) has transferred substantially all rights and benefits of ownership of the financial asset, or (b) has neither transferred nor retained substantially all risks and benefits of the asset, but has transferred control of it.

In cases in which the Group has transferred the rights to receive the cash flows from an asset or has signed an agreement on the basis of which it retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more beneficiaries (pass-through), it evaluates whether and to what extent it has retained the risks and benefits stemming from ownership.

In cases in which the Group has neither transferred nor retained substantially all risks and benefits nor has lost the control thereof, the asset is recognised in the financial statements of the Group to the extent of its residual involvement in the asset itself. In this case, the Group also recognises an associated liability. The asset transferred and the associated liability are measured to reflect the rights and obligations that remain pertaining to the Group. The residual involvement, which takes the form of a guarantee on the transferred asset, is valued at the lower amount between the initial carrying amount of the asset and the highest consideration that the Group may be required to pay.

When the entity's continuing involvement is a guarantee on the asset transferred, the involvement is measured on the basis of the lower of the amount of the asset and the maximum amount of the consideration received that the entity could have to repay.

## Impairment of financial assets

The Group recognises a write-down for expected losses (*expected credit loss 'ECL'*) for all financial assets represented by debt instruments not held at fair value through profit or loss. The ECLs are based on the difference between the contractual cash flows due in compliance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include the cash flows deriving from the enforcement of collaterals held or other guarantees on the credit that are an integral part of the contractual conditions.

Expected losses are recognised in two phases. In relation to credit exposures for which there has been no significant increase in credit risk from the initial recognition, credit losses that derive from an estimate of default events that are possible within the next 12 months need to be recognised (12-month ECL). For credit exposures for which there has been a significant increase in credit risk from the initial recognition, the expected losses that refer to the residual duration of the exposure must be recognised in full, regardless of the moment in which the default event is expected to occur (*'Lifetime ECL'*).

For trade receivables and contract assets, the Group applies a simplified approach to calculating expected losses. Therefore, the Group does not monitor changes in credit risk, but records the expected loss in full at each reporting date. The Group has defined a matrix system based on past information, revised in order to consider prospective elements with reference to the specific types of debtors and their economic context, as an instrument for determining expected losses.

For assets represented by debt instruments measured at fair value through OCI, the Group applies the simplified approach permitted for assets subject to low credit risk. At each reporting date, the

Group evaluates whether it believes that the debt instrument has a low credit risk by using all the available information that can be obtained without undue costs or effort. When a significant increase in credit risk is verified, the Group fully recognises the expected losses that refer to the residual duration of the exposure.

A financial asset is eliminated when there is no reasonable expectation of recovery of the contractual cash flows.

## Inventories

Inventories include materials used for maintenance and repair of tangible fixed assets, in addition to consumables such as fuel and lubricants, clothing and various materials used for waste sweeping/cleaning services.

Inventories of raw and ancillary materials and consumables are valued at their purchase cost, which is determined through the weighted average cost method at each inventory change. In the case of obsolete or discontinued materials, the inventory is valued at the lower amount between the previously determined cost and the realisable value inferable from the market.

## Contract work in progress

Contract work in progress is measured according to IFRS 15. In particular, over the time revenues are recognised if it can be demonstrated that: a) the customer simultaneously receives and consumes the benefits of the contract in place at the same moment in which the service is provided; b) the service provided improves.

Contract work in progress is assessed according to the respective contractual terms and conditions, which are generally agreed as equal to the costs incurred for each job order, accrued with reasonable certainty based on the percentage of completion criterion, so as to attribute the revenue and economic result of the job order to the relevant individual financial periods, in proportion to the state of progress.

The state of progress of the job order is determined as the ratio between the costs incurred for the works already completed up to the reference date and the total estimated costs pertaining to the job order. The positive or negative difference between the contracts expiring at the end of the period and the state of progress of invoiced works is recorded respectively under the assets or liabilities in the balance sheet.

Revenues from the job order, in addition to contractual considerations, include any changes, price revisions and the recognition of incentives to the extent in which it is possible that they represent actual revenues that may be accurately determined. Proven losses are recognised independently from the state of progress of the job order.

## Trade receivables and other receivables

The receivables included under both non-current and current assets represent the unconditional right to receive the consideration. The trade receivables are initially recognised at the price of the transaction determined according to IFRS 15 and the Group subsequently records a write-down for expected losses (expected credit loss - ECL).

For trade receivables and contract assets, the Group applies a simplified approach to calculating expected losses. Therefore, it does not monitor changes in credit risk, but records the expected loss in full at each reporting date. The Group has defined a matrix system based on past information, revised in order to consider prospective elements with reference to the specific types of debtors and their economic context, as an instrument for determining expected losses.

Additional details are provided in the paragraph of the accounting standards - Revenues and

Financial assets.

### Transfer of financial assets

The Group transfers some of its trade receivables through factoring transactions. Factoring transactions may be with recourse or without recourse. If this type of transaction complies with the requirements set forth in IAS 39, the receivables are derecognised from the financial statements when the risks and benefits associated with their collection are transferred. Otherwise, the receivables transferred in this manner are recognised in the Group's financial statements and a financial liability of an equal amount is recognised under Payables for advances on assigned receivables.

### Cash and cash equivalents

Cash and cash equivalents and short-term deposits include cash and deposits on demand and on short term, in the latter case with an original expiry date not exceeding three months or less, which are readily convertible to a given amount of cash and subject to an insignificant risk of changes in value. For the purpose of the consolidated cash flow statement, cash and cash equivalents are represented by cash on hand as defined above.

### Financial liabilities

Financial liabilities are classified, at the moment of initial recognition, under financial liabilities at fair value through profit and loss, under mortgages and loans, or under derivatives designated as hedging instruments.

All financial liabilities are initially recognised at fair value augmented, in the case of mortgages, loans and payables, by directly attributable transaction costs.

The Group's financial liabilities include trade payables and other payables, mortgages and loans, including current account overdrafts and derivative financial instruments.

For the purposes of subsequent measurement, the financial liabilities are classified into two categories.

#### Financial liabilities designated at amortised cost (financing and loans)

All loans are initially recognised at the fair value of the amount received, net of any ancillary acquisition charges, if not recognised at fair value with changes recorded in the income statement.

After the initial recognition, these loans are assessed using the amortised cost criterion, through the effective interest method.

Each gain or loss is recorded in the income statement when the liability is extinct, as well as through the amortisation process.

The amortised cost is calculated by recording any discounts or premiums on the acquisition and any fees or costs that are an integral part of the effective interest rate. Amortisation at the effective interest rate is included among financial charges in the income statement.

#### Financial liabilities at fair value with changes recognised in the income statement

Financial liabilities at fair value through profit and loss include liabilities held for trading and financial liabilities initially designated at fair value through profit and loss.

Liabilities held for trading are all those acquired for sale or extinguishment in the short term.

Derivatives, including separated derivatives, are classified as financial instruments held for trading unless designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement.

If a contractual term set forth in a long-term loan agreement is breached as at or before the financial statements reference date, resulting in the liability becoming a debt collectable upon request, the liability is classified as current, even if the funder has agreed – after the financial statement reference date and before authorisation for publication of such financial statements – not to request the payment pursuant to the contractual breach. The liability is classified as current because, as at the financial statements reference date, the entity does not hold an unconditional right to defer its settlement for at least 12 months from that date.

Financial liabilities are designated at fair value with changes booked to the income statement on the date of first-time recognition, only if the IFRS 9 criteria are satisfied. At the moment of initial recognition, the group did not designate financial liabilities at fair value *through profit or loss*.

Trade payables, the expiration date of which falls within normal commercial terms, are not discounted and are recognised at cost (identified by their nominal value), which represents the fair value at the reference date.

### **Derecognition of financial liabilities**

A financial liability is written off from the financial statements when the obligation underlying the liability is extinguished, cancelled or fulfilled.

If an existing financial liability is replaced by another one from the same lender, at substantially different conditions, or if the conditions applied to an existing liability are substantially changed, this exchange or change is treated as a write-off of the original liability and a new liability is recorded with the recognition, in the income statement, of any differences in the carrying amounts.

### **Set-off of financial assets and liabilities**

A financial asset or financial liability can be offset and the net balance reported in the statement of financial position, if there is a current legally enforceable right to set off the recognised amounts and there is an intention to extinguish the net residual amount, or realise the asset and simultaneously extinguish the liability.

### **Provisions for risks and charges**

Provisions for risks and charges are allocated when the Group must fulfil a current obligation (legal or implicit) resulting from a past event, an outflow of resources is likely to fulfil this obligation and it is possible to carry out an accurate estimate of its amount.

If the Group believes that an allocation to provisions for risks and charges will be partially or entirely reimbursed, for example in the event of risks covered by insurance policies, the indemnity is stated separately from the asset if, and only if, it is practically certain. In such case, in the income statement the cost of any allocation is stated net of the amount recognised for the indemnity. If the effect of discounting of the value of money is significant, the allocations are discounted by applying a pre-tax discount rate which reflects, where appropriate, specific risks pertaining to the liabilities.

When discounting is carried out, the increase in the allocation due over time is recognised as a financial charge.

## Liabilities against charges after closure of the landfill plant

Provisions have been set up for the management and recovery costs of the areas designated as landfill sites, which must be borne at the end of the concessions for management after closure. As a balancing entry, an increase in the assets has been recognised under plant and equipment, including the plant related to the individual landfill site.

The costs related to management after closure are stated at the current value of the expected costs in order to settle the obligation, using estimated cash flows and a pre-tax discounting rate reflecting the risks specifically related to such liability.

The effects deriving from discounting are recognised in the income statement as financial costs as they arise. Estimated cash flows are reviewed on an annual basis and adjusted accordingly. Changes in the cost estimates and in the applied discount rate are deducted from the asset cost.

## Employees benefits – Employee severance indemnity

The liability related to the defined-benefit schemes (employee severance indemnity accrued as at 31 December 2006), net of any assets involved in the scheme, is determined on the basis of actuarial hypotheses and is recognised for the relevant period consistent with the provision of work required to obtain the benefits; the liability is assessed by independent actuaries.

Following the changes made to the employee severance indemnity by Italian Law No. 296 of 27 December 2006 ('2007 financial law') and subsequent decrees and regulations, the employee severance indemnity of Italian companies, accrued as from 1 January 2007 or from the date of the option to be exercised by employees, is included in the category of defined contribution plans, both in the case of opting for a complementary pension plan or for the allocation to the INPS Treasury Fund. The accounting treatment of this employee severance indemnity was therefore assimilated to that applicable to other types of contributions.

The defined-benefit liability, net of any assets involved in the plan, is determined on the basis of actuarial hypotheses and recognised on an accrual basis, consistently with the provision of work required to obtain the benefits.

Liabilities are measured by independent actuaries. Gains and losses resulting from the actuarial calculation related to defined benefit plans are recognised in the comprehensive income statement entirely over the period in which they occur. These actuarial gains and losses are classified immediately under retained profit, and are not reclassified in the income statement of the successive periods.

The employee severance indemnity, accrued from 1 January 2007, or from the chosen option date, is included under the defined contribution plans, both in the case of opting for a complementary pension plan or for the allocation to the INPS Treasury Fund. The accounting treatment of this employee severance indemnity was therefore assimilated to that applicable to other types of contributions.

## Derivative financial instruments and hedging transactions

The Group uses derivative financial instruments, such as interest rate swaps, in order to hedge risks deriving from interest rates fluctuations. These derivative financial instruments are initially recognised at fair value as at the date of their stipulation; subsequently, this fair value is periodically re-measured. They are recognised as assets when the fair value is positive and as liabilities when the fair value is negative.

Any losses or gains resulting from changes in the fair value of derivatives that are not suitable for hedge accounting are recognised directly in the income statement of the relevant period.

The fair value of interest-rate swap agreements is determined based on the market value of similar instruments.

For the purpose of hedge accounting, the hedging transactions are classified as:

- hedges of the fair value if carried out against the risk of a change in the fair value of the underlying asset or liability; or an irrevocable commitment (except for currency risks);
- cash flow hedges if against the exposure to changes in the cash flows, attributable to a particular risk associated with a recognised asset or liability or a planned highly probable transaction or a currency risk related to an irrevocable commitment;
- hedges of a net investment in a foreign operation (net investment hedge).

Upon entering a hedging transaction, the Group designates and formally documents the hedge ratio to which it intends to apply hedge accounting, its risk management goals and the pursued strategy.

The documentation includes the identification of the hedging instrument, the hedged element, the nature of the risk and the methods the group will use to evaluate whether the hedging relationship satisfies the hedge effectiveness requirements (including an analysis of the sources of hedge ineffectiveness and the way in which the hedging relationship is determined). The hedging relationship satisfies the hedge accounting eligibility criteria if it meets all the following hedge effectiveness requirements:

- there is an economic relationship between the hedged element and the hedging instrument;
- the effect of the credit risk does not dominate the changes in value resulting from the aforementioned economic relationship;
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The transactions that meet the hedge accounting criteria are recognised as follows:

### Fair value hedges

Changes in the fair value of hedging derivatives are recognised through the income statement. Changes in the fair value of the hedged element and attributable to the hedged risk are recognised as part of the carrying amount of the hedged element and as a balancing entry in the income statement.

As for the fair value hedges referring to items recorded according to the amortised cost criteria, the adjustment of the carrying amount is amortised in the income statement over the period prior to its expiry. Any changes to the carrying value of any hedged financial instrument to which the effective interest rate method is applied are amortised in the income statement.

The amortisation can start as soon an adjustment is made but not beyond the date at which the element subject to hedging ceases to be adjusted due to changes in its fair value attributable to the hedged risk.

If the hedged element is written off, the fair value still to be amortised is immediately recognised in the income statement.

If a non-recognised irrevocable commitment is designated as a hedged element, the subsequent cumulative changes to its fair value, attributable to the hedged risk, are recorded as assets or liabilities and the corresponding gains or losses are recognised in the income statement. Changes in the fair value of the hedging instrument are also recognised in the income statement.



## Cash flow hedging

The portion of gain or loss of the hedged instrument, related to the effective hedged portion, is directly recognised under the shareholders' equity reserve whereas the non-effective portion is immediately recognised in the income statement. The shareholders' equity reserve is adjusted to the lower of the cumulated profit or loss on the hedging instrument and the cumulated variation in the fair value of the hedged element.

The amounts accumulated under other comprehensive income are accounted for depending on the nature of the underlying hedged transaction. If the transaction subject to hedging subsequently involves the recognition of a non-financial component, the amount accumulated under shareholders' equity is removed from the separate component of shareholders' equity and included in the cost value or other book value of the hedged asset or liability. This is not considered a reclassification of the items recognised in other comprehensive income for the period. This also applies in the event of a planned hedge of a non-financial asset or non-financial liability that subsequently becomes a firm commitment to which the accounting of fair value hedging transactions is applied.

For any other cash flow hedge, the cumulated amount in other comprehensive income is reclassified to the income statement as a reclassification adjustment in the same period or in periods during which the hedged cash flows impact the income statement.

If the accounting of the cash flow hedge is suspended, the cumulated amount in other comprehensive income must remain as such if the future hedged cash flows are expected to materialise. Otherwise, the amount must be reclassified immediately to the income statement as a reclassification adjustment. After the suspension, once the hedged cash flow is verified, any accumulated amount remaining in other comprehensive income must be accounted for depending on the nature of the underlying transaction as described previously.

## Revenues

In accordance with the provisions of IFRS 15, revenues are recognised based on the following 5 steps: (i) identification of the contract with the customer; (ii) identification of the performance obligations (i.e., the contractual promises to transfer goods and/or services to a customer); (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations identified based on the standalone selling price of each good or service; (v) recognition of the revenue when the relative performance obligation is satisfied, i.e. at the time of the transfer of the promised good or service to the customer; the transfer is considered completed when the customer obtains control of the good or service, which may occur continuously over a diluted and prolonged period of time (over time), or at a specific moment (at a point in time).

Revenue from contracts with customers is recognised when (or as) the performance obligation is fulfilled, transferring control of the promised goods and services to the customer for an amount that reflects the consideration the Group expects to receive in exchange for said goods or services. The Group generally acts as the principal for all agreements which give rise to revenues.

IFRS 15.48 requires the Group, in determining the price of the sale transaction, to take account of the effects of each of the following points:

- variable consideration;
- limitation of the estimates of the variable consideration;
- existence of a significant financing component in the contract
- non-monetary consideration;
- consideration to be paid to the customer.

If the consideration promised in the contract includes a variable amount, the Group has estimated the amount of the consideration to which it will be entitled in exchange for the transfer of the goods to the customer. The variable consideration is estimated at the time of stipulation of the contract and its recognition is not possible until it is highly likely that, after the uncertainty associated with the variable consideration is subsequently resolved, a significant downward adjustment does not need to be recognised to the amount of accumulated revenues that were accounted. No sale contract provides customers with a right of repayment and volume discounts.

The Group did not record cases of existence of a significant financing component, of non-monetary consideration and of consideration to be paid to the customer.

The Group considered whether there are other promises in the contract that represent performance obligations on which a part of the transaction consideration must be allocated (e.g. guarantees, customer loyalty plans), but did not record said cases.

The following specific criteria for the recognition of revenues must be met before being recorded in the income statement:

### Revenue from tariffs

Revenues from the integrated water service are calculated with reference to the corresponding turnover, rectified for any positive or negative tariff equalisations, which are of certain application. These revenues is calculated by taking as a reference the permitted revenue level (VRG), calculated according the water tariff method (MTI-3) currently in force for the 2020-2023 period.

The approval of tariffs according to the MTI-3 consists in defining a VRG, which determines the tariff multiplier (*'theta'*) that defines the tariff increases with respect to periods after 2019 (last year of application of the previous MTI-2 method).

Besides containing a component linked to tariff equalisations for previous years, the VRG determines with certainty the amount of the settlement, with respect to the amount actually invoiced, pertaining to the financial year. This equalisation will then be included, in accordance with the current method, within the definition of the VRG of the second year subsequent to the reference year.

The MTI-3 requires a portion of the revenues defined within the VRG to be allocated to the new investments fund (FONI).

Nonetheless, given the legal nature of the fee, it was decided to consider the FONI as revenue for the period. Article 14.1 of ARERA resolution 580/2019/R/IDR (MTI-3) states that 'the operator of the integrated water service (servizio idrico integrato, SII) is required to allocate a portion of the permitted revenue level to FONI exclusively to the implementation of new investments, identified as a priority in the territory served'.

The directors deem it appropriate to ensure the required allocation to the FONI by having the Shareholders' Meeting allocate a portion of the profit for the year corresponding to the amount of the revenue constraints (net of the tax effect) to a non-distributable shareholders' equity reserve upon approval of the financial statements.

If the FONI amount net of the tax effect is higher than the profit for the year, the remaining part is allocated to the non-distributable reserve by reducing the distributable reserves recognised in shareholders' equity at that time.

The allocation of the FONI to the non-distributable reserve does not take place in the subsequent year if investments made relating to integrated water service are equal to or greater than the FONI.

Revenues from the waste management service are calculated with reference to the corresponding turnover, adjusted for any positive or negative tariff equalisations, which are of certain application. These revenues were determined by taking as reference the Financial Plans of each individual Municipality calculated in accordance with the waste tariff method (MTR) currently in force for the period 2020-2021, for the part of certain application or within the limit of the tariff increase of 6.6% (*Cap*) set by the method, while, for the part exceeding the *Cap*, revenues are recognised only with the further approval of the Authority.

### Provision of services

The revenue is recognised on the basis of the accrual principle represented by the criterion of the state of progress of the activities and/or amounts to be paid annually in accordance with the service contracts entered into with the various municipalities.

The state of progress is measured as a percentage of the costs incurred against the total costs estimated for each contract. When the outcome of the contract cannot be accurately measured, the revenue is recognised only to the extent in which it is deemed that the incurred costs are considered recoverable.

### Sale of assets

The revenue is recognised when the company has transferred control of the asset to the purchaser, generally at the date of shipment of the merchandise.

### Instalments receivable and concessions

Rentals deriving from investment properties are recorded on a straight-line basis over the duration of the leasing contracts as at the date of the financial statements.

Revenues from concessions primarily refer to instalments received for the usage of spaces by market operators. These revenues are recognised on an accrual basis according to the time-based criterion.

### Costs

Costs are assessed at the fair value of the amount paid or to be paid. Costs relating to goods and services sold or consumed in the year or for systematic allocation or when their future use cannot be identified, are recognised and booked directly to the income statement.

### Government grants

Government grants are recognised when there is a reasonable certainty that they will be received and that all the conditions referring to them are fulfilled. When the contributions are related to cost components, they are recognised as revenue but are systematically divided among the periods so as to be commensurate with the costs they intend to compensate. If the contribution is related to a fixed asset, it is recognised at the corresponding nominal value as a reduction of the asset cost, and recognition of the earnings in the income statement occurs progressively over the useful life of the reference asset on a straight-line basis, through the reduction of the related amortisation cost.

## Financial income and charges

### Interest income

It is recognised as a financial income following an assessment of the relevant interest income (using the effective interest method, which is the rate that exactly discounts the expected future cash flows based on the expected life of the financial instrument at the net carrying amount of the financial asset).

### Dividends

Dividends are recognised when the shareholders' right to receive the payment arises.

### Financial charges

Financial charges are recognised in the income statement pertaining to the relevant period.

## Income taxes

### Current taxes

Current tax assets and liabilities for the current and previous periods are valued at the amount that is expected to be recovered from or paid to the tax authorities. The rates and the tax legislation used to calculate such amounts are those issued or essentially applicable as at the closing date of the financial statements in countries where the Group operates and generates its taxable income.

Current taxes relative to elements directly recognised under equity are also directly recognised under equity and not in the income statement.

The directors periodically evaluate the position adopted in the tax return in cases in which the tax regulations are subject to interpretations and, where appropriate, makes the necessary allocations to provisions.

### Deferred taxes

Deferred taxes are calculated using the liability method as regards the temporary differences, existing at the date of the financial statements, between the tax amounts used as a reference for the assets and liabilities, and the amounts recorded in the financial statements. Deferred tax liabilities are recognised against all temporary taxable differences, except:

- when the deferred tax liabilities derive from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, does not impact the profit for the period, calculated for financial statement purposes, nor the profit or the loss calculated for tax purposes;
- with reference to the temporary taxable differences associated with investments held in subsidiaries, associates and joint ventures, if the reversal of the temporary differences can be controlled and if its future occurrence is unlikely.

Deferred tax assets are recognised against all deductible temporary differences and for the tax assets and liabilities carried forward, to the extent that the existence of adequate future taxable profits is likely and may involve the use of deductible temporary differences as well as tax assets and liabilities carried forward, except when:

- the deferred tax assets, associated with the deductible temporary differences derive from the initial recognition of an asset or a liability in a transaction that is not a business combination and that, at the time of the transaction, does not impact the profit for the period,

calculated for financial statement purposes, nor the profit or loss calculated for tax purposes;

- with reference to temporary taxable differences associated with investments in subsidiaries, associates and joint ventures, the deferred tax assets are recognised only to the extent that it is likely that the temporary differences will reverse in the near future and that there are adequate taxable profits against which the related temporary differences can be utilised.

The amount to be recognised in the financial statements for deferred tax assets is reassessed at each financial statement date and reduced to an extent by which it is no longer likely that sufficient taxable profits will be available in the future so as to enable the full or partial use of this receivable. Non-recognised deferred tax assets are periodically reassessed on an annual basis at the close of the financial statements, and are recognised to the extent that it is likely that the taxable profit is sufficient to enable these deferred taxes assets to be recovered.

Deferred tax assets and liabilities are measured based on tax rates that are expected to be applied to the period when these receivables are realised or liabilities settled based on the current rate or the rates issued or essentially issued as at the date of the financial statements.

The income taxes relative to items that are directly recognised under shareholders' equity are also directly recognised under shareholders' equity and not in the income statement.

Deferred tax assets and liabilities can be offset if there is a legal right which allows for offsetting current tax assets and current tax liabilities, and if the deferred income taxes refer to the same taxpayer and to the same tax authority.

### Value added taxes

Revenues, costs and assets are recognised net of value added taxes, except when:

- this tax, applied to the purchase of goods or services, is non-deductible, in which case it is recognised as part of the purchase cost of the asset or part of the cost item recognised in the income statement;
- it refers to the measured trade payables and receivables including the tax amount.

The net amount of indirect taxes on sales which can be recovered from or paid to the tax authorities is included in the financial statements under trade receivables or payables, according to the negative or positive balance.

### 3. Combinations and transfer of minority interests

#### Acquisitions and transfers in 2020

##### Acquisition by Veritas of the First Savec east section from Veneto Acque

With deed of the Notary Public Premuda Todeschini No. 5016 of 30 December 2020, Veritas acquired from Veneto Acque S.p.A. the business unit consisting of the complex of organised assets known as Venice-Chioggia sub-lagoon pipeline, i.e. the first section of the regional infrastructure known as Savec (Central Veneto water supply scheme) - eastern part.

The purchase price was EUR 7,117 thousand and the assets contributed by the business unit were as follows:

(thousands of Euro)	assets and liabilities acquired by the business units
<b>assets</b>	<b>7,117</b>
non-current assets	7,117
real estate property, plant and equipment, intangible assets and concessions	7,117
<b>net assets acquired</b>	<b>7,117</b>
<b>consideration for the acquisition</b>	<b>7,117</b>
<b>difference</b>	<b>0</b>

No goodwill or other value differences to be allocated emerged from said business unit.

A partial payment of EUR 1,362 thousand was made for the acquisition, while the remaining amount of EUR 5,755 thousand will be paid in 35 six-monthly instalments, from 31 March 2021 to 31 March 2038.

##### Acquisition by Eco-ricicli of a business unit from F.Ili Busato Autotrasporti

On 6 December 2019, the subsidiary Eco-ricicli Veritas signed a framework agreement with the company F.Ili Busato autotrasporti S.r.l. for the acquisition of the business unit regarding road haulage of goods and waste on behalf of third parties. The framework agreement was duly finalised with deed of the Notary Public Candiani No. 45671 of 27 December 2019, effective from 1 January 2020.

The purchase price was EUR 1.799 thousand and the net assets contributed by the business unite were as follows:

(thousands of Euro)	assets and liabilities acquired by the business units
<b>assets</b>	<b>2,000</b>
non-current assets	2,000
real estate property, plant and equipment, intangible assets and concessions	2,000
<b>liabilities</b>	<b>201</b>
employee severance indemnity	104
other current liabilities	97
<b>net assets acquired</b>	<b>1,799</b>
<b>consideration for the acquisition</b>	<b>1,799</b>
<b>difference</b>	<b>0</b>

No goodwill or other value differences to be allocated emerged from said business unit.

The consideration for the acquisition was paid for EUR 1,300 thousand, while the remaining amount of EUR 4,99 thousand will be paid by 30 June 2021.

## Acquisition by Eco-ricicli of a business unit from LTM

With deed of the Notary Public Manente No. 4101 of 3 November 2020, the subsidiary Eco-ricicli acquired from the company Litorale Trasporti - Moviter di Bozzato Guerino e c. snc, the business unit whose object is the transport of urban waste on behalf of third parties, with effect from 1 November 2020.

The purchase price was EUR 52 thousand and the net assets contributed by the class were as follows:

(thousands of Euro)	assets and liabilities acquired by the business units
<b>assets</b>	<b>99</b>
non-current assets	99
real estate property, plant and equipment, intangible assets and concessions	99
<b>liabilities</b>	<b>47</b>
employee severance indemnity	42
other current liabilities	5
<b>net assets acquired</b>	<b>52</b>
<b>consideration for the acquisition</b>	<b>52</b>
<b>difference</b>	<b>0</b>

No goodwill or other value differences to be allocated emerged from said business unit.

The consideration for the acquisition was paid for EUR 50 thousand, while the remaining amount of EUR 2 thousand was paid on 31 March 2021.

## Increase in the share capital of Ecoprogetto

On 28 April 2020, the shareholders' meeting of Ecoprogetto S.r.l. resolved to increase the share capital through new cash contributions of EUR 15 million (previously intended for financing future share capital increases). Therefore, from the aforementioned date, the new share capital amounts to EUR 53,607 thousand, the parent company increased its stake to 46.64%, while Asvo S.p.A. redetermined its equity investment at 18% following the transaction.

## Sale of the majority stake in Vier S.c.a.r.l.

In June 2020, Veritas sold 51% of the share capital of Vier S.r.l. to some private shareholders, for a consideration of EUR 529 thousand. Following this sale, Vier S.r.l. was reclassified as an associate. Subsequently, in July 2020, the Vier shareholders' meeting resolved the conversion into a limited liability consortium company.

## Acquisitions/terminations after the reporting date

On 26 February 2021, the purchase agreement was signed also with reference to the business unit relating to the second and third sections of the East part of the Savec Infrastructure. The cost of acquisition is EUR 13,422 thousand, of which EUR 2,569 thousand was paid on signature of the contract, while the remaining amount of EUR 10,854 thousand will be paid in 35 six-monthly instalments, from 31 March 2021 to 31 March 2038.



#### **4. Acquisition of investments in jointly controlled companies**

No acquisitions of investments in jointly controlled companies were formalised by the Group.

## 5. Assets and liabilities held for sale or discontinued or receivables and payables due from/to subsidiaries held for sale

These assets and liabilities are classified in the balance sheet under the following items:

- short-term receivables-payables due from/to subsidiaries held for sale;
- receivables - payables due from/to subsidiaries held for long-term sale;
- assets held for sale;
- liabilities held for sale.

No companies were consolidated based on IFRS 5 for the year 2020.

### Disposal of single assets held for sale

Listed below are some assets and related liabilities, classified as held for sale, following the directors' decision to sell them or, subsequently, due to the signing of preliminary sales agreements. The corresponding items as at 31 December 2019 are also disclosed.

(thousands of Euro)	31.12.2020	31.12.2019
<b>assets</b>		
investment property	3,819	3,819
other assets available for sale	46	0
valuation at <i>equity</i> of companies held for sale		
<b>total assets held for sale</b>	<b>3,865</b>	<b>3,819</b>
<b>liabilities</b>	0	0
<b>total liabilities held for sale</b>	<b>0</b>	<b>0</b>
<b>total net assets held for sale</b>	<b>3,865</b>	<b>3,819</b>

The item investment property includes:

- an area of land located in Mestre-Venezia in via Porto di Cavergnago, owned by the subsidiary Mive, for a total value of EUR 3,721 thousand;
- the former historical newsstand in sestiere San Polo in Venice, owned by the subsidiary Mive, for a total value of EUR 20 thousand.
- the increase for the year of EUR 46 thousand is attributable to Metalrecycling for an industrial loader whose sale will take place, at the latest, within the next financial year.

## 6. Intangible assets

Changes to intangible fixed assets as at 31 December 2020 and 31 December 2019.

(thousands of Euro)	start-up and expansion costs	develop- ment costs	patent rights	licences and software	public service conces- sions	other intangible assets	investments in progress	total
<i>cost</i>								
<b>as at 1 January 2019</b>	<b>27</b>	<b>32</b>	<b>206</b>	<b>39,982</b>	<b>27,871</b>	<b>5,094</b>	<b>4,495</b>	<b>77,707</b>
increases for business combinations and changes in perimeter								
increases			93	3,888		942	1,397	6,320
disposals				-4				-4
reclassifications				158		109	-2,426	-2,159
impairment								
other transactions				-150		-22	-2	-174
discontinuing operations								
<b>as at 31 December 2019</b>	<b>27</b>	<b>32</b>	<b>299</b>	<b>43,874</b>	<b>27,871</b>	<b>6,123</b>	<b>3,464</b>	<b>81,690</b>
<i>amortisation, depreciation and write-downs</i>								
<b>as at 1 January 2019</b>	<b>-24</b>	<b>-32</b>	<b>-202</b>	<b>-34,428</b>	<b>-20,466</b>	<b>-22</b>	<b>-182</b>	<b>-55,356</b>
increases for business combinations and changes in perimeter								
amortisation/depreciation	-1		-4	-3,791	-1,187	-19		-5,002
disposals				2				2
reclassifications								
impairment								
other transactions								
<b>as at 31 December 2019</b>	<b>-25</b>	<b>-32</b>	<b>-206</b>	<b>-38,217</b>	<b>-21,653</b>	<b>-41</b>	<b>-182</b>	<b>-60,356</b>
residual value of contributions	0	0	0	0	0	0	0	0
<i>net carrying amount</i>								
<b>as at 31 December 2019</b>	<b>2</b>		<b>93</b>	<b>5,657</b>	<b>6,218</b>	<b>6,082</b>	<b>3,282</b>	<b>21,334</b>
<i>cost</i>								
<b>as at 1 January 2020</b>	<b>27</b>	<b>32</b>	<b>299</b>	<b>43,874</b>	<b>27,871</b>	<b>6,123</b>	<b>3,464</b>	<b>81,690</b>
increases for business combinations and changes in perimeter								
increases				4,536	0	65	2,255	6,856
disposals				-13		-115		-128
reclassifications				409		50	-482	-23
impairment								0
other transactions							-12	-12
discontinuing operations								0
<b>as at 31 December 2020</b>	<b>27</b>	<b>32</b>	<b>299</b>	<b>48,806</b>	<b>27,871</b>	<b>6,123</b>	<b>5,225</b>	<b>88,383</b>
<i>amortisation, depreciation and write-downs</i>								
<b>as at 1 January 2020</b>	<b>-25</b>	<b>-32</b>	<b>-206</b>	<b>-38,217</b>	<b>-21,653</b>	<b>-41</b>	<b>-182</b>	<b>-60,356</b>
increases for business combinations and changes in perimeter								0
amortisation/depreciation	-1		-21	-3,994	-645	-19		-4,680
disposals				13				13
reclassifications							-12	-12
impairment								0
other transactions				0		0	12	12
<b>as at 31 December 2020</b>	<b>-26</b>	<b>-32</b>	<b>-227</b>	<b>-42,198</b>	<b>-22,298</b>	<b>-60</b>	<b>-182</b>	<b>-65,023</b>
residual value of contributions	0	0	0	0	0	0	0	0
<i>net carrying amount</i>								
<b>as at 31 December 2020</b>	<b>1</b>	<b>-</b>	<b>72</b>	<b>6,608</b>	<b>5,573</b>	<b>6,063</b>	<b>5,043</b>	<b>23,360</b>

The 'Licences and software' item mainly includes costs for the development and updating of SAP software modules in use by the parent company.

The item Concessions of public services which, as at 31 December 2020, amounted to EUR 5,573 thousand, refers to the concession for the management of the Jesolo landfill contributed in 2018 by the Alisea merger (EUR 4,731 thousand), in addition to the concession for the use of the Spinea funeral cremation facility (EUR 842 thousand).

Under other fixed assets, Eco-ricicli Veritas S.r.l. booked the value of the surface right on an area of 10 hectares, acquired from the parent company in 2018 (EUR 4,681 thousand); in 2019, the surface right on the former Co.in.tra. area was finalised for EUR 1,754 thousand.

Increases for investments in progress refer, among other things, to the equipping of two productive sites by Eco-ricicli Veritas S.r.l., where the new bulky waste plant and the new metal and glass lines will be built, which will be tested during 2021.

### Concession services

Following the adoption of IFRIC 12 and after analysing the concession relations in place with entities, the Group deemed it necessary to apply the interpretation to all activities of the integrated water cycle managed by the parent company.

All infrastructures involved were therefore reclassified under a separate item of intangible assets, namely 'Concession services'.

Moreover, the corresponding government grants, previously stated as components of current and non-current liabilities, were reclassified by disclosing the net amount of concession services.

The amounts relative to concession services are listed below:

<u>(thousands of Euro)</u>	<u>31.12.2020</u>	<u>31.12.2019</u>
'water' concession services	244,776	227,930
<b>total concession services</b>	<b>244,776</b>	<b>227,930</b>

The following table highlights changes in concession services as at 31 December 2020 and 31 December 2019:

<i>(thousands of Euro)</i>	<i>concession services</i>
<i>cost</i>	
<b>as at 1 January 2019</b>	<b>677,796</b>
application of IFRS 16	6,949
<b>as at 1 January 2019 - adjusted</b>	<b>684,745</b>
<i>increases for business combinations</i>	
increases	17,411
reclassifications	-7
disposals	-1,135
<b>as at 31 December 2019</b>	<b>701,014</b>
<i>amortisation, depreciation and write-downs</i>	
<b>as at 1 January 2019</b>	<b>-313,898</b>
<i>increases for business combinations</i>	
amortisation/depreciation	-17,992
reclassifications	-1
disposals	1,135
impairment	-11
other transactions	
<b>as at 31 December 2019</b>	<b>-330,767</b>
<b>residual value of 2019 contributions</b>	<b>-142,317</b>
<i>net carrying amount</i>	
<b>as at 31 December 2019</b>	<b>227,930</b>
<i>cost</i>	
<b>as at 1 January 2020</b>	<b>701,014</b>
<i>increases for business combinations</i>	
increases	17,171
reclassifications	27,096
disposals	308
disposals	-1,477
<b>as at 31 December 2020</b>	<b>744,112</b>
<i>amortisation, depreciation and write-downs</i>	
<b>as at 1 January 2020</b>	<b>-330,767</b>
<i>increases for business combinations</i>	
amortisation/depreciation	-18,821
reclassifications	-263
disposals	1,476
impairment	
other transactions	125
<b>as at 31 December 2020</b>	<b>-348,250</b>
<b>residual value of 2020 contributions</b>	<b>-151,086</b>
<i>net carrying amount</i>	
<b>as at 31 December 2020</b>	<b>244,776</b>

With reference to the economic-technical amortisation rates applied, representing the expected future economic benefits resulting from the use of the asset, as well as from the residual value of infrastructures, as envisaged by the reference regulations, it is worth noting that these are the same as those already adopted by the Group.

The item *increases due to business combinations* refers to the acquisition of plants from the Venice-Chioggia sub-lagoon pipeline business unit, the first section of the Savec regional infrastructure - eastern part (for a historical cost of EUR 17,171 thousand gross of plants grants for EUR 10,054 thousand).

Assets for services under concession include rights of use relating to the application of IFRS 16 for EUR 5,719 thousand.

Goods for concession services include portions of buildings leased (see note 2.3, paragraph Leasing, note 34 and note 44) which generate revenues of EUR 761 thousand.

## 7. Goodwill and checks on the related impairment

Goodwill acquired through business combinations were allocated to the following CGUs, even belonging to different business sectors, for impairment testing purposes:

- Waste disposal hub unit - Ecoprogetto;
- SII territorial area unit in Mogliano Veneto;
- Eco-ricicli Veritas (former Vetrital) unit;
- SIA Asvo unit.

The book value of goodwill allocated to each single CGU is listed hereunder:

(thousands of Euro)	31.12.2019	increases	decrease	31.12.2020
Ecoprogetto CGU	12,606			12,606
SII Mogliano Veneto area CGU	788			788
Eco-ricicli Veritas (former Vetrital) CGU	3,460			3,460
Asvo CGU	4,370			4,370
<b>total goodwill</b>	<b>21,223</b>			<b>21,223</b>

No changes were recorded with respect to 2019.

### Waste disposal hub unit - Ecoprogetto

The amount recoverable from the waste disposal hub unit currently managed by the subsidiary Ecoprogetto S.r.l., was determined based on the value in use.

Projected cash flows, included in the 2021-2025 financial plan approved by the BoD, were used for the calculations.

The time-discounting rate applied to projected cash flows was 6% for the 2021-2025 years. The terminal value was derived by taking the NOPAT for year 2021 as the reference cash flow for capitalisation, hypothesising a constant 1% growth rate.

The impairment test, performed by an expert appointed by the parent company, confirmed that goodwill recorded in the financial statements was recoverable based on the business plan approved by the management of Ecoprogetto.

### Integrated Water Service - Mogliano Veneto area

The goodwill booked in the parent company's financial statements, determined following the acquisition of the activities of Spim S.p.A. in 2008, is subject to an impairment test at least annually for the purposes of identifying any impairment.

To this end, the verification of the impairment of goodwill was carried out as part of the impairment test of assets connected with the integrated water service.

### Eco-ricicli Veritas unit

The recoverable value of this unit was determined based on the value in use. Projected cash flows, included in the 2021-2023 three-year financial plan approved by the management, were used for the calculations.

The discounting rate applied to projected cash flows is 5.51%, using a g rate growth of 1%.

The impairment test, performed by an expert appointed by the parent company, confirmed that



goodwill recorded in the financial statements was recoverable based on the business plan approved by the BoD of Eco-ricicli Veritas S.r.l.

Also Metalrecycling Venice S.r.l., a subsidiary of Eco-ricicli Veritas S.r.l., was subject to an impairment test by an expert to check for impairment. The equity value is consistent with the book value of the equity investment.

### Asvo unit

The recoverable value of this unit was determined based on the value in use. Projected cash flows, included in the 2021-2023 three-year financial plan approved by the management, were used for the calculations.

The discounting rate applied to projected cash flows is 5.51%, and cash flows up to 2023 were calculated using a growth rate of 1%.

The impairment test, performed by an expert appointed by the parent company, confirmed that goodwill recorded in the financial statements was recoverable based on the business plan approved by the BoD of Asvo.

## Sensitivity to changes in assumptions

### Waste disposal hub unit

The industrial plan adopted for the 2019-2021 period by Ecoprogetto Venezia S.r.l. guaranteed the creation of profit margins such as to ensure the coverage of the economic-equity needs of the group and confirmed the respect for the obligations assumed and the full recoverability of the capital invested.

During the implementation phases of the plants set out in the industrial plan, as a result of the provisions of the competent bodies for issuing of the authorisation to operate, changes to the implementation of these investments were evaluated, also in terms of the times for construction of one plant with respect to another, changes also impacting the application for the concession of medium/long-term lines of financing under review by banks.

The judgment of the Supreme Court published on 2 March 2020 and relating to the classification of property assets located in the Integrated Hub of Fusina, negative for Ecoprogetto Venezia and, conversely, favourable of the Italian Revenue Agency, involved the need for management to undertake a major review of the values booked to the industrial plan adopted, both in economic and equity terms. The expenses due from 2008, the year the dispute started, were recalculated, and the Icu/Imu tax costs in the company plan from 2020 were revised, which were not budgeted for in the current industrial plan.

Despite taking account of the exceptional nature of the loss of 2019 resulting from the negative outcome, at the Supreme Court, of the dispute relating to the classification of plants for IMU purposes, the plan adopted confirms the business continuity highlighted at the time of approval of the 2018 and 2019 financial statements. In addition, having acknowledged the economic and financial results of 2020 and modified the original plant approach to support the probable indications of the Region's decision-making body, it shows the group's future capacity to generate income and cash flows suited to maintaining liquidity, profitability and equity strength conditions.

The new plan, which covers the 2021-2025 period, takes account of the evolution of the waste market and the long-term relationship with Enel Produzione S.p.A., and redefines the plan of investments in new plants necessary for finding alternative end markets for the transfer of secondary solid fuel to Enel Produzione S.p.A.

## Eco-ricicli unit

With regard to this unit, the actions implemented lead us to reasonably believe that the 2021-2023 industrial plan will be implemented.

At the start of 2019, the entity presented a project finance proposal to the Veritas Group regarding services involving the treatment and selection of urban waste deriving from the separated waste collection of the metropolitan city of Venice and the Municipality of Mogliano Veneto, for the subsequent development and/or readying for disposal. The parent company's Board of Directors deemed this project to be of public use and carried out the European tender procedure. On 2 December 2020, the company received official notification from the Veritas Group of the award of the above procedure for a period of 12 years.

On 6 December 2019, the company signed a framework agreement with the company F.lli Busato Autotrasporti S.r.l. for the acquisition of the business unit regarding road haulage of goods and waste on behalf of third parties. The transaction was concluded with the acquisition of the above mentioned business unit as from 1 January 2020.

The company also acquired the business unit for the haulage of goods and waste on behalf of third parties of Litorale Trasporti - Moviter di Bozzato Guerino e c. snc with effect from 1 November 2020.

During the year, the company started the selection of an associated business for the creation in partnership of the new "glass" and "residue review" accessory lines. The entity identified is the company Omd S.r.l. The pilot plant for the selection of the semi-finished raw glass output from the VPL1 and VPL2 lines has now been built and tested, and the final plant is being completed. The residue review line has completed the design phase and is awaiting the appropriate environmental authorisations for construction. Following the creation of the new glass line, the industrial agreement with the associated business Ecopatè/Sibelco Green Solution was successfully renegotiated.

During the year, the company created the new metals line in partnership with Italsort S.r.l. The metals line was fully completed with regard to the "ferrous packaging" section and this made it possible to intensify commercial agreements with the Ricrea Consortium, also in partnership with the subsidiary Metalrecycling Venice S.r.l.

On the other hand, the 'non-ferrous packaging' section is nearing completion, the main consequence of which is the signing of important collaboration agreements with the Cial consortium.

On 24 December 2020, the company obtained the environmental authorisation necessary for the construction of the new bulky plant, whose provisional operation took place on 28 January 2021.

The Directors believe that any risk of changes in cash flows is sustainable.

## Asvo unit

With regard to the Asvo unit, the implemented actions reasonably lead us to believe that the 2021-2023 industrial plan will be implemented.

The unit registered stable cash flows over time, relating to the integrated municipal waste service in the territory of partner Municipalities, as a result of the in-house assignment. The management now also manages cemetery services for some partner Municipalities, again based on an in-house assignment.

## 8. Tangible fixed assets

Changes in tangible fixed assets as at 31 December 2020 and 31 December 2019.

(thousands of Euro)	land and buildings	plant and machinery	industrial and commercial equipment	other assets	leasehold improvements	assets subject to reversion free of charge	leased assets	investments in progress or advances	total
<i>cost</i>									
<b>as at 1 January 2019</b>	<b>186,182</b>	<b>198,076</b>	<b>58,617</b>	<b>118,291</b>	<b>21,771</b>	<b>11</b>	<b>5,715</b>	<b>16,927</b>	<b>605,590</b>
application of IFRS 16							17,296		17,296
<b>as at 1 January 2019 - adjusted</b>	<b>186,182</b>	<b>198,076</b>	<b>58,617</b>	<b>118,291</b>	<b>21,771</b>	<b>11</b>	<b>23,011</b>	<b>16,927</b>	<b>622,886</b>
increases for business combinations	342	197	22	39					600
increases	5,994	5,490	5,010	11,490	1,167		3,110	12,462	44,723
disposals	-23	-2,147	-1,033	-5,285	-254		-5,485	-11	-14,238
reclassifications	-2,917	5,899	-29	3,739	1,872		-2,618	-6,346	-400
impairment		20			-804			-232	-1,016
other transactions		8,404		-221	-8		-1	-162	8,012
<b>as at 31 December 2019</b>	<b>189,578</b>	<b>215,939</b>	<b>62,587</b>	<b>128,053</b>	<b>23,744</b>	<b>11</b>	<b>18,017</b>	<b>22,638</b>	<b>660,567</b>
<i>amortisation, depreciation and write-downs</i>									
<b>as at 1 January 2019</b>	<b>-44,665</b>	<b>-124,979</b>	<b>-39,426</b>	<b>-76,790</b>	<b>-15,176</b>	<b>-11</b>	<b>-2,118</b>	<b>-1,200</b>	<b>-304,365</b>
increases for business combinations									
amortisation/depreciation	-3,620	-9,848	-3,641	-6,764	-1,371		-2,484	0	-27,728
disposals	8	1,020	910	5,026	184		475	11	7,634
reclassifications	325	-367	30	-901	3		970	0	60
impairment	-894			-334	687			30	-511
other transactions	-3		2	4	5		-1		7
<b>as at 31 December 2019</b>	<b>-48,849</b>	<b>-134,174</b>	<b>-42,125</b>	<b>-79,759</b>	<b>-15,668</b>	<b>-11</b>	<b>-3,158</b>	<b>-1,159</b>	<b>-324,903</b>
residual value of 31.12.2019 contributions	-2,526	-3,118	-41	-483	-260				-6,428
<i>net carrying amount</i>									
<b>as at 31 December 2019</b>	<b>138,203</b>	<b>78,647</b>	<b>20,421</b>	<b>47,811</b>	<b>7,816</b>		<b>14,859</b>	<b>21,478</b>	<b>329,236</b>
<i>cost</i>									
<b>as at 1 January 2020</b>	<b>189,578</b>	<b>215,939</b>	<b>62,587</b>	<b>128,053</b>	<b>23,744</b>	<b>11</b>	<b>18,017</b>	<b>22,638</b>	<b>660,567</b>
increases for business combinations			5	2,094					2,099
changes in perimeter		-8,235	-8	-1			-222		-8,466
increases	2,186	8,940	3,991	9,202	1,127		11,834	5,473	42,753
disposals	-1,106	-4,148	-1,471	-2,727	-5		-1,033	-1,305	-11,795
reclassifications	81	12,434	-205	675	-3,398	-11	-1,718	-8,386	-528
impairment		21							21
other transactions	-30	-46	0	0	0		0	-112	-188
<b>as at 31 December 2020</b>	<b>190,709</b>	<b>224,905</b>	<b>64,899</b>	<b>137,296</b>	<b>21,468</b>		<b>26,878</b>	<b>18,308</b>	<b>684,463</b>
<i>amortisation, depreciation and write-downs</i>									
<b>as at 1 January 2020</b>	<b>-48,849</b>	<b>-134,174</b>	<b>-42,125</b>	<b>-79,759</b>	<b>-15,668</b>	<b>-11</b>	<b>-3,158</b>	<b>-1,159</b>	<b>-324,903</b>
increases for business combinations									
changes in perimeter		3,903	5	1			35		3,944
amortisation/depreciation	-4,008	-9,724	-3,870	-7,713	-1,024		-2,709		-29,048
disposals	705	1,813	1,224	2,512	2		444	49	6,749
reclassifications	1	-2,823	20	19	3,048	11		242	518
impairment		-1,422						-49	-1,471
other transactions					2			107	109
<b>as at 31 December 2020</b>	<b>-52,151</b>	<b>-142,427</b>	<b>-44,746</b>	<b>-84,940</b>	<b>-13,640</b>		<b>-5,388</b>	<b>-810</b>	<b>-344,102</b>
residual value of 31.12.2020 contributions	-2,396	-3,057	-262	-577	-236			-86	-6,614
<i>net carrying amount</i>									
<b>as at 31 December 2020</b>	<b>136,162</b>	<b>79,421</b>	<b>19,891</b>	<b>51,779</b>	<b>7,592</b>		<b>21,490</b>	<b>17,412</b>	<b>333,747</b>

There was a net increase of EUR 4,511 thousand in tangible fixed assets, from EUR 329,236 thousand to EUR 333,747 thousand.

The amounts indicated in the item 'Increases due to business combinations', for a net value of EUR 2,099 thousand, refer to the assets acquired from Eco-ricicli's acquisition of two business units relating to the haulage of goods and third-party waste.

The amounts relating to the change in the scope of consolidation, for a net value of EUR 4,522 thousand, relate to the exit from the scope of consolidation of Vier.

With regard to the parent company, investments, amounting to EUR 24,295 thousand, concerned land and buildings for EUR 743 thousand, plant and machinery for EUR 1,487 thousand, industrial and commercial equipment for EUR 2,889 thousand, other assets for EUR 7,962 thousand, leasehold improvements for EUR 627 thousand, rights to use for leased assets for EUR 8,348 thousand and for work in progress for EUR 2,239 thousand

Eco-ricicli S.r.l. continued to invest in VPL (glass-plastic-cans) treatment plants and relative machinery (roughly EUR 690 thousand). On the other hand, with regard to increases in fixed assets in progress, investments refer to the bulk waste disposal plant and to the rigid plastics treatment plant, under construction (EUR 2,540 thousand).

With regard to Ecoprogetto, during 2020 investment works were completed on the commission known as "new biomass plant" and "WTE plant", which are now classified under specific plants and machinery, which increased by EUR 5,808 thousand.

The reclassifications, used to standardise the criteria for the recognition of the fixed assets of the Group (in particular, intercompany movements as a result of the sales/disposals of assets), were also used to allocate the leased assets redeemed, to the corresponding classes of fixed assets.

During the year, Eco-ricicli's glass and metal selection and treatment plants were sold for EUR 3,771 thousand.

Impairment losses refer to the parent company.

Depreciation for the period, amounting to EUR 29,048 thousand, was calculated on all depreciable assets at year-end, by applying rates deemed to reflect the technical-economic useful life of assets, as described in the valuation criteria. The definition and/or review of useful lives were carried out to adjust depreciation valuation criteria at a Group level.

The aforesaid rates, proportionally reduced for assets that have become operational during the year to account for their shorter use, were defined based on the residual possible use of assets and are therefore deemed to reflect the economic-technical useful life of tangible fixed assets.

The depreciation rate applied to the plants and land relating to the parent company's Jesolo landfill was calculated on the basis of the quantity of waste transferred during the year with respect to the residual capacity of the same as at 1 January 2020; the rate applied this year was therefore 11.23%. The duration of the landfill's operating period is currently estimated to extent up to and including 2026.

It should be noted that tangible fixed assets include leased properties (see note 2.3, paragraph Leasing, note 34 and note 44) which generated revenues from third parties of EUR 155 thousand for the parent company, EUR 40 thousand for Ecoprogetto Venezia S.r.l., EUR 18 thousand for Metalrecycling S.r.l. and EUR 5 thousand for Depuracque servizi S.r.l.

## 9. Investment property

The following table shows the changes in investment property as at 31 December 2020 and 31 December 2019, entirely composed of land and buildings:

<i>(thousands of Euro)</i>	<i>total</i>
<i>cost</i>	
<b>as at 1 January 2019</b>	<b>17,740</b>
<i>increases</i>	
disposals	-1,583
reclassifications	2,507
<b>as at 31 December 2019</b>	<b>18,664</b>
 <i>amortisation, depreciation and write-downs</i>	
<b>as at 1 January 2019</b>	<b>-245</b>
amortisation/depreciation	-2
<b>as at 31 December 2019</b>	<b>-247</b>
 <i>net carrying amount</i>	
<b>as at 31 December 2019</b>	<b>18,417</b>
 <i>cost</i>	
<b>as at 1 January 2020</b>	<b>18,664</b>
<i>increases</i>	
disposals	
reclassifications	
other transactions	-185
<b>as at 31 December 2020</b>	<b>18,479</b>
 <i>amortisation, depreciation and write-downs</i>	
<b>as at 1 January 2020</b>	<b>-247</b>
amortisation/depreciation	-3
other transactions	185
<b>as at 31 December 2020</b>	<b>-65</b>
 <i>net carrying amount</i>	
<b>as at 31 December 2020</b>	<b>18,414</b>

Investment property is composed almost entirely of the value of plots of land (formerly known as Alcoa) in Fusina-Marghera, in which the Group is implementing the 'Ecodistrict' project. This project involves relocating a number of industrial businesses, which will be managed both by Group companies and external companies, to treat the recyclable part of waste, thus creating a waste treatment hub.

## 10. Shareholdings in associates and jointly controlled companies

As at 31 December 2020, the Group holds the following shareholdings in associates:

(thousands of Euro)	book value		Group's % shareholding	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Sifa scpa	8,962	8,804	33.17	33.17
Insula S.p.A.	496	496	24.73	24.73
Ecoplastiche Venezia S.r.l.	39	39	32.94	32.94
Veritas Conegliano S.r.l.	1,099	1,099	48.80	48.80
Vier S.c.a.r.l.	506		49.00	
Rpm – Riconversione Porto Marghera S.c.a.r.l. in liquidation		5	0.00	40.00
<b>total shareholdings in associate companies</b>	<b>11,102</b>	<b>10,443</b>		
<b>total shareholdings in jointly controlled companies</b>				
<b>total shareholdings in associates and jointly controlled companies</b>	<b>11,102</b>	<b>10,443</b>		

The item Equity investments in associates and joint ventures increased from EUR 10,443 thousand to EUR 11,102 thousand, with an increase of EUR 659 thousand attributable to Sifa scpa, to the entry of Vier S.c.a.r.l. and the exit of Rpm - Riconversione Porto Marghera S.c.a.r.l. in liquidation.

Associates are not listed in any regulated market.

The summary of the financial information of the individual companies is shown below; the disclosed figures are taken from IFRS financial statements for the companies that have drawn them up, and from the reclassification of separate financial statements drafted in accordance with Italian accounting standards in other cases, as it is believed that the latter are representative for IAS purposes as well.

Associates retain a fundamental role in contributing to the industrial and market management of the parent company and the subsidiaries, providing the necessary strategic flexibility in the management of industry activities.

## Sifa scpa

The object of the company, established in 2005, is the design, construction and the management of initiatives to be implemented through the funding of projects related to the concession of the complex named 'Progetto Integrato Fusina' (Fusina Integrated Project) by the Veneto Region and regulated by a dedicated convention.

This project, which involves the construction of plants to ensure the treatment of waste from the industrial hub of Marghera and the Miranese area and water for civil use, consists of a large project of environmental recovery, which incorporates a vast area of Fusina and involves the underground installation of high voltage power lines, a new road network for road-based heavy goods transport, hydraulic works, the repositioning of a production facility and the re-conversion of the disused areas of the petrochemical plant to port areas (additional works set out in the Moranzani programme agreement).

The initial agreement, entered into in July 2005 with the Veneto Region, was subsequently supplemented in December 2008 (1st supplementary deed) and March 2010 (2nd supplementary deed).

Following the deterioration of the reference economic context, Sifa and the Veneto Region signed, in December 2016, a new concession supplementary and amendment deed which makes provision for the new attainment of long-term economic and financial equilibrium thanks to the disbursement by the Region of a grant for plants of EUR 56 million.

Therefore, the following table summarises the summary financial information on the equity investment, with reference to the 2019 financial statements, the last one approved as the 2020 financial statements have not yet been approved by the shareholders' meeting due to the deferment of the terms provided by Italian Legislative Decree 183/2020, converted into Law 21/2021:

(thousands of Euro)	31.12.2019	31.12.2018
<i>balance sheet of the associate</i>		
current assets	29,231	31,852
non-current assets	163,547	180,006
current liabilities	-31,683	-29,692
non-current liabilities	-124,707	-147,653
<b>total net assets</b>	<b>36,388</b>	<b>34,512</b>
<i>revenues and profit/loss of the associate</i>		
Revenues	22,963	25,486
profit (loss)	1,876	3,769
<b>carrying value of the shareholding</b>	<b>8,962</b>	<b>8,804</b>

In 2020, the fourth year of the new 25-year concession, Sifa's activities continued in the post-treatment of urban A waste, in the treatment of industrial waste-water and of leaching storm water from the industrial area of Porto Marghera, in the treatment of groundwater of retro-embankments constructed by the Interregional Procurement and Supply Department for Public Works and by Sifa itself.

Negotiations are under way between the parties for the resolution of the dispute generated as a result of the injunction notified on 16 February 2021 by the Court of Venice and requested by Unicredit against Sifa, as a result of the transactions of: a) factoring by Unicredit of receivables due to the shareholder company Mantovani from Sifa, b) request for payment of these receivables on maturity by Unicredit from Sifa, c) rejection by Sifa of said request for the alleged non-transferability of receivables as pertaining to the current *pactum de non petendo*, linked to the redefinition of the concession.



As at 31 December 2020, the Group recognised:

- EUR 9 million as the book value of the shareholding in Sifa, in line with the equity value of the associate, estimated by the group by taking the PEF cited above as a starting point and supplemented for the reasons outlined above;
- EUR 12.9 million in financial and trade receivables, relating primarily to the parent company and, to a lesser extent, the Depuracque group, Lecher and Sifagest;
- EUR 1.4 million in trade payables, relating to the parent company.

The company composition is as follows: Veritas S.p.A. 30.00%, Depuracque Servizi S.r.l. 1%, Sifagest S.c.a.r.l. the liquidation 3.33% and third parties 65.67%, including Mantovani at 47.00%.

The positive change of EUR 158 thousand in the value of the investment with respect to the previous year refers to an addition to financial expenses, already calculated in 2016-2019, deriving from the discounting of the financial receivable for the difference between the market rate and the rate applied, and with reference, in particular, to Sifagest's receivable due from Sifa for EUR 593 thousand that Sifagest transferred to Veritas following its placement into liquidation.

Please note, in fact, that the signing of the agreement of 27 December 2016 between Sifa, the Veneto Region and Sifa shareholders and the disbursement by said Region of a grant for plants of EUR 56 million, which made it possible to fully repay the bank loan falling due at the end of December 2016, the uncertainties raised in the financial statements of the previous few years, regarding the assumption of Sifa as a going concern, were eliminated.

Furthermore, with the signing of the new shareholders' agreements between Sifa's shareholders on 27 December 2016, the trade receivables due to Sifa from all shareholders (also including Sifagest) were converted, by mutual agreement, to financial receivables with deferred repayment on the basis of the provisions of the economic-financial plan attached to said agreement, with the recognition of an interest rate of 2%.

Therefore, having assessed the market interest rate to be applicable to Sifa at 4%, had already discounted this receivable, for the difference between the two interest rates, and used said financial expense to increase the value of the shareholding.

## Insula S.p.A.

The company operates in the field of maintenance, consolidation, conservative restoration and renovation of the primary and secondary urbanisation works of the city of Venice, of the buildings owned by the Municipality, the majority shareholder, of the public residential buildings referring to the municipal administration. The company also deals with the management and administration of public housing units and the administrative management of municipal-owned condominiums.

Therefore, the following table summarises the summary financial information on the equity investment, with reference to the 2019 financial statements, the last one approved as the 2020 financial statements have not yet been approved by the shareholders' meeting due to the deferment of the terms provided by Italian Legislative Decree 183/2020, converted into Law 21/2021:

<i>(thousands of Euro)</i>	31.12.2019	31.12.2018
<i>balance sheet of the associate</i>		
current assets	48,049	41,498
non-current assets	27,411	29,372
current liabilities	-40,312	-34,147
non-current liabilities	-30,687	-32,337
<b>total net assets</b>	<b>4,460</b>	<b>4,386</b>
<i>revenues and profit/loss of the associate</i>		
revenues	27,375	17,856
profit (loss)	74	136
<b>carrying value of the shareholding</b>	<b>496</b>	<b>496</b>

Management confirms that the operating performance in 2020 was positive, with a value of production higher than that of the previous year and the maintenance of a positive net result also thanks to the realisation of the commissions related to the repairs, financed by the 'Commissioner Delegated to the management', of the exceptional weather events of 12 November 2019 in the territory of the Municipality of Venice'.

## Ecoplastiche Venezia S.r.l.

The company was established on 16 May 2014 by Idealservice sc and Eco-ricicli Veritas S.r.l., which hold 60% and 40% of its shares, respectively. The share capital amounts to EUR 100 thousand.

Ecoplastiche Venezia was incorporated for the construction of a recovery and preparation plant for the recycling of plastic materials for the production of plastic raw materials in the future Ecodistrict of Marghera.

At the end of 2020, it was not yet operational.

Therefore, the following table summarises the summary financial information on the equity investment, with reference to the 2019 financial statements, the last one approved as the 2020 financial statements have not yet been approved by the shareholders' meeting due to the deferment of the terms provided by Italian Legislative Decree 183/2020, converted into Law 21/2021:

<i>(thousands of Euro)</i>	31.12.2019	31.12.2018
<i>balance sheet of the associate</i>		
current assets	92	93
non-current assets	2	2
current liabilities	-1	-1
non-current liabilities	0	0
<b>total net assets</b>	<b>93</b>	<b>94</b>
<i>revenues and profit/loss of the associate</i>		
revenues	0	0
profit (loss)	-1	-1
<b>carrying value of the shareholding</b>	<b>39</b>	<b>39</b>

## Veritas Conegliano S.r.l.

The company was established in December 2016 by Veritas and four other private shareholders, Callegaro Costruzioni snc with 14%, Pellizzari S.r.l. 13%, Imm.ser. S.r.l. 12.50% and OM Ciroidi S.p.A. 11.70%, following the final award of the tender (in which the subsidiary Elios had participated before its incorporation into Veritas in 2016) for the design, construction and management of a crematorium and the management of the cemeteries in the Municipality of Conegliano Veneto, to be realised through project financing, whose the proponents coinciding with the shareholders of Veritas Conegliano.

A summary of the financial information on equity investment in Veritas Conegliano S.r.l. is shown in the following table:

<i>(thousands of Euro)</i>	2020	2019
<i>balance sheet of the associate</i>		
current assets	1,259	2,114
non-current assets	4,866	4,050
current liabilities	-1,136	-1,427
non-current liabilities	-3,140	-3,060
<b>total net assets</b>	<b>1,849</b>	<b>1,677</b>
<i>revenues and profit/loss of the associate</i>		
revenues	1,414	1,848
profit (loss)	172	153
<b>carrying value of the shareholding</b>	<b>1,099</b>	<b>1,099</b>

In March 2017 and with effect from 1 January 2017, the 30-year concession agreement was signed for the management of cemetery services and the design, construction and management of the new crematorium.

Since 2018, it has been involved in cemetery services, ordinary maintenance and new consolidation works for the cemeteries of the Municipality of Conegliano.

Work on the construction of the new crematorium at the cemetery of San Giuseppe di Conegliano began at the end of 2018 and ended in 2020.

In June 2020, the plant became operational and Veritas' management of the concession until 2046 started.

## Vier S.c.a.r.l.

The company's purpose is the management and development of the production and sale of thermal and electricity generated from renewable sources, as well as its transport, transformation and distribution.

The company was established on 1 March 2011 from the transformation of the previous Veneto Recycling Consortium, to which Veritas had transferred the business unit consisting of the production of energy from renewable sources and related maintenance of networks and plants on 1 January 2011.

During 2020, the company underwent significant changes:

- At the end of June, Veritas S.p.A. sold 51% of the shares held to the parties identified through an expression of interest notice published on 29 March 2019. The new company's composition is therefore as follows: Veritas S.p.A. 49%, Atlantico S.p.A. 25.5%, Engie servizi S.p.A. 14.88%, Gpg S.r.l. 5.31% and Aiem S.r.l. 5.31%. As from 30 June 2020, the company therefore lost its status as a subsidiary of Veritas S.p.A. and as a result the company is no longer subject to its management and coordination.
- With deed of July 22, 2020, the company was converted into a limited liability consortium, assuming the current denomination Venetian renewable energy systems - Vier S.c.a.r.l., therefore with the adoption of a consortium/mutualistic purpose and a new expanded corporate purpose compared to the previous one.

The transformation of the company took effect from 4 October 2020 and, therefore, during the year, in continuity with previous years, the company's activities were concentrated in the management of company-owned photovoltaic and cogeneration plants for the production of electricity and thermal energy, and the related energy management service for the end user.

The table below provides a summary of the financial information on the shareholding in Vier S.c.a.r.l.:

<i>(thousands of Euro)</i>	31.12.2020	31.12.2019
<i>balance sheet of the associate</i>		
current assets	1,621	848
non-current assets	4,115	4,551
current liabilities	-400	-454
non-current liabilities	-4,295	-4,302
<b>total net assets</b>	<b>1,041</b>	<b>643</b>
<i>revenues and profit/loss of the associate</i>		
revenues	962	848
profit (loss)	3	-395
<b>carrying value of the shareholding</b>	<b>506</b>	

## 11. Other equity investments

The value of other equity investments, equal to EUR 1,470 thousand, relate to minority interests held by the parent company (EUR 164 thousand), by Ecoprogetto (EUR 1,004 thousand), Eco-ricicli S.r.l. (EUR 200 thousand) and by Asvo S.p.A. (EUR 102 thousand).

Veritas S.p.A. holds equity investments in Venis S.p.A. (EUR 114 thousand) and Vega S.c.a.r.l. (EUR 0 thousand, following the further write-down of EUR 41 thousand), subsidiaries of the Municipality of Venice, and in Viveracqua S.c.a.r.l. (EUR 50 thousand).

It should be noted that Viveracqua is a consortium company owned by the integrated water service operators of Veneto, which has a mutualistic purpose in order to create synergies among the member companies also through the provision of functional services to them such as, for example, the common procurement service for works, services and supplies.

Ecoprogetto maintains a 2% stake in Bioman S.p.A., with a book value of EUR 1,000 thousand.

Eco-ricicli S.r.l., on the other hand, retains the equity investment recorded in the financial statements for EUR 200 thousand in Ecopatè, which on 1 January 2021 changed its name to Sibelco Green Solution.

Asvo, on the other hand, retained the equity investments in Portogruaro Interporto and in Savo, recorded in the financial statements for EUR 100 thousand and EUR 2 thousand, respectively.

Within these Group shareholdings, there are limited shares of certain compulsory consortia amounting to EUR 4 thousand.

## 12. Other financial assets

The following table highlights disclosures on other financial assets as at 31 December 2020 and 31 December 2019:

(thousands of Euro)	31.12.2020	31.12.2019
guarantee deposits	724	950
financial receivables due from other entities	6,042	6,013
other non-current receivables	1,622	3,509
<b>total other financial assets</b>	<b>8,388</b>	<b>10,472</b>

Total other financial assets recorded a decrease of € 2,084 thousand, which mainly refers to the reclassification to current assets of certain receivables as they fall due within the next year.

Above all, the change in other long-term receivables refers mainly to the reclassification of receivables for the sale of a part of the Sant'Andrea area in Venice (EUR 2,500 thousand) under short-term receivables.

Financial receivables due from other entities refer almost entirely:

- to the share of the irregular pledge (credit enhancement) of EUR 2,400 thousand, equal to 16% of the bond issued by former Asi S.p.A. for a total of EUR 15,000 thousand (so-called Hydrobond) in July 2014, paid to a interest-bearing term account. It may be converted to cash in favour of the parent company from the date on which the amount of capital still due is equal to 50% of the initial capital;
- to the receivable due to the parent company from the metropolitan city of Venice, relating to obtainment from former Alisea of a term account to guarantee *the post-closure management* of the Jesolo landfill, for EUR 3,566 thousand.



### 13. Inventories

The following table highlights disclosures on inventories as at 31 December 2020 and 31 December 2019:

(thousands of Euro)	31.12.2020	31.12.2019
spare parts and consumables	5,960	5,703
fuels	183	220
inventories of work in progress and semi-finished products	19	
inventories of goods for sale	2,042	1,573
advances to suppliers	10	
provision for inventory depreciation	-347	-347
<b>total inventories</b>	<b>7,867</b>	<b>7,149</b>

Inventories primarily comprise spare parts for maintenance purposes of water and sewerage networks, as well as of purification plants, and for the maintenance of waste treatment plants owned by the Group.

Inventories are recorded net of the provision for inventory depreciation recognised by the parent company to take account of the obsolescence of some spare parts, which were no longer usable.

Inventories of goods for sale were moved in the current year by Eco-ricicli and Metalrecycling.

## 14. Contract work in progress

The following table highlights disclosures on contract work in progress as at 31 December 2020 and 31 December 2019:

(thousands of Euro)	31.12.2020	31.12.2019
revenues from contract work recognised as revenue for the period	4,478	6,366
costs for contract work incurred at the reporting date	4,478	6,366
<b>profit recognised at the reporting date</b>	<b>0</b>	<b>0</b>
advances received from the Municipality of Venice	108	201
<b>gross amount due by the principal for contract works</b>	<b>2,642</b>	<b>1,890</b>

Contract works primarily relate to works and supplies ordered by the Municipality of Venice to the parent company and still uncompleted at the end of these financial statements, mainly concerning the integrated water service, remediation and cemetery activities.

It is worth noting that agreements with the Municipality of Venice envisage the payment for the mere costs incurred for the works carried out, without any margin being recognised.

The advance payments received from the Municipality of Venice are recognised under item Payables due to partner entities.

This item also included an amount of EUR 825 thousand due to the delegated commissioner pursuant to OCDPC (order of the head of the civil protection department) No. 616/2019 – i.e. the commission structure, represented by the mayor of the Municipality of Venice, appointed by the president of the council of ministers to address the emergency stemming from the weather events marked by exceptional high waters which affected the territory of the Venice lagoon in November 2019 - to cover the costs incurred by Veritas to repair the damages caused by the sea as well as consideration for the services provided as the implementing entity appointed by said commissioner for the waste clearing and footbridge installation services.

## 15. Trade receivables

The following table highlights disclosures on trade receivables as at 31 December 2020 and 31 December 2019:

(thousands of Euro)	31.12.2020	31.12.2019
trade receivables	37,364	32,337
receivables due from SII and SIA users	102,909	105,452
receivables due from related parties	910	935
receivables due from entities controlled by the Municipality of Venice	977	549
<b>total nominal trade receivables</b>	<b>142,160</b>	<b>139,273</b>
provision for doubtful trade debts	-4,052	-4,200
bad debt provision related to utilities	-36,478	-34,775
<b>total provision for doubtful debts</b>	<b>-40,530</b>	<b>-38,975</b>
<b>total trade receivables</b>	<b>101,630</b>	<b>100,298</b>

Trade receivables as at 31 December 2020 amounted to EUR 101,630 thousand (EUR 100,298 thousand as at 31 December 2019) and comprise estimated consumption, for the portion pertaining to the year, relating to bills and invoices which will be issued after 31 December 2020. The values are recorded net of the provision for bad debt provision to EUR 40,530 thousand (EUR 38,975 thousand at 31 December 2019), which is deemed appropriate and prudential in relation to the presumed realisable value of such receivables.

The total increase, compared to 31 December 2019, was EUR 1,332 thousand, due to the increase in receivables of the subsidiaries (+ EUR 5,893 thousand) and the decrease in receivables of the parent company (- EUR 4,561 thousand).

The decrease of EUR 4,561 thousand by the parent company concerns the write-down of the TARIP waste management tariff receivables recorded in the previous year for 2018 and 2019 equalisations (- EUR 4,115 thousand), the recognition of the negative TIA/TARIP tariff equalisations prior to the application of the MTR deriving from the reclassification of the previous provision for charges on future financial plans (- EUR 7,377 thousand), the increase in receivables for water tariff equalisations (+ EUR 7,839 thousand), the increase in credit for water bills issued and TARIP (+ EUR 4,250 thousand), as well as the decrease in receivables for TIA1 (- EUR 4,837 thousand).

The increase of EUR 5,893 thousand of the subsidiaries was contributed for EUR +5,232 thousand by Eco-ricicli, which recorded an increase in trade receivables of EUR 4,143 thousand for the sale in instalments of the metal and glass plants.

Receivables due from SII and SIA users (regarding Veritas and Asvo) are composed as follows:

(thousands of Euro)	31.12.2020	31.12.2019
receivables due from SII and SIA users billed	61,132	56,865
receivables due from users for TIA1	15,855	20,692
receivables due from SII and SIA users to be billed	17,188	15,416
receivables due from users for water tariff equalisations	13,043	5,204
receivables due from users for environment tariff equalisations	-4,309	7,275
<b>total receivables due from SII and SIA users</b>	<b>102,909</b>	<b>105,452</b>

As regards receivables due from waste management users, it should be noted that judgment No. 5078/2016 of the Supreme Court, in a joint sitting of all divisions, definitively confirmed the fiscal nature of the waste management tariff (TIA1).

Although the judgment did not produce any effects regarding the ownership of the TIA1 credit, which therefore continued to remain with the group companies, the latter did not, however,

continue to bear the risk of insolvency, owing to the assessed tax nature of the tariff.

In fact, the tax nature transferred the risk of insolvency to the Municipalities, and this occurs through the insertion of portions of any losses on receivables in the municipal waste management financial plans following the one of the assessed non-collectability of the receivable, net of any residual portions of allocations for losses already included in the old financial plans based on the TIA1 regime.

Receivables for TIA1 as at 31 December 2020 amounted to EUR 15,855 thousand; the residual portions of allocations for losses already included in the old financial plans based on the TIA1 system as at 31 December 2020 (recognised by the group as the provision for doubtful debts) amounted to EUR 5,454 thousand.

As at 31 December 2020, residual receivables due from users for water tariff equalisations by the parent company amount to EUR 13,043 thousand, and include:

equalisation description	amount in thou- sands of Euro	year of in- voicing	ref. year equalised	resolution
(residual amount to be invoiced) equalisations for 2004-2011 cost/revenue variance and recognition of amortisation prior to 2004 (regulated method)	96	2014-16	2004-2011	Catchment Area Council Director's decision 585-586/2014 of 30.06.2014
equalisations for 2010-11 ex-Asi cost/revenue variance (normalised method)	-2,499	to be defined	2010-2011	determination of Council Assembly of the Eastern Veneto catchment area 4/2012 of 24.02.2012
equalisation for adjustment to VRG applied for 2017 (VRG and water tariff method equalisation 2)	2,681	2021-2023	2017	Catchment Area Council resolution No. 5/2017 of 16.02.2017 ARERA resolution No. 113/2017/R/IDR
equalisation for adjustment to VRG applied for 2019 (VRG water tariff method 2 water 3 tariff method equalisation)	4,046	2021-2023 and beyond	2019	Regional Council resolution 9/2018 of 26/06/2018 ARERA resolution No. 10/2019/R/IDR
equalisation for adjustment to VRG applied for 2020 (VRG and water 3 tariff method equalisation)	8,719	2023 and beyond	2020	ARERA resolution No. 46/2021/R/IDR
<b>total receivables for water tariff equalisations</b>	<b>13,043</b>			

As regards receivables for environment tariff equalisations, these derive from the application of the new MTR tariff method established by Arera from the 2020 tariffs, with the forecast of an equalisation component deriving from the recalculation of the 2018 and 2019 financial plans, to be charged in the 2020 and 2021 tariffs.

The MTR method applies without distinction to the Municipalities based on the TARIP ariff quantity-based tariff system, billed directly by Veritas to users, and to the Municipalities based on the TARI tax system, and for which Veritas bill the Municipalities themselves for waste management service.

Since, at the date of preparation of the 2019 financial statements, the requirements for the recognition of asset adjustments were met, quantified in line with the provisions of the new tariff method, while uncertainties remained regarding the correct allocation of this adjustment to receivables from users (relating to TARIP regulated territories) and receivables from municipalities (TARI), the adjustment recorded by the parent company in this financial statement item of the previous year for EUR 7,275 thousand referred to the total of the 2018-2019 equalisations for both the Municipalities in TARIP and in TARI, pending the approval by the Catchment Area Council of Venezia Ambiente the 2020 and 2021 tariff plans (PEFs).

With the approval of the 2020 PEFs by the Catchment Area Council, the amounts and the breakdown by individual Municipalities in relation to the 2018 equalisations were defined.

In particular, the amount of these positive equalisations relating to 2018 was defined as EUR 3,754 thousand, of which + EUR 3,998 thousand relating to Municipalities in TARIP and - EUR 244 thousand relating to Municipalities in TARI and therefore reclassified to receivables from Shareholders.

Furthermore, again for this 2018 equalisation, the Catchment Area Council established its recovery in 4 annual instalments starting from 2020 PEF, so the residual TARIP credit for this item as at 31 December 2020 remained equal to EUR 2,998 thousand (EUR 999 thousand in the short-term as a component of the 2021 PEFs and EUR 1,999 thousand in the medium-long term as a component of the 2022 and 2023 PEFs).

Moreover, with the approval of the 2020 PEFs, the equalisations for the year 2020 were also defined. Although the TARIP positive net tariff equalisations in favour of Veritas amounted to EUR 5,846 thousand, the parent company was only able to recognise in the financial statements receivables EUR 1,910 thousand (including the first instalment of the 2018 equalisation of EUR 999 thousand), i.e. only the part referable to the 6.6% tariff increase associated with the individual Municipality (*Cap* set by the method), while for the part exceeding the *Cap*, equal to EUR 3,936 thousand, the parent company is waiting for the further approval of the 2020 PEFs by Arera.

The Catchment Area Council established the recovery in 4 annual instalments starting from the 2021 PEFs also for the equalisations relating to 2020.

With regard to the 2019 equalisations recorded in the previous year, since this will be defined by the catchment board with the approval - not yet obtained - of the 2021 PEFs, the receivable remained attributable to the overall equalisations both for the Municipalities in TARI AND TARIP (EUR 3,836 thousand).

During the procedure for the preparation of the 2021 PEFs, the Catchment Area Council:

- decided to revise the 2020 PEFs (and therefore also the 2018 equalisations ) to remedy some objections raised by ARERA;
- changed the interpretation regarding the calculation of some parameters of the method that led to a significant change in the 2019 negative equalisations already allocated as at 31 December 2019.

Therefore, the directors of Veritas S.p.A., taking this information into account, decided to write down the 2018 and 2019 equalisations already recognised in the financial statements for EUR 4,115 thousand.

Lastly, the new tariff method gave a formal definition to the previous equalisations deriving from the final balance of the old financial plans, i.e. between the amount charged to the users and the provisions of the PEFs ('delta turnover'), and which until the previous year were recorded in the financial statements under the item provisions for risks and charges.

Therefore, the parent company proceeded to reclassify this provision, equal to EUR 8,474 as at 31 December 2019, a minor receivables for tariff equalisations, of which EUR 7,377 thousand for TARIP receivables and receivables from Municipalities in TARI regime for EUR 1,097 thousand.

The update of the turnover difference for the year 2020 also led to a negative receivable of EUR 8,939 thousand.

(thousands of Euro)	31.12.2020	year of invoicing	resolution
2018 MTR tariff equalisations	2,999	2021-2023	Catchment Area Council resolution 17/2020 of 18.12.2020 AEEGSI resolution No. 113/2017/R/IDR
2019 MTR tariff equalisations (including Municipalities in TARI)	3,836	to be defined	in the process of being approved
2020 MTR tariff equalisations (within the Cap)	1,910	2021-2024	Catchment Area Council resolution 17/2020 of 18.12.2020 AEEGSI resolution No. 113/2017/R/IDR
Equalisations for pre-MTR delta turnover as at 31 December 2019	-7,376	to be defined	
equalisations for turnover delta 2020 MTR	-1,563	to be defined	
<b>total receivables for environment tariff equalisations</b>	<b>-194</b>		
<b>2018-2019 equalisations write-down provision</b>	<b>-4,115</b>		
<b>total receivables for water tariff equalisations net of write-downs</b>	<b>-4,309</b>		

Trade receivables are not interest-bearing and usually have a 60-day maturity term.

Receivables due from SII and SIA users are not interest-bearing until maturity, which is 30 days from invoice issue. After their maturity date, default interest is accrued according to terms and conditions agreed upon by municipalities.

Receivables due from other related parties comprise receivables due from subsidiaries of partner entities.

The table below shows the changes in the provision for doubtful debts for each year under evaluation:

(thousands of Euro)	written down individually	written down collectively	total
<b>as at 1 January 2019</b>	<b>2,248</b>	<b>32,900</b>	<b>35,448</b>
provisions	1,254	3,141	4,395
uses	-212	-1,072	-1,284
increases, decreases and reversals	379	37	416
<b>as at 31 December 2019</b>	<b>3,969</b>	<b>35,006</b>	<b>38,975</b>
changes in perimeter	7	-8	-1
provisions	514	7,572	8,086
uses	-569	-5,954	-6,523
increases, decreases and reversals	-28	21	-7
<b>as at 31 December 2020</b>	<b>3,893</b>	<b>36,637</b>	<b>40,530</b>

As at 31 December, the analysis of trade receivables, overdue but not written down, is as follows:

(thousands of Euro)	total	not overdue - performing	overdue but not written down				
			<30 days	30-60 days	60-90 days	90-120 days	>120 days
<b>2020</b>	<b>101,630</b>	66,260	7,050	3,355	2,949	2,409	19,607
<b>2019</b>	<b>100,298</b>	65,370	8,840	2,473	2,682	1,476	19,457

The column overdue over 120 days is primarily attributable to amounts due from invoicing (TIA-TARIP-water).

## 16. Receivables due from partner entities

The following table highlights disclosures on receivables due from partner entities as at 31 December 2020 and 31 December 2019:

(thousands of Euro)	31.12.2020 within 12 months	31.12.2020 beyond 12 months	31.12.2019 within 12 months	31.12.2019 beyond 12 months
receivables due from the Municipality of Venice	10,197	2,664	9,327	3,330
receivables due from Municipalities with a shareholding of more than 10%				
receivables due from Municipalities with a shareholding of less than 10%	13,071		12,370	
<b>total due from partner entities</b>	<b>23,268</b>	<b>2,664</b>	<b>21,697</b>	<b>3,330</b>

Receivables from partner Municipalities increased by a total of EUR 905 thousand.

There are currently no shareholders with stakes of higher than 10% and less than 50% (previously such receivables only referred to the Municipality of Chioggia).

Also for this financial year, the company continued to use the transfer of receivables due from the main partner municipalities to dispose of receivables relative to accrued considerations.

Receivables due from shareholder companies within 12 months include the equalisations for waste management tariffs (under the TARI regime) which amount to EUR 5,487 thousand, of which EUR 2,246 thousand due to the Municipality of Venice and EUR 3,241 thousand due to others municipalities, and are composed as follows:

(thousands of Euro)		31.12.2020	year of invoicing	resolution
2018 MTR tariff equalisations	Veritas S.p.A.	-183	2021-2023	Catchment Area Council resolution 17/2020 of 18/12/2020
2019 MTR tariff adjustments (delta of waste disposal costs)	Asvo S.p.A.	945	2021	
2020 MTR tariff equalisations (within the Cap)	Veritas S.p.A.	2,462	2021-2023	Catchment Area Council resolution 17/2020 of 18/12/2020
2020 MTR tariff equalisations (within the Cap)	Asvo S.p.A.	316	2021-2023	Catchment Area Council resolution 11/2020 of 30/11/2020
2020 MTR tariff equalisations (delta of waste disposal costs)	Asvo S.p.A.	692	2022	
Equalisations for delta turnover TIA as at 31 December 2019 pre-MTR	Veritas S.p.A.	-1,097	to be defined	
Equalisations for the recovery of TIA1 receivables written off in 2019	Veritas S.p.A.	412	2021	
Equalisations for the recovery of TIA1 receivables written off in 2020	Veritas S.p.A.	2,001	2022	
<b>total receivables for environment tariff equalisations</b>		<b>5,548</b>		
<b>2018 equalisation provision write-down</b>	Veritas S.p.A.	<b>-61</b>		
<b>total receivables for water tariff equalisations net of write-downs</b>		<b>5,487</b>		

Receivables for tariff equalisations recoverable beyond the year are recorded under current assets as they refer to the normal course of the operating cycle, as indicated by IAS 1 paragraph 68.

Reference should be made to the previous note regarding the assessments of these equalisations following what was approved or is being approved by the Catchment Area Council of Venezia Ambiente.

It should be noted that the receivables for the 2019 tariff equalisation of the parent company are

integrally recorded, both in the case of TARI and in the case of TARIP, under trade receivables pending approval of the 2021 tariffs.

Receivables due from shareholder companies for 2020 tariff equalisations for the part exceeding the *Cap* pending authorisation by ARERA not recognised in the financial statements amount to EUR 1,323 thousand and relate exclusively to Veritas.

Receivables due from the Municipality of Venice are shown below:

(thousands of Euro)	31.12.2020 within 12 months	31.12.2020 beyond 12 months	31.12.2019 within 12 months	31.12.2019 beyond 12 months
receivables due from service contract, engineering works and other current receivables	4,746		5,453	
instalment-based receivables		2,664	518	3,330
receivables due for invoices to be issued	2,137		2,295	
receivables due from SII and SIU	9		22	
receivables for plant grants due	1,059		627	
receivables for environment tariff equalisations	2,246		412	
<b>total receivables due from the Municipality of Venice</b>	<b>10,197</b>	<b>2,664</b>	<b>9,327</b>	<b>3,330</b>

The receivables due from the Municipality of Venice concern solely the parent company. In particular, receivables due beyond the year refer to the instalments expiring after 2019 of the recognition in favour of Veritas by said Municipality of previous revenues for cemetery activities and for the collection of the payment required by law 206/95, which took place following the agreement signed by the two parties in December 2015, which provides for its repayment in 10 years.



## 17. Receivables due from associates and jointly controlled companies

The following table highlights disclosures on amounts due from associates as at 31 December 2020 and 31 December 2019:

(thousands of Euro)	31.12.2020 within 12 months	31.12.2020 beyond 12 months	31.12.2019 within 12 months	31.12.2019 beyond 12 months
Insula S.p.A.	1,386		1,111	
Sifa scpa	2,890	10,033	3,390	10,676
Veritas Conegliano S.r.l.	157		29	
Rpm Riconversione Porto Marghera S.c.a.r.l.			26	
Vier S.c.a.r.l.	281	4,227		
<b>total amounts due from associates and jointly controlled companies</b>	<b>4,714</b>	<b>14,260</b>	<b>4,556</b>	<b>10,676</b>

The Group's trade receivables due from Sifa, mainly attributable to the parent company after the transfer of the same from Sifagest in liquidation, were converted to financial receivables expiring after one year, following the signing of shareholders' agreements in December 2016 between Sifa's shareholders, including Sifagest and Veritas, and which make provision, among the various clauses, for the deferred reimbursement of these receivables over a period of around 10 years. These receivables are subject to financial discounting.

Sifa scpa is continuing to reimburse shareholders in accordance to the planned repayment plan.

With regard to Vier, it should be noted that in the previous year, receivables were classified under transactions with subsidiaries.

## 18. Other receivables

The following table highlights disclosures on other receivables as at 31 December 2020 and 31 December 2019:

(thousands of Euro)	31.12.2020	31.12.2019
receivables due from public authorities for grants related to plants	5,753	2,319
receivable due from tax authorities for VAT	912	780
receivables due from tax authorities for excise duties, additional taxes, other	39	65
advances to suppliers and employees	1,669	3,169
receivables due from social security institutes	276	377
receivables due from other companies	219	188
accrued income and prepaid expenses	6,123	6,661
receivables for disposal of investment property	5,838	2,050
other receivables	893	1,680
<b>total other receivables</b>	<b>21,722</b>	<b>17,289</b>

Receivables due from public entities for grants refer to grants on investments mainly resolved by the Veneto Region but not yet paid to the parent company.

The receivable for the sale of real estate investments mainly refers to the sale of the Sant'Andrea area (EUR 4,550 thousand) and the sale of the Dolo property complex (EUR 1,200 thousand).

In particular, the receivable relating to the Sant'Andrea area was then offset in January 2021 with the payable deriving from the signing of the notarial deed of retrocession of the area to Veritas, at the same price as the initial sale.

The item Prepaid Expenses has included, since 2013, the consideration of EUR 5,900 thousand recognised to Ladurner S.r.l. by the subsidiary Ecoprogetto following the novation of the relationship for the running and management of the waste-derived fuel/secondary solid fuel plants in Fusina, as part of the framework agreement stipulated on 15 November 2013. The cost was suspended for the purposes of the separate financial statements given that, although the cost in question was certain and objectively determined in 2013, it will have to be deducted over the years 2016 to 2023, in compliance with the chosen accounting method. At the end of 2020 the deferral amounted to EUR 2,639 thousand.

## 19. Receivables due from income taxes

The following table highlights disclosures on amounts due from income taxes as at 31 December 2020 and 31 December 2019:

(thousands of Euro)	31.12.2020	31.12.2019
IRES tax receivables within the year	3,122	537
IRES tax receivables beyond the year	5,624	5,531
IRAP tax receivables	236	278
other tax receivables	330	78
<b>total receivables due from income taxes</b>	<b>9,312</b>	<b>6,424</b>

IRES and IRAP tax receivables correspond to the negative difference between taxation pertaining to the financial year and advance taxes.

In particular, with regard to IRES, it should be recalled that the various Group companies adhered to the domestic tax consolidation regime. For these companies, therefore, the payment of IRES tax shall be borne by the parent company only.

IRES receivables due beyond the year, amounting to EUR 5,624 thousand, relate for EUR 5,373 thousand to the deduction of IRAP on personnel costs for IRES purposes for the years 2007-2011, following the request for reimbursement presented in February 2013 (Article 4, paragraph 16, of Italian Legislative Decree 16/2012) by the parent company, and for EUR 149 thousand to the instalments of the tax credit for investments in assets and instruments payable beyond the financial year (Law 160/2019, Article 1 paragraphs from 184 to 197).

## 20. Cash and cash equivalents

The following table highlights disclosures on cash and cash equivalents as at 31 December 2020 and 31 December 2019:

(thousands of Euro)	31.12.2020	31.12.2019
cash on hand and cheques	35	285
bank deposits	204,599	118,636
<b>total cash and cash equivalents</b>	<b>204,634</b>	<b>118,921</b>

Cash deposited on bank deposits accrues floating-rate interest based on daily bank deposit rates.

Bank and postal current accounts classified under cash on hand are also used for the collection of TARES and TARI.

The fair value of cash on hand is EUR 204,634 thousand (EUR 118,921 thousand as at 31 December 2019).

The analysis of changes in cash and cash equivalents is shown in detail in the cash flow statement.

As at 31 December 2020, the Group reported unused credit facilities amounting to EUR 106.6 million, compared to EUR 106.5 million as at 31 December 2019.

## 21. Share capital and reserves

The following table highlights disclosures on share capital and reserves as at 31 December 2020 and 31 December 2019:

(thousands of Euro)	31.12.2020	31.12.2019
share capital	145,397	145,397
legal reserve	4,258	3,903
own shares	-1	-1
other reserves	116,866	112,487
<b>total Group shareholders' equity</b>	<b>266,520</b>	<b>261,786</b>
share capital and reserves pertaining to minority interests	29,718	30,258
<b>total shareholders' equity of minority interests</b>	<b>29,718</b>	<b>30,258</b>
<b>total shareholders' equity</b>	<b>296,238</b>	<b>292,044</b>

The share capital of the parent company as at 31 December 2020 amounted to EUR 145,397 thousand and is composed of 2,907,943 shares with a nominal value of EUR 50 each. Of these, 8 shares – for a nominal value of EUR 400 – are own shares held by Veritas for the purposes of any future transfers to partner municipalities and other municipalities, resulting from the planned corporate aggregations and assignment of services in other areas.

The legal reserve increased by EUR 355 thousand, compared with the previous year, as a result of the allocation of 5% of the profit for the year 2019. The reserve is not distributable as has not reached the threshold set out by Article 2430 of the Italian Civil Code.

Other reserves include the non-distributable reserve due to FONI restriction for EUR 14,997 thousand broken down as follows:

- for EUR 8,992 thousand when allocating the 2019 profit (loss), as it is necessary to ensure the restriction on the allocation of water investments regarding the FONI component of the water tariff for 2019 (pursuant to Article 22.1 of Annex A of AEEGSI resolution 643/2013/R/IDR) through the assignment of a special non-available equity reserve; since the water investments for which the destination restriction on the 2019 tariff is in force have been complied to, the shareholders' meeting may, at the time of approval of the financial statements, reverse the unavailability of this portion of the FONI reserve;
- for EUR 6,005 thousand in 2016 to fulfil the five-year guarantee set forth in Article 151, paragraph 5, of Italian Legislative Decree 152/2006, which provides for the water service operator to issue a guarantee to cover the investments to be completed equal to 10% of the planned investments.

The directors also deem it appropriate, also for this year and again at the time of approval of the 2020 financial statements, to ensure the restriction on the allocation of the water investments for the FONI component of the 2020 tariff, equal to EUR 13,157 thousand.

The other reserves rose by a total of EUR 4,379 thousand, mainly due to the recognition of the Group's profit of EUR 6,260 thousand.

The parent company also recognised a negative cash flow hedge reserve in 2020 equal to the fair value net of the tax effect of EUR 347 thousand, relating to two derivative contracts entered into during the year, following the verification of their hedging characteristics of *risks associated with changes in interest rates*.

For further information, refer to the Statement of Changes to Shareholders' Equity.

Shareholders' Equity pertaining to minority interests comprises the portion share capital, reserves and profit (loss) for the year pertaining to minority interests in subsidiaries Ecoprogetto S.r.l., Ecoricicli Veritas S.r.l., Sifagest S.c.a.r.l., Asvo S.p.A., Consorzio bonifica e riconversione produttiva Fusina, Metalrecycling S.r.l. and Rive S.r.l. As at 31 December 2020 it amounted to EUR 29,718 thousand; the loss pertaining to minority interests amounted to EUR 1,576 thousand and is related, in particular, to the loss for the year recognised by Ecoprogetto S.r.l.

## 22. Payables due to banks and medium-long-term loans

Payables due to banks and medium/long-term loans amounted to EUR 212,269 thousand (of which EUR 172,911 thousand expiring beyond the next year and EUR 39,358 thousand within the year), marking an increase of EUR 36,447 thousand compared to the previous year.

The part relating solely to loans amounted to EUR 207,737 thousand and the following table shows the information as at 31 December 2020:

(thousands of Euro)	subscription date	original amount	original rate	subscription maturity	residual amount 31.12.2020	of which short-term	of which medium/long-term
	29/12/2009	25,000	6m Euribor +1.30%	31/12/2025	9,281	1,772	7,509
*	24/07/2009	20,000	6m Euribor + 1.75%	30/06/2024	6,616	1,752	4,864
*	03/08/2011	7,000	3m Euribor +2.10%	01/07/2022	1,642	824	818
*	28/12/2011	1,200	4.40%	30/06/2026	456	75	381
*	20/03/2014	800	3m Euribor + 4.00%	20/03/2024	271	65	206
**	06/05/2015	30,000	0.68%	06/05/2030	25,045	2,648	22,397
**	19/09/2016	20,000	0.61%	19/09/2031	19,254	1,695	17,559
**	13/01/2017	10,000	3m Euribor + 2.25%	31/03/2024	4,789	1,432	3,357
	30/11/2007	2,280	6m Euribor + 0.95%	30/11/2022	404	197	207
	30/06/2008	1,450	6m Euribor + 0.90%	30/06/2023	332	127	205
**	30/06/2010	3,000	6m Euribor + 1.49%	31/12/2025	1,000	200	800
	22/11/2010	587	6m Euribor + 1.31%	31/12/2025	219	42	177
**	31/12/2012	4,000	6m Euribor + 4.35%	30/06/2022	772	508	264
	13/01/2017	5,000	6m Euribor + 0.95%	31/12/2024	2,894	713	2,181
	30/05/2017	10,000	3m Euribor + 2.50%	30/06/2023	5,134	2,011	3,123
**	01/06/2017	15,000	3m Euribor + 2.90%	30/06/2024	8,345	2,294	6,051
**	29/01/2018	8,000	2.53%	30/06/2025	5,117	1,133	3,984
	03/05/2018	3,000	3m Euribor + 2.15%	30/06/2023	1,536	604	932
	07/10/2008	10,000	6m Euribor + 0.79%	30/06/2021	500	500	
	08/05/2019	5,000	3m Euribor + 2.30%	28/06/2024	3,521	978	2,543
	30/05/2019	7,000	3m Euribor + 3.10%	30/06/2026	5,588	947	4,641
**	19/06/2019	15,000	6m Euribor + 2.85%	19/06/2025	12,365	2,609	9,756
	30/10/2019	10,000	6m Euribor + 2.50%	31/10/2025	10,209	1,948	8,261
(a)	14/01/2020	15,000	1m Euribor + 2.50%	01/02/2027	13,255	1,997	11,258
(b) **	12/11/2020	40,000	3m Euribor + 1.30%	30/09/2026	39,621	1,823	37,798
**	settl.	21,333	6m Euribor + 4.38%	28/07/2024	9,724	2,250	7,474
**	18/07/2014	5,000	6m Euribor + 4.45%	31/01/2025	2,437	546	1,891
(c) **	17/12/2020	8,000	3m Euribor + 2.10%	30/04/2028	7,908	511	7,397
** (#)	29/01/2018	2,000	fixed 2.62%	30/06/2023	995	995	0
	20/12/2018	1,000	3m Euribor + 3.00%	19/12/2023	614	198	416
	21/03/2019	1,000	3m Euribor + 2.50%	31/12/2023	613	199	414
*	23/04/2019	1,440	3m Euribor + 2.50%	31/12/2025	1,124	213	911
	19/06/2019	1,000	6m Euribor + 2.85%	19/06/2024	711	196	515
	22/11/2019	500	3m Euribor + 3.00%	21/11/2024	395	96	299
(d)	21/01/2020	1,000	3m Euribor + 2.00%	31/03/2023	750	328	422
	28/11/2018	2,000	3m Euribor + 1.20%	29/09/2023	1,100	400	700
(e) **	29/05/2020	3,200	3m Euribor + 2.75%	31/03/2026	3,200	0	3,200
<b>total medium-long-term loans</b>					<b>207,737</b>	<b>34,826</b>	<b>172,911</b>
less current portion					-34,826		
<b>medium/long-term loans - non-current portion</b>					<b>172,911</b>		

It is noted that the following loans (marked in the table with \*) are covered with mortgages:

- loan stipulated in July 2009 by Veritas S.p.A. with Mediocredito del Friuli Venezia Giulia, in the amount of EUR 20,000 thousand, with a residual debt of EUR 6,616 thousand as at 31 December 2020, covered by a mortgage on the property of Santa Croce 489, where the parent company's registered office is located;
- loan stipulated in August 2011 by Veritas S.p.A. with Banca Antonveneta (now Monte Paschi di Siena) in the amount of EUR 7,000 thousand, with a residual debt of EUR 1,642 thousand as at 31 December 2020, covered by a mortgage on the property of the Centro Direzionale 2 in Mestre, via Orlanda 39;
- loan acquired in December 2011 by Veritas S.p.A. from Banca Intesa Infrastrutture e Sviluppo, in the amount of EUR 1,200 thousand, with a residual debt of EUR 456 thousand as at 31 December 2020, secured by a mortgage on the area relating to the Mogliano Veneto eco-centre;
- loan stipulated in March 2014 by Veritas S.p.A. with Banca Popolare dell'Alto Adige in the amount of EUR 800 thousand, with a residual debt of EUR 271 thousand as at 31 December 2020, covered by a mortgage on the areas pertaining to the Ca' Perale landfill site in Mirano.
- mortgage loan stipulated in April 2019 by Eco-ricicli with Iccrea Banca Impresa S.p.A. – based on 50% pooled arrangement with Banca di Credito Cooperativo di Venezia, Padova e Rovigo for EUR 1,440 thousand, whose residual payable as at 31 December 2020 was EUR 1,124 thousand, secured by a mortgage on the industrial facility of Via dell'Elettronica 3 in Marghera.

The following unsecured loans were stipulated in 2020:

- a) loan stipulated on 14 January 2020 by Veritas S.p.A. with Banca popolare di Sondrio, in the amount of EUR 15 million, with the aim of making structural investments and purchasing machinery; the loan, with maturity term on 1 February 2027, envisages monthly repayments at a floating rate of 1-month Euribor (floor 0) + 2.5% spread; the repayment started on 1 March 2020;
- b) loan stipulated on 9 November 2020 by Veritas S.p.A. with Banca Nazionale del Lavoro S.p.A. and Banco Popolare di Milano S.p.A. in a pool, backed by a Sace guarantee for a total of EUR 40 million, in consideration of the negative impacts that the emergency related to the COVID-19 pandemic had on company operations pursuant to article 1 of legislative decree No. 23 of 8 April 2020, converted into law No. 40 on 5 June 2020, will be used to support the financial requirements for the implementation of the investment plan envisaged in the coming years in the integrated water service, in the waste management service, in local public services and in the management of central structures, such as information systems and expansions in the management of company assets; the loan, maturing on 30 September 2026, provides for quarterly repayments at the floating 3-month Euribor rate (3-month Euribor if 3-month Euribor  $\geq$  -1.30%, -1.30% if 3-month Euribor  $<$  -1.30%); the repayment will start on 31 December 2021;
- c) loan stipulated on 17 December 2020 by Ecoprogetto with Cassa di Risparmio Bolzano/Spar-kasse, for a total of EUR 8 million, with the aim of making investments; the loan, maturing on 30 April 2028, provides for quarterly repayments at the floating 3-month Euribor rate (floor 0) + 2.10 spread; the repayment will start on 31 July 2021;
- d) loan stipulated on 21 January 2020 by Eco-ricicli with Banco Popolare di Milano in the total amount of EUR 1 million, with the aim of making investments; the loan, with maturity term on 31 March 2023, envisages quarterly repayments at a floating rate of 3-month Euribor (floor 0) + 2.00% spread; the repayment started on 30 June 2020;
- e) loan stipulated on 29 February 2020 by Rive with Intesa San Paolo, in the total amount of EUR 3.2 million, with the aim of making investments; the loan, with maturity term on 31



March 2026, envisages quarterly repayments at a floating rate of 3-month Euribor (floor 0) + 2.75% spread; the repayment will start on 31 December 2021;

Certain medium/long-term loans, concluded over the years by the Group (marked in the table with \*\*), envisage terms which include compliance with certain economic-financial parameters (covenants) based on the results of the consolidated financial statements and/or for the year ending 31 December of each year.

If these covenants are not respected, the banks are entitled to exercise their right to advance repayment of loans granted, for the residual amount.

On the basis of the results of the consolidated financial statements and of the financial statements as at 31 December 2020, the parent company and the other companies of the Group have complied with the financial parameters underlying these medium/long-term loans, with the exception of Eco-ricicli S.r.l. for the 2018 loan indicated in the table by the # symbol, whose residual payable was prudentially reclassified in full to short-term. In any case, the bank has already expressed its intention not to avail itself of the early termination clause; the contract, among other things, does not make provision for the application of penalties for said case.

As at 31 December 2020, the maturity dates for medium-long-term loans for the period are as follows:

<u>(thousands of Euro)</u>	<u>31.12.2020</u>
31 December 2021	34,826
31 December 2022	41,508
31 December 2023	38,853
31 December 2024	33,076
31 December 2025	24,427
beyond 2025	35,047
<b>total medium/long-term loans</b>	<b>207,737</b>

The following table shows the breakdown of payables due to banks and of the current portion of medium/long-term loans as at 31 December 2020 and 31 December 2019:

<u>(thousands of Euro)</u>	<u>31.12.2020</u>	<u>31.12.2019</u>
current portion of medium/long-term loans	34,826	29,565
payables due to banks in current account	4,531	7,783
other bank payables		
<b>total due to banks and current portion of medium/long-term loans</b>	<b>39,358</b>	<b>37,349</b>

Payables due to banks in current account relate to bank overdrafts at the end of the financial year. These overdrafts are not supported by collaterals or personal guarantees and accrue interest payable based on a floating interest rate.

## 23. Loans from other funders

Loans from other funders total EUR 237,524 thousand, of which EUR 121,358 thousand at medium-long term and EUR 116,166 thousand at short term. They recorded an increase of EUR 102,895 thousand compared to the previous year.

This item consists of:

- bonds of EUR 214,428 thousand (of which EUR 106,541 thousand short-term) concerning the parent company;
- payables for finance leases of EUR 1,686 thousand (of which EUR 584 thousand short-term);
- payables for operating leases (IFRS 16) of EUR 8,922 thousand (of which EUR 2,476 thousand short-term). This item includes leases to other related parties for EUR 808 thousand (of which EUR 240 thousand short-term) and Euro 2 thousand to AVM, a subsidiary of the Municipality of Venice (all short-term);
- other loans of EUR 12,488 thousand (of which EUR 6,565 thousand short-term) which refer to the loans of the subsidiaries from other non-shareholders of the Group and, for the short-term part, to a transfer to a factoring company, by Ecoprogetto, of trade receivables due from the parent company.

Payables for bonds, recognised according to the amortised cost criteria using the effective interest rate method, refer:

1. for EUR 102,553 thousand to the bond issued by Veritas in November 2014 for a nominal amount of EUR 100 million on the Irish regulated market (*Euronext Dublin – ISE*), *Main Securities Market segment*.
2. EUR 12,233 thousand to the bond issued by former Asi in July 2014 (called Hydrobond) for a nominal amount of EUR 15 million on the Italian regulated market *ExtraMot Pro*.
3. for EUR 99,642 thousand to the bond issued by Veritas in December 2020 for a nominal amount of EUR 100 million on the Irish regulated market (*Euronext Dublin – ISE*).

The 2014 EUR 100 million has the following characteristics:

- nominal amount to be repaid in a lump sum upon maturity of EUR 100 million;
- placed in November 2014 on the Irish regulated market (*Euronext Dublin – ISE*), *Main Securities Market segment*, and subscribed by qualified investors;
- with a duration of 6.5 years and therefore with maturity in May 2021 and therefore in this year the debt was reclassified in full to short-term;
- postponed annual coupons to be repaid in May each year at a nominal interest rate of 4.25%;
- issued below par for EUR 99,328 thousand; therefore, the effective interest rate (*yield*) is 4.375%;
- respect to the following covenants:
  - NFP/shareholders' equity  $\leq 2$ ;
  - Nfp/EBITDA  $\leq 5$

These parameters are checked on an annual basis in light of the results of the consolidated financial statements. As at 31 December 2020, these parameters had been fulfilled.

The Hydrobond of EUR 15,000 thousand has the following characteristics:

- twenty-year duration with expiry in July 2034;
- nominal amount to be repaid in portions of EUR 375 thousand from January 2017; therefore, in 2020, a principal amount of EUR 750 thousand was repaid;

- issued as part of a project that involved the companies participating in Viveracqua, with two issue phases (that of Asi is part of the first issue), for a total value of EUR 227,000 thousand; the Hydrobonds issued by the Viveracqua companies were placed by a SPV established on an ad hoc basis (Viveracqua Hydrobond 1 – VH1) and then subscribed for 97.2% by the European Investments Bank (EIB) and for the residual portion of 2.8% by other institutional investors;
- the bonds accrue simple interest of 4.2% recognised to VH1, which then pays subscribers interest of 3.9%; provision is made for the retrocession of the interest paid by both VH1 for 0.3%, and second issuers for 1.5%, given that the latter paid lower interest than the first issuers;
- establishment of an irregular pledge (credit enhancement) of EUR 2,400 thousand, deposited in a term account; the interest that accrues on these amounts is to be used, as a matter of priority, to pay the transaction costs (see also the description in the paragraph relating to *Other financial assets*);
- respect for the following financial covenants vis-à-vis the EIB subscribers:

EBITDA/Fe  $\leq$  3.5

Nfp/EBITDA  $\leq$  5

These parameters are checked on a half-yearly basis in light of the results of the consolidated financial statements. As at 31 December 2020, these parameters had been fulfilled.

The new bond issued in 2020 for EUR 100,000 thousand has the following characteristics:

- nominal amount to be repaid in a lump sum (bullet) upon maturity of EUR 100,000 thousand;
- placed in December 2020 on the regulated Irish market (*Euronext Dublin*) and subscribed by qualified investors;
- duration 7 years and, therefore, with maturity in December 2027;
- with annual coupons in arrears to be repaid in December each year at a nominal interest rate of 3.25%, subject to a possible step up of 0.10% per annum in relation to any of the interest periods from 2024 to 2027, in case the company does not obtain a rating or an ESG score of a predetermined level;
- the rating or ESG score, every year starting from November 2024, must fall within any of the following environmental, social and governance ratings or scores:
  - in the case of EcoVadis, a sustainability rating of 'Gold' or better;
  - in the case of ISS, an ESG company rating equal to or higher than 'C+'; or
  - in the case of Sustainalytics, an ESG risk rating of less than or equal to 25;
- with respect to the following covenants:

NFP/shareholders' equity  $\leq$  2;

Nfp/EBITDA  $\leq$  5

These parameters are checked on an annual basis in light of the results of the consolidated financial statements. As at 31 December 2020, these parameters had been fulfilled.

Financial leasing payables are detailed in the following table:

(thousands of Euro)	subscription date	original amount	original interest rate	duration in months	term contr.	residual amount 31.12.2020	of which short-term	of which medium/long-term
Banca Itlease	01/03/2007	3,468	3.57%	180	2022	208	174	34
Selmabipiemme	28/01/2016	54	3.86%	59	2021	1	1	0
Selmabipiemme	19/02/2016	108	3.86%	59	2021	4	4	0
Fraer leasing	16/04/2018	146	2.75%	48	2022	37	28	9
Iccrea Bancaimpresa	29/10/2018	490	2.50%	60	2024	320	98	222
Iccrea Bancaimpresa	12/12/2018	77	2.50%	60	2023	46	15	31
Credemleasing	28/04/2020	820	2.27%	48	2024	556	162	394
Bnp Paribas	25/08/2020	159	1.50%	60	2025	137	28	109
Bnp Paribas	16/09/2020	28	1.50%	60	2025	25	5	20
Cnh Industrial	22/09/2020	340	2.62%	60	2025	319	63	256
Bnp Paribas	20/11/2020	37	1.51%	60	2025	33	6	27
<b>total leasing</b>		<b>5,727</b>				<b>1,686</b>	<b>584</b>	<b>1,102</b>

All the lease agreements signed in 2020 refer to Eco-ricicli Veritas S.r.l.

Operating lease payables are detailed in the following table:

(thousands of Euro)	original interest rate	term contr.	residual amount 31.12.2020	of which short-term	of which medium/long-term
Veritas spa	2.03% – 3.50%	2021-2050	6,509	1,247	5,262
Depuracque servizi S.r.l.	2.03% – 3.50%	2021-2025	103	47	56
Lecher ricerche e analisi S.r.l.	2.03% – 3.50%	2023	26	9	17
Ecoprogetto Venezia S.r.l.	2.03% – 3.50%	2021-2038	886	334	552
Eco-ricicli Veritas S.r.l.	2.03% – 3.50%	2021-2026	847	743	104
Asvo S.p.A.	3.50%	2024-2031	471	65	406
Metalrecycling Venice S.r.l.	2.03% – 3.50%	2023	80	31	49
<b>grand total</b>			<b>8,922</b>	<b>2,476</b>	<b>6,446</b>

## 24. Provisions for risks and charges

The following table shows the movements of the provisions for risks and charges as at 31 December 2020 and 31 December 2019:

(thousands of Euro)	fund post-mortem landfill Ca' Rossa	fund post-mortem landfill Piave Nuovo	fund post-mortem landfill Centa Taglio	fund causes legal dis- putes	provision for risks on equity in- vestment	other pro- visions risks and charges	total
<b>as at 31 December 2018</b>	<b>3,734</b>	<b>10,393</b>	<b>12,845</b>	<b>2,308</b>	<b>2,587</b>	<b>27,958</b>	<b>59,825</b>
provisions		235		1,427		13,184	14,846
other transactions		8,404	-812	-0	-124	65	7,533
uses	-230		-1,069	-544	-28	-3,344	-5,215
<b>as at 31 December 2019</b>	<b>3,504</b>	<b>19,032</b>	<b>10,964</b>	<b>3,191</b>	<b>2,435</b>	<b>37,863</b>	<b>76,989</b>
provisions		565		417		7,100	8,082
other transactions			-506			-12,880	-13,386
uses	-443		-298	-1,343		-2,261	-4,345
<b>as at 31 December 2020</b>	<b>3,061</b>	<b>19,597</b>	<b>10,160</b>	<b>2,265</b>	<b>2,435</b>	<b>29,822</b>	<b>67,340</b>

The provisions for risks and charges decreased by EUR 9,649 thousand, from EUR 76,989 thousand at 31 December 2019 to EUR 67,340 thousand at 31 December 2020.

A brief description of the largest provisions is provided below.

### Provisions after closure of landfill sites

#### Landfill site in Ca' Rossa/Chioggia (VE)

This provision includes the amount required to cover costs for the recovery of the landfill area, including costs related to waste disposal and monitoring. The works for the closure of the plant continued during the year and the funds allocated were partly used.

Following new geotechnical conditions of the landfill site, upon completion of the investigations started in 2008 and condition precedent to the renewal of the integrated environmental authorisation, in the light of new rules on financial guarantees issued by the Region during 2012, and based on the outcome of studies carried out by the University of Padua, which highlighted the need for reducing the level of leachate within the landfill to avert any possible environmental pollution, the parent company had started to update estimates regarding closure and management costs after closure of the Ca' Rossa landfill site.

These preliminary estimates revealed potential additional charges regarding both new works and the updating of economic components related to activities post-closure, amounting to EUR 9.3 million.

The directors therefore started negotiations with the Municipality of Chioggia, in order to obtain that these potential additional costs be included in the annual fees for waste management services envisaged in the financial plans and connected with the calculation of TARES/TARI tax. This proposal, which concerned the inclusion of a specific cost item, for all the years of management after closure of the landfill site, as from the 2014 financial year, was approved by the Town Council with resolution No. 62 of 27 June 2013.

The inclusion of the aforesaid costs in the tariff calculation or of the waste management service fees therefore did not entail the need for any supplement to the provision for the recovery of the area.

The thirty-year coverage plan for the post-closure costs and the costs relative to the works required for closing the landfill site, guaranteed by the provision for charges entered in the balance sheet and by the inclusion in the financial plans of the TARES/TARI tax of a special item, was subsequently modified by an agreement between the parent company and the Municipality in February 2016, but only with reference to the payment method of the fee, which for the years 2015–2018 was paid through a single payment as a capital grant, but without altering the total coverage of costs in the thirty-year reference period. For the 2019-2022 period, the Municipality resolved the disbursement of these shares as a grant for plants outside of the TARI financial plans.

The introduction of the Mtr tariff method by ARERA regarding waste, for which the tariff or fee-based financial plans must be constructed on the basis of the final data relating to the second previous year, nonetheless allows, albeit using different methods, the recovery in the waste tariff or fee the additional expenses not covered by the provisions.

### **Piave Nuovo – Jesolo Landfill (Ve)**

The provision allocated represents the future discounted expenses that the parent company must incur both for post-closure, and those to be incurred for the capping of the Jesolo landfill, calculated on the basis of the estimate appraisal drafted by an expert.

Thanks to approval, on 9 December 2019, by the metropolitan city of Venice of the alteration project, which provides for an increase in the authorised quantities to be disposed, but a reduction in the operating term (from 2030 to 2026), it was necessary to redetermine the provision based on the new project.

Total new charges amounted to EUR 23,059 thousand, discounted to EUR 19,597 thousand as at 31 December 2020, with the recognition of financial charges of EUR 565 thousand.

### **Centa Taglio – Portogruaro Landfill (Ve)**

The amount allocated corresponds to that calculated based on annually updated appraisals drawn up by an expert.

The provision takes into account the environmental recovery charges for lots 0, 1 and 2, and of the post-closure charges for lots 1 and 2. Coverage initiatives amounting to roughly EUR 4,800 thousand are envisaged for the years 2020-2022, while the after-closure operations will continue until the expiry of the concession currently set at 2045.

The amount of this provision is adequately discounted on the basis of its expected usage; the relative forecast is updated annually. Other changes include EUR +393 thousand due to the recognition of financial discounting expenses.

### **Provision for legal disputes**

The provision for legal disputes concerns the parent company, and includes allocations on possible disputes with employees and third parties.

### **Provisions for equity investment risks**

This provision includes the value of the risks on the equity investments held, in the event there is no impairment of the equity investment but just a simple risk. The provision refers to the parent company.

In particular, the parent company has a residual allocation of EUR 1,686 thousand on the equity investment in Sifa scpa and EUR 749 thousand for risks on the liquidation of Mive.

## Other provisions for risks and charges

The other provisions for risks and charges concern the parent company in particular.

The most significant ones are detailed below.

### Provision for interest on arrears (judgments of the Court of Auditors)

The provision refers to interest on arrears based on the provisions of judgment numbers 28 and 29 of 14 February 2019 of the Court of Auditors of Veneto, which ruled the agreement for the settlement of receivables and payables stipulated by Veritas and the Municipality of Venice in 2015 to be invalid, and therefore ordered Veritas to pay not only interest on arrears, but the payable due to the Municipality as at 31 December 2012 relating to the collection of the fees pursuant to law 206/95 and cemetery concessions.

### Provision for expenses for sludge stored but not disposed

The allocation to said provision refers to the forecast expenses in the next year for the disposal of sludge produced by the purification plants in this year but still not disposed. Pending the start of disposal of the sludge, it is stored in an area managed by the associate Sifa.

### Provision for future expenses on waste management financial plans

The provision allocated by the parent company represented the amounts of previous equalisation, prior to the introduction of ARERA' MTR method, deriving from the final accounting of the old TIA1, TIA2 financial plans, TARES fee and TARIP, which can be included to reduce future financial plans.

Since the new tariff method gave a formal definition to these previous adjustments, this provision was reclassified, equal to EUR 8,474 thousand as at 31 December 2019, to (reduced) receivables for tariff equalisations, of which EUR 7,377 thousand for TARIP receivables and receivables from shareholder entities in TARI regime for EUR 1,097 thousand.

### Provision for risks of tax assessments

These provisions refer to risks relating to tax or similar assessments in the process of being completed or already completed, including those for which a dispute is outstanding.

The decrease in this year' provision of EUR 4,344 thousand refers to the definitive settlement in favor of Veritas of the following disputes:

- with the Italian Revenue Agency relating to the request for the payment of registration tax on the transfer of plots of land by the Municipality of Venice, for EUR 2,335 thousand;
- with the Veneto Region relating to the payment of the regional tax for the transfer of waste to the Ca' Rossa landfill for the 2005-2008 period, for a total of EUR 2009 thousand.

These contingent assets were recorded under the item other income.

### Provision for hidden water leakages

The provision includes, net of uses, the amounts charged for voluntary user participation in the parent company's water service, which can be used in favour of said users in the event of verification of an actual anomalous loss in the internal water system after the meter.

The forms and methods of use of the provision are governed by a regulation approved by the Catchment Area Council.

## Provision for Ici/Imu 2008-2019 tax

The provision, of EUR 10,849 thousand, relates to the ICI/IMU tax pertaining to Ecoprogetto for the years 2008-2019, as a result of the company being the losing party in court in the case discussed on 7 October 2019 at the Supreme Court, with judgment announced on 2 March 2020.

The Supreme Court, in overturning, after 8 years, the previous favourable judgments issued by the 1st instance tax court (2010) and 2nd instance tax court (2011), establishing the classification of the entire property complex of Fusina in category D/1 with respect to E/9, rules that the company Ecoprogetto Venezia S.r.l. is subject to the ICI/IMU tax in favour of the Municipality of Venice.

As a result of the ruling of the Supreme Court, the tax hearings for the years 2008 - 2019 resumed in June 2020, in the meantime suspended pending the ruling of the third degree judicial body, promoted by the Municipality of Venice to be recognised the right to collect the ICI/IMU tax.

The latest developments are not fully defined from a legal point of view and outline an uncertain picture both on the amount of the tax due and of the related charges, in the absence of a clear ruling in relation to the accessory charges and possibly from which year (the Supreme Court did not mention it in the judgment, nor did the last judgments of the Tax Commissions issued in December 2020) taking into account that until 2011, by virtue of the two favourable judgments, the company was not in fact even bound to pay the ICI/IMU tax.

In addition, pending the ruling of the Supreme Court, different actions were not possible, such as adhering to forms of tax relief on the registering of (see the "bolt-on regulation" issued with the 2016 Stability Law, or forms of arbitration agreement again introduced by government, prevented by the fact that Ecoprogetto was not legally in default).

Supported by the opinions expressed by the lawyers who assist the subsidiary in the various levels of proceedings, the administrative body deemed it reasonably probable and not remote to lose the subsidiary not only for the portion of the IMU tax amounting to EUR 6,998 thousand, already allocated to the provision in the financial year 2019 for all the years subject to judgment, but also of the amounts by way of related charges reported in the assessments notified by the Municipality of Venice for the years 2008-2019 for EUR 3,852 thousand, allocated in the 2020 financial year.

Allocations to cover the following remain in other Group provisions for risks and charges:

- possible risks on the future payment of concession fees accrued for the year and the liability for damages in the event of accidents;
- future urbanisation expenses of the former Alcoa area in Fusina;
- future expenses transferred by the Consortium responsible for the Venice catchment area for the final rectification of the former Marcon landfill;
- future expenses on the transfer of the Sant'Andrea area;
- future expenses for the penalties set forth in Article 34.6 of the Mti-3 water method regarding investments planning;
- of other minor risks connected with waste disposal.



## 25. Employee severance indemnity

The following table shows the movements of employee severance indemnity as at 31 December 2020 and 31 December 2019:

(thousands of Euro)	31.12.2020	31.12.2019
current value of the obligation at the beginning of the year	26,131	26,408
current value of the obligation at the acquisition date	271	-2
current value of the obligation of discontinuing or discontinued operations		
curtailment effect		
cost relative to current work provided	400	302
financial charge	4	23
benefits paid out	-1,717	-1,918
actuarial loss (profit) on the obligation	349	1,318
<b>current value of the obligation at year-end</b>	<b>25,438</b>	<b>26,131</b>

Based on IAS 19, the employee severance indemnity pertaining to the parent company and the largest Group companies, up to 31 December 2006, was considered as a defined-benefit obligation, in which the liability is valued on an accrual basis. The employee severance indemnity, accrued as from 1 January 2007, is included under the defined contribution plans, both in the case of opting for a complementary pension plan or for the allocation to the INPS Treasury Fund. The accounting treatment of this employee severance indemnity was therefore assimilated to that applicable to other types of contributions.

According to the version of IAS 19 currently in force, actuarial gains and losses are recognised directly under Other comprehensive income and allocated to a special reserve in the shareholders' equity, net of taxes.

The main assumptions used in calculating the present value of employee severance indemnity of the parent company, given the most influential by number of employees, are shown below:

	2020	2019
discount rate at the beginning of the year	-0.07% – 0.43%	0.10% – 0.60%
expected rate of salary increases	3% – 4.5%	3% – 4.5%
expected employee turnover rate	4.67%	4.34%
expected average remaining working lives of employees	12	13

In calculating the employee severance provision as at 31 December 2020, the independent actuary took account of the updating of the technical basis of Group information available from 2003 to date. With regard to the rates, the chosen curve was determined on the basis of a basket of AA-rated securities (Iboxx type EU Corporate AA rates – solely ZCB), continuing on with the approach adopted last year. The curve values were updated as at 31 December 2020.

A decrease was recorded, with respect to the values as at 31 December 2019, on all durations, and an analysis of the actuarial losses shows that the most significant component is connected with the change in financial assumptions, as a result of the updating of the discounting rates at the valuation date.

## 26. Payables due to partner entities

The following table highlights disclosures on amounts due to partner entities as at 31 December 2020 and 31 December 2019:

(thousands of Euro)	31.12.2020 within 12 months	31.12.2020 beyond 12 months	31.12.2019 within 12 months	31.12.2019 beyond 12 months
payables due to the Municipality of Venice	41,880	4,147	60,816	454
payables due to municipalities with shareholding exceeding 10%				
payables due to municipalities with shareholding below 10%	23,065	5,807	26,737	6,444
<b>total payables due to partner entities</b>	<b>64,946</b>	<b>9,954</b>	<b>87,553</b>	<b>6,898</b>

There are currently no shareholders with stakes of higher than 10% and less than 50%.

Payables due to shareholder municipalities decreased overall by EUR 19,551 thousand; payables due within the year decreased by EUR 22,607 thousand, while payables beyond the year increased by EUR +3,056 thousand.

The change relating to the portion after the financial year refers in particular to the stipulation of an operating lease between Veritas S.p.A. and the Municipality of Venice which involved the recognition of a payable of EUR 3,986 thousand, while the main change relating to the portion due within the year regards the decrease in payables for the collection of TARES and TARO.

The total payable deriving from the application of IFRS 16 amounted to EUR 10,046 thousand (of which EUR 750 thousand short-term); the rights to use underlying this payable refer in particular to the structures built by the Municipalities for the integrated water service, for which the parent company Veritas repays the instalments for the loans taken out by the Municipalities for this purpose. The duration of the useful life of these rights is estimated until 2038, or the current expiry of the assignment of the integrated water service approved by the Catchment Area Council of the Venetian lagoon.

On the whole, payables due to partner entities within the following financial year relate to amounts collected for the TARI and TARES taxes (if accrued in 2013) inclusive of additional provincial taxes and other ancillary items, but not yet paid to the Municipalities, for EUR 32,043 thousand (EUR 49,032 thousand in 2019).

Payables due to the Municipality of Venice are shown below:

(thousands of Euro)	31.12.2020 within 12 months	31.12.2020 beyond 12 months	31.12.2019 within 12 months	31.12.2019 beyond 12 months
payables for cemetery concessions	785		1,427	
amounts due to the Municipality of Venice for contract work in progress	108		201	
payables pursuant to Italian Law 206/95	2,782		3,298	
payables for collection of TARI/TARES tax	14,582		27,028	
operating lease payables	293	4,147	222	454
payables for recognitions of 2015 agreement *	22,427		28,034	
other payables	903		606	
<b>total payables due to the Municipality of Venice</b>	<b>41,880</b>	<b>4,147</b>	<b>60,816</b>	<b>454</b>

\* Includes the residual payable for fees pursuant to law 206/95 and cemetery concessions as at 31 December 2014 for EUR 20,719 thousand.

## 27. Payables due to associates and jointly controlled companies

The following table highlights disclosures on payables due to associates and jointly controlled companies as at 31 December 2020 and 31 December 2019:

(thousands of Euro)	31.12.2020 within 12 months	31.12.2020 beyond 12 months	31.12.2019 within 12 months	31.12.2019 beyond 12 months
payables due to Sifa scpa	1,363		3,702	
payables due to Insula S.p.A.	648		654	
payables due to Rpm S.c.a.r.l.			24	
payables due to Vier S.c.a.r.l.	140			
payables due to Veritas Conegliano S.r.l.	235	2,243		
<b>total amounts due to associates and jointly controlled companies</b>	<b>2,386</b>	<b>2,243</b>	<b>4,380</b>	<b>0</b>

This item recorded an overall increase of EUR 249 thousand, mainly due to the decrease in payables due to Sifa (EUR -2,339 thousand) and the increase in payables due to Veritas Conegliano (EUR +2,478 thousand), relating in particular to the start in 2020 of the commission for the management of the Conegliano crematorium oven by Veritas and the consequent recognition of the payable for operating lease for EUR 2,292 thousand (of which EUR 50 thousand short-term).

Last year, Vier S.c.a.r.l. was classified as a subsidiary.

## 28. Other non-current liabilities

The following table highlights disclosures on other current liabilities as at 31 December 2020 and 31 December 2019:

(thousands of Euro)	31.12.2020	31.12.2019
guarantee deposits from customers - SII	12,036	12,433
advance payments on consumption	202	202
payables due to social security institutes - long-term portion		
other long-term payables	11,410	9,267
<b>total other non-current liabilities</b>	<b>23,648</b>	<b>21,902</b>

This item includes guarantee deposits of users for the integrated water service and advance payments on consumption. Guarantee deposits for SII users are interest-bearing as from 1 June 2014, on the basis of the provisions of AEEGSI resolution 86/2013/R/IDR, which requires the application of legal interest during the agreement termination phase or when the deposit is returned.

Under other long-term payables, the parent company recorded grants for plants requested or already collected early relating to works still to be carried out (EUR 8,101 thousand).

## 29. Trade payables

The following table highlights disclosures on trade payables as at 31 December 2020 and 31 December 2019:

(thousands of Euro)	31.12.2020	31.12.2019
trade payables	92,755	84,029
payables due to related parties	4,677	4,472
payables due to entities controlled by the Municipality of Venice	301	185
<b>total trade payables</b>	<b>97,733</b>	<b>88,686</b>

Trade payables are normally not interest-bearing and are usually paid after 60–150 days.

The portion of trade payables relating to invoices to be received from the parent company as at 31 December 2020 amounted to EUR 20,086 thousand.

## 30. Financial derivative instruments

The following table highlights disclosures on derivative financial instruments as at 31 December 2020 and 31 December 2019:

(thousands of Euro)				31.12.2020		31.12.2019	
type	bank	notes	residual notional	fair value of assets	fair value of liabilities	fair value of assets	fair value of liabilities
IRS	unicredit loan 2017	a)	8,386		-134		-153
Interest rate	Bpm loan 2017	b)	5,166	0		1	
Interest rate	Bpm loan 2019	c)	3,549	1		2	
IRS	Ubi loan 2019	d)	12,430		-120		-31
IRS	Bper loan 2019	e)	10,000		-93		-59
IRS	Bpm loan 2020	f)	20,000		-227		
IRS	Bpm loan 2020	g)	20,000		-230		
IRS	Intesa San Paolo loan 2018	h)	1,100		-12		-16
IRS	Intesa San Paolo loan 2020	i)	3,200		-52		
<b>total derivative financial instruments</b>			<b>83,831</b>	<b>1</b>	<b>-868</b>	<b>3</b>	<b>-259</b>

As at 31 December 2020, the Group had:

- a. an interest rate swap contract, stipulated on 1 June 2017 by the parent company, to hedge risks connected with changes in interest rates related to a mortgage loan stipulated with the same Unicredit and amounting to EUR 15,000 thousand, expiring on 30 June 2024. The contract envisages the payment of a premium on the residual notional value, which, as at 31 December 2020, amounted to EUR 8,386 thousand, equal to 0.29% on an annual basis. This interest rate swap contract had a negative fair value of EUR 134 thousand as at 31 December 2020;
- b. an interest rate option contract, stipulated on 30 May 2017 by the parent company with Banco Bpm to hedge risks connected with changes in interest rates related to a mortgage loan stipulated with the same Banco BPM and amounting to EUR 10,000 thousand. The contract had envisaged the payment of an advance single premium, calculated on the opening notional value of the transaction (i.e. the mortgage amount paid), equal to EUR 125 thousand. This contract has a market value of EUR 0 thousand as at 31 December 2020. The underlying loan expires on 30 June 2023;
- c. an interest rate option contract, stipulated on 8 May 2019 by the parent company with Banco Bpm to hedge risks connected with changes in interest rates related to a mortgage loan stipulated with the same Banco BPM and amounting to EUR 5,000 thousand. The contract had envisaged the payment of an advance single premium, calculated on the opening notional value of the transaction (i.e. the mortgage amount paid), equal to EUR 27 thousand. This contract has a market value of EUR 1 thousand as at 31 December 2020. The underlying loan expires on 30 June 2024;
- d. an interest rate swap contract, stipulated on 20 June 2019 by the parent company with Ubi Banca, to hedge risks connected with changes in interest rates related to a mortgage loan stipulated with the same Ubi Banca and amounting to EUR 15,000 thousand, expiring on 19 June 2025. The contract envisages the payment of a premium on the residual notional value, which, as at 31 December 2020, amounted to EUR 12,430 thousand, equal to -0.12% on an annual basis. This interest rate swap contract had a negative fair value of EUR -120 thousand as at 31 December 2020;
- e. an interest rate swap contract, stipulated on 31 October 2019 by the parent company with Bper, to hedge risks connected with changes in interest rates related to a mortgage loan stipulated with the same Bper Banca and amounting to EUR 10,000 thousand, expiring on 31

October 2023. A premium is not paid on said contract given that the payment of said premium is set at the 5-year Irs rate as at 31 October 2019, which stood at 0.00% at that time. This interest rate swap contract had a negative fair value of EUR -93 thousand as at 31 December 2020;

- f. an interest rate swap contract, stipulated on 12 November 2020 by the parent company with Banco BPM, to hedge risks connected with changes in interest rates related to a mortgage loan stipulated with the same BBPM and amounting to EUR 20 million, expiring on 30 September 2026 (in a pool with BNL for a total amount of EUR 40 million). The contract envisages the payment of a premium on the residual notional value, which amounted to EUR 20 million as at 31 December 2020, equal to -0.16% on an annual basis. This interest rate swap contract had a negative fair value of EUR -227 thousand as at 31 December 2020;
- g. an interest rate swap contract, stipulated on 12 November 2020 by the parent company with BNL, to hedge risks connected with changes in interest rates related to a mortgage loan stipulated with the same BNL and amounting to EUR 20 million, expiring on 30 September 2026 (in a pool with BPM for a total amount of EUR 40 million). The contract envisages the payment of a premium on the residual notional value, which amounted to EUR 20 million as at 31 December 2020, equal to -0.16% on an annual basis. This interest rate swap contract had a negative fair value of - EUR 230 thousand as at 31 December 2020;
- h. an interest rate swap contract, stipulated on 28 November 2018 by Depuracque servizi S.r.l. with Intesa Sanpaolo, to hedge risks connected with changes in interest rates related to a mortgage loan stipulated with Mediocredito Italiano and amounting to EUR 2 million. The contract envisages the payment of a premium on the residual notional value, which, as at 31 December 2020, amounted to EUR 1,100 thousand. As at 31 December 2020, the contract had a market value of EUR -12 thousand. The underlying loan expires on 30 June 2023.
- i. an interest rate swap contract, stipulated on 29 May 2020 by Rive S.r.l. with Intesa Sanpaolo, to hedge risks connected with changes in interest rates related to a mortgage loan stipulated with Intesa Sanpaolo and amounting to EUR 3.2 million. The contract envisages the payment of a premium on the residual notional value, which, as at 31 December 2020, amounted to EUR 3,200 thousand. As at 31 December 2020, the contract had a market value of EUR -52 thousand. The underlying loan expires on 31 March 2026.

For the derivative instruments described in points f) and g), after verification of their hedging characteristics for the risks associated with changes in interest rates, they were accounted for according to the so-called hedge accounting technique and therefore a negative reserve was recognised in equity, equal to the fair value of the tax effect net of tax, for EUR 347 thousand.

### 31. Other current liabilities

The following table highlights disclosures on other current liabilities as at 31 December 2020 and 31 December 2019:

(thousands of Euro)	31.12.2020	31.12.2019
advances from customers	1,915	2,110
payables due to personnel	14,088	15,058
payables due to social security institutes	8,065	7,628
payables due for excise duties and additional taxes	3,592	3,440
payables due to tax authorities for IRPEF (personal income tax) withholding tax	4,428	4,546
payables due to tax authorities for VAT	186	1,038
accrued liabilities and deferred income	411	497
other payables	5,559	7,255
<b>total other current liabilities</b>	<b>38,244</b>	<b>41,572</b>

Payables due to personnel relate to payables for holiday entitlement and accrued and unused leaves as at the reference dates, in addition to amounts due for a production bonus, which is usually paid by the Group by the end of the first half of the following year. These payables include the relative contributions.

Payables due for excise duties and additional taxes include the payable due to the metropolitan city of Venice and the Province of Treviso for the collection of the provincial surcharge (so-called Tefa) on waste management tariffs (TIA1, TIA2, TARES fee and TARIP); it concerns the parent company and Asvo S.p.A.

The payable due to the tax authorities for VAT decreased by EUR 852 thousand; the Group companies are subject to the application of the *split payment of VAT on purchases*, which requires VAT to be collected by the supplier or paid directly to the tax authorities by the customer.

Other payables also include double collections to be repaid by the parent company for EUR 1,681 thousand.



## 32. Current tax payables

The following table highlights disclosures on current tax payables as at 31 December 2020 and 31 December 2019:

(thousands of Euro)	31.12.2020	31.12.2019
IRES payables	47	288
IRAP payables	20	43
other tax payables	91	17
<b>total current tax payables</b>	<b>158</b>	<b>348</b>

IRES and IRAP payables correspond to the difference between taxation pertaining to the financial year and advance taxes paid, if this difference is positive.

For the IRES payable, note that the parent company and some subsidiaries subscribed to the national tax consolidation.

In this year, as in 2019, the parent company contributed negative differences and, therefore, only recorded receivables for current taxes.

### 33. Revenues from sales and services

(thousands of Euro)	2020	2019
revenues from water service and sewerage tariff	119,314	116,264
revenues from waste management tariff	29,887	30,502
institutional service revenues	163,711	174,273
revenues from third-party services	85,357	85,463
revenues from the sale of electricity/photovoltaic energy	115	343
sale of raw and ancillary materials, semi-finished goods and movable assets	7,576	5,196
changes to contract work in progress	5,286	5,655
changes to inventories of work in progress	718	515
<b>total revenues from sales and services</b>	<b>411,964</b>	<b>418,211</b>

Revenues resulting from sales and services amounted to EUR 411,964 thousand, a decrease of EUR 6,247 thousand compared with the previous financial year.

The revenues relating to the water tariff amounted to EUR 119,314 thousand, with an increase of EUR 3,050 thousand compared to the previous year.

These revenues concern the services provided in the 36 municipalities in the metropolitan area of Venice and province of Treviso, within the water territorial sub-division of the Venice lagoon.

The water tariff for the 2020 financial year was applied based on the VRG approved by the Catchment Area Council on 17 December 2020, later ratified by ARERA on 9 February 2021, which envisaged a tariff decrease of 2.7% based on 2019 figures.

With the definition of the VRG relating to 2020, the parent company accounted for negative equalisations amounting to EUR 8,719 thousand.

It also accounted for additional positive equalisations, supplementing the amount already calculated in previous years, for EUR 1,372 thousand.

Revenues from the waste management tariff, amounting to EUR 29,887 thousand, refer to the application of the quantity-based TARIP tariff by the parent company, and reduced by EUR 615 thousand compared to the previous year.

Revenues from institutional services in 2020 amounted to EUR 163,711 thousand, down by EUR 10,562 thousand compared to 2019.

The latter also include municipal waste management fees for the Municipalities in the form of tax. Therefore, revenues for the waste management service (tariff and municipal fees added together) amounted to EUR 193,598, with a total decrease of EUR 11,177 thousand compared to the previous year.

This decrease is to be recognised mainly for the parent company in the write-down of the 2018 and 2019 equalisations for EUR 4,176 thousand and the non-recognition of the 2020 equalisations for the part exceeding the *Cap* for EUR 5,258 thousand (of which EUR 3,936 thousand for the TARIP and EUR 1,323 thousand for municipal fees).

Please refer to note 15. *Trade receivables* relating to the valuations on said equalisations following the approval or pending approval by the Catchment Area Council of Venezia Ambiente.

Asvo, on the other hand, recorded a tariff equalisations of EUR 692 thousand in recognition of higher costs for the disposal of dry waste.

In fact, it should be noted that the new tariff method (MTR) came into force for tariffs and waste management fees, and that the new method applies starting from the tariffs for 2020.

Revenues from services provided to third parties are broken down as follows:

(thousands of Euro)	2020	2019
revenues from services and works on green areas	36	28
revenues from consortia (Conai)	290	317
revenues from leases	1,781	2,251
revenues from purification activities and waste water management	12,120	12,246
revenues from waste disposal service	4,535	6,305
revenues from differentiated waste disposal service	20,073	17,822
revenues from cleaning and hygienic services	23	971
revenues from consultancy	3,953	3,313
revenues from management of plants on behalf of third-parties	18,424	19,226
revenues from reclamation of land	1,378	443
revenues from cemetery services	5,223	4,459
revenues from maintenance and water service connections	1,076	1,481
revenues from heat management	3,416	4,655
revenues from sale of electricity	36	55
other revenues from third-parties services	12,793	11,691
minor revenues	200	200
<b>total revenues from third-party services</b>	<b>85,357</b>	<b>85,463</b>

These revenues recorded a slight decrease of EUR 106 thousand.

## 34. Other income

(thousands of Euro)	2020	2019
leases and concessions	979	1,063
capital gains on disposal of assets	2,085	762
insurance reimbursements	356	660
cost reimbursement	1,280	2,443
seconded staff	161	313
other revenues and income	8,312	4,828
revaluation of fixed assets	124	
capital grants	1,458	1,957
ordinary contingent assets	826	1,027
<b>total other income</b>	<b>15,581</b>	<b>13,053</b>

Other income recorded an overall increase of EUR 2,528 thousand compared to the previous year.

The item Other revenues and income recorded an increase of EUR 3,484 thousand compared to the previous year and this change essentially concerns the increase in non-recurring revenues from contingent assets, which refer mainly to the reversal by the parent company of the amount allocated to the provision for risks and charges, amounting to EUR 4,344 thousand, for two tax disputes that were concluded in favour of Veritas.

Lease income and concessions refer to portions of leased properties (recognised under concession services) generated revenues of EUR 761 thousand for Veritas and leased properties (booked under tangible fixed assets) which generated revenues from third parties of EUR 155 thousand for the parent company, EUR 40 thousand for Ecoprogetto Venezia s rl, EUR 18 thousand for Metalrecycling S.r.l. and EUR 5 thousand for Depuracque servizi S.r.l. (please refer to note 2.3 paragraph Leasing).

### 35. Costs for raw and ancillary materials, and consumables

(thousands of Euro)	2020	2019
drinking water	23	5
purchase of materials	8,778	6,228
combustibles, fuels and lubricants	7,366	7,950
consumables and materials for maintenance and ordinary repairs	17,196	17,005
change in inventories	23	-84
<b>total costs for raw and ancillary materials and consumables</b>	<b>33,386</b>	<b>31,104</b>

Costs for raw materials and consumables increased by EUR 2,282 thousand compared to the previous year; the increase is almost entirely attributable to the increase in the purchase costs of materials, including clothing and personal protective equipment to guarantee the health and safety of workers due to the period of the COVID-19 health emergency.

## 36. Costs for services

(thousands of Euro)	2020	2019
works and maintenance	23,944	20,809
industrial services	10,560	11,923
utilities	22,850	26,516
operating services	55,005	56,583
general services	21,008	24,053
corporate bodies	848	832
<b>total costs for services</b>	<b>134,215</b>	<b>140,716</b>

Costs for services reported a total decrease of EUR 6,501 thousand compared to the previous year.

This change is mainly due to the reduction in costs for utilities (EUR -3,666 thousand) and costs for general services (EUR -3,045 thousand).

Works and maintenance refer to ordinary maintenance of the company's assets and of engineering division assets, mainly due to the construction of both water and sewage networks; they rose by EUR 2.802 thousand for the parent company.

It should be noted that, under Operating services, the parent company made an allocation to the provision for future expenses to be incurred in the next year for the disposal of sludge produced in this year from the purification of waste (EUR 1,136 thousand).

Corporate bodies include remuneration to directors, statutory auditors and members of the supervisory bodies.

It is the parent company's policy that any roles assigned to the members of Veritas Board of Directors in subsidiaries should not be remunerated. Therefore, the total remuneration of the members of the Veritas Board of Directors, equal to EUR 243 thousand, corresponds to the total remuneration paid by the Group to the directors of Veritas.

## 37. Costs for use of third-party assets

(thousands of Euro)	2020	2019
lease instalments	2,704	3,362
rental and lease payments	134	276
concession payments	1,094	1,124
other	2,072	1,870
<b>total costs for use of third-party assets</b>	<b>6,004</b>	<b>6,632</b>

Costs for use of third-party assets fell by a total of EUR 628 thousand compared to the previous year.

These costs concern operating lease payments that do not fall within the scope of application of IFRS 16, in force since 2019.

## 38. Personnel costs

(thousands of Euro)	2020	2019
wages and salaries	116,726	118,317
social security charges	40,047	40,498
employee severance indemnity	7,900	7,661
provisions for pension liabilities and similar	46	58
other costs	-530	-156
<b>total personnel costs</b>	<b>164,189</b>	<b>166,378</b>

An overall reduction of EUR 2,189 thousand was recorded.

This decrease is attributable to the policies implemented to deal with the health emergency, such as the 40% reduction in the recruitment of seasonal workers compared to the previous year, the reduction in the rate of replacements of outgoing personnel, the use in some cases of the emergency FIS (Wage integration fund), the increase in the use of residual holidays and the lower disbursement of the performance bonus allocated in the previous year.

The table below shows the changes in Group personnel registered during the year, broken down by category, expressed in average number of full-time equivalent employees.

FTE average annual workforce	2020	2019	changes
senior managers	23.5	21.67	1.83
middle managers	84.15	85.11	-0.96
white-collar employees	982.4	932.05	50.35
blue-collar employees	2,280.04	2,210.10	69.94
<b>average total workforce</b>	<b>3,370.09</b>	<b>3,248.93</b>	<b>121.16</b>



## 39. Other operating costs

Other operating costs amounted to EUR 22,358 thousand, an increase of EUR 1,052 thousand compared to the previous year.

(thousands of Euro)	2020	2019
provisions for write-down of receivables	8,084	4,378
provisions for interest on arrears	2	17
provisions for risks and charges	6,016	9,606
membership fees and other contributions	748	781
ATO operating expenses	609	597
special tariff for landfill sites	274	267
taxes, duties and local taxation	2,942	3,177
credit losses	2,001	484
capital losses on disposal of assets	300	196
other minor charges	442	650
ordinary contingent liabilities	901	759
fines and compensation for damages	39	394
<b>total other operating costs</b>	<b>22,358</b>	<b>21,306</b>

Provisions for write-downs of receivables increased by EUR 3,706 thousand to take into account the higher insolvency linked to the effects of the health emergency, especially as regards commercial utilities.

The reduction in Provisions for risks and charges of EUR 3,590 thousand is mainly due to the provision made the previous year by the subsidiary Ecoprogetto (EUR -6,998 thousand), to the provision made during the year by Ecoprogetto (EUR +3,852 thousand) and lower allocations to the provision for disputes in progress (EUR -1,009 thousand) and the concessions provision (EUR -249 thousand) of the parent company.

The allocation made by Ecoprogetto in the course of 2020 relates to an ICI/IMU tax for the years 2008 to 2019, as a result of the company being the losing party in court in the case discussed on 7 October 2019 at the Supreme Court, with judgment announced on 2 March 2020.

Supported by the opinions expressed of the lawyers assisting in the various levels of proceedings, the administrative body in fact assessed the company's loss as reasonably probable and not remote, and this not only for the portion of the IMU tax, already allocated to the provision in 2019 for all the years subject to judgment but also of the amounts of related charges reported in the assessments notified by the Municipality of Venice for the years 2008-2019, the last notifications in June 2020.

For further details please refer to note 24.

All credit losses are attributable to the parent company and refer exclusively to the write-off of TIA1 receivables for which the Municipalities are expected to bear the risk of insolvency, owing to the assessed tax nature of the tariff. Therefore, an equal amount was also recorded in this year under revenues for the waste management service (from tariffs and municipal fee) given that said loss will be covered in the waste management financial plans.

## 40. Amortisation, depreciation and write-downs

The value of amortisation, depreciation and write-downs amounted to EUR 46,614 compared to EUR 44,711 thousand in 2019, a total increase of EUR 1,903 thousand.

The value of amortisation/depreciation was reduced by the annual portion of grants for plants, and the value of tangible fixed assets was reduced by the value of contributions disbursed.

(thousands of Euro)	2020	2019
amortisation of intangible assets	4,680	5,002
amortisation of concession services	18,821	17,992
depreciation of tangible fixed assets	29,048	27,728
depreciation of investment property	3	2
other write-downs of fixed assets	-21	-20
impairment of tangible fixed assets	1,471	1,500
impairment of concession services		11
<b>grants for plants</b>	<b>-7,388</b>	<b>-7,504</b>
<b>total amortisation, depreciation and write-downs</b>	<b>46,614</b>	<b>44,711</b>

## **41. Portion of profit (loss) from shareholdings valued with the equity method**

The portion of profit (loss) from shareholdings valued with the equity method totalled a positive EUR 45 thousand, and takes into account the result for the year, the write-downs and revaluations of associates, accounted for in the year.

## 42. Financial charges and income

### Financial charges

Financial charges totalled EUR 13,144 thousand compared to EUR 12,099 thousand in 2019, an increase of EUR 1,045 thousand.

The main changes refer to financial charges on factoring transactions (EUR +451 thousand) and interest expense on bonds (EUR +225 thousand).

Financial charges to service financial debt, i.e. banks, leasing institutions, factoring transactions, and on the use of other financial instruments (including bonds) amount to EUR 10,315 thousand, with an average interest rate incidence of around 4.5% (in 2019 it stood at 5.18%).

They include EUR 1.129 thousand for discounting expenses, calculated with particular reference to employee severance indemnity (EUR 4 thousand), for financial payables due to parent companies (EUR 11 thousand), for the financial payables of Sifagest S.c.a.r.l. (EUR 40 thousand), on the payables for the purchase of equity investments (EUR 43 thousand), on the post-closure provision of the Jesolo di Alisea landfill, now at Veritas (EUR 565 thousand), the Centa Taglio landfill managed by Asvo (EUR 393 thousand) and other payables pertaining to the parent company due beyond the year (EUR 72 thousand).

The summary table is provided below:

(thousands of Euro)	2020	2019
interest payable to banks for current account overdrafts	241	309
interest payable to banks for medium/long-term loans	3,042	2,879
financial charges for financial leasing and rental contracts	704	784
charges for fair value measurement of derivatives	268	256
financial charges from other discounting	1,114	917
financial charges from discounting from parent companies	11	15
financial charges from discounting of employee severance indemnity	4	23
financial charges for factoring transactions	937	486
interest payable on bonds	5,111	4,886
write-down of shareholdings	41	0
other financial charges	1,671	1,544
<b>total financial charges</b>	<b>13,144</b>	<b>12,099</b>

### Financial income

Financial income totalled EUR 883 thousand, compared to EUR 1,588 thousand in the previous year, marking a total decrease of EUR 705 thousand.

Financial income from associates, deriving from financial receivables that arose in 2016 due from Sifa (they regard the parent company and Sifagest) were revised on the basis of the repayment plan guaranteed by the associate.

The summary table is provided below:

(thousands of Euro)	2020	2019
interest income from banks	144	196
measurement at fair value of derivatives	19	
default interest and payment extension	179	438
financial income from associates	247	236
financial income from discounting vs Sifa	163	558
financial income from other discounting	110	148
other financial income	21	12
<b>total financial income</b>	<b>883</b>	<b>1,588</b>

### 43. Taxes for the year

The table below highlights the reconciliation between income taxes (IRES) applicable to the Group's profit before taxation, using the rate in force compared to the actual rate for the period ended 31 December 2020:

(thousands of Euro)	2020	2019
<b>applicable ordinary rate</b>	<b>24.00%</b>	<b>24.00%</b>
<b>income before taxes</b>	<b>8,563</b>	<b>10,067</b>
<b>theoretical tax charge (income)</b>	<b>2,055</b>	<b>2,416</b>
adjustments compared to income taxes of the previous year	-35	-25
write-down and adjustments of deferred taxes recorded in the previous financial year	354	1,156
recognition of deferred taxes on temporary differences related to previous financial years	-5	-753
non-recognition of deferred taxes on tax losses in the year on temporary differences	103	0
non-recognition of prepaid/deferred taxes for the year on temporary differences	0	0
(income)/expenses from tax consolidation	0	0
exempt income/tax incentives/non-taxable income	-1,473	-1,252
non-deductible costs	1,296	2,216
other permanent differences	-21	-60
<b>actual IRES tax charge</b>	<b>2,274</b>	<b>3,698</b>
current taxes	1,906	5,175
deferred taxes (prepaid)	403	-1,095
taxes related to previous financial years	-35	-389
substitute tax	0	7
(income)/expenses from tax consolidation	0	0
<b>actual IRES tax charge (income)</b>	<b>2,274</b>	<b>3,698</b>
current local taxes (Irap)	1,461	1,737
local deferred (prepaid) taxes	225	-20
local taxes for previous financial years	-81	104
<b>actual local tax charge (income)</b>	<b>1,605</b>	<b>1,821</b>
<b>total actual tax charge (income)</b>	<b>3,879</b>	<b>5,519</b>

It is worth noting that the current IRAP rate of the parent company and Asvo S.p.A. is equal to 4.2% (special rate for companies holding concessions for the management of public services and works).

Prepaid and deferred taxes, relative to the two financial years ended 31 December 2020 and 2019, are as follows:

(thousands of Euro)	31.12.2020	31.12.2019
provision for doubtful debts	4,706	5,487
provision for risks and charges	10,092	10,354
provision for inventory depreciation	104	104
depreciation of fixed assets	723	508
maintenance expenses	421	525
civil amortisation/depreciation difference	9,424	10,073
other costs deductible in subsequent financial years	595	121
fair value adjustment of derivatives	110	0
business combination bonus	313	392
reversal of capital gains on intragroup transactions	37	96
other minor	86	409
interest expense deductible in the future (GOP)	23	4
tax losses	786	108
discounting of employee severance indemnity	143	494
<b>total deferred tax assets</b>	<b>27,563</b>	<b>28,675</b>

(thousands of Euro)	31.12.2020	31.12.2019
non-taxable default interest	500	481
non-taxable revenues	1,872	1,968
landfill asset	1,491	1,679
other temporary differences	24	38
higher value allocated to fixed assets	2,060	2,212
leased assets	1,622	1,617
separation of land	64	85
<b>total deferred tax liabilities</b>	<b>7,633</b>	<b>8,080</b>

It is worth noting that the parent company Veritas S.p.A. and most of its subsidiaries have jointly exercised the option of Group taxation, pursuant to the *Consolidated Act on Income Taxes*. The economic relations, as well as mutual responsibilities and obligations between the consolidating company and the other adhering companies, are set forth in a special consolidation agreement.

The determination of deferred tax assets is based on the reasonable expectation of the tax base for future years.

## 44. Commitments and risks

### Commitments related to operating leases – the Group as lessor

The Group stipulated commercial lease agreements in order to value equipment and properties located within the territory. These lease contracts, not subject to cancellation, have a residual life between 5 and 10 years. All lease contracts include a clause that allows for writing up the instalments on an annual basis at market conditions.

Income from leases received by the group in the year came to EUR 979 thousand (EUR 1,063 thousand in 2019). They refer to portions of leased properties (recognised under concession services) which generated revenues of EUR 761 thousand for Veritas and leased properties (booked under tangible fixed assets) which generated revenues from third parties of EUR 155 thousand for the parent company, EUR 40 thousand for Ecoprogetto Venezia S.r.l., EUR 18 thousand for Metalrecycling S.r.l. and EUR 5 thousand for Depuracque servizi S.r.l. (please refer to note 2.3 paragraph Leasing).

Future instalments related to operating lease contracts, not subject to cancellation and existing as at 31 December 2020 and 2019, include the following:

(thousands of Euro)	2020	2019
within 1 year	400	378
beyond 1 year but within 5 years	1,153	632
beyond 5 years	251	54
<b>total commitments for leases and rentals</b>	<b>1,804</b>	<b>1,069</b>

### Commitments for water investments - FONI and FNI component

The MTI-3 water tariff method requires the calculation components making up the tariff to also include the component called 'New investments fund' (FONI). Article 14.1 of ARERA resolution 580/2019/R/IDR (MTI-3) actually requires operators to allocate a specific portion of the VRG exclusively to new investments identified as priority.

The amount of Foni for the 2020 VRG for the parent company amounts to EUR 13.2 million.

The directors of the parent company have decided to allocate said amount to a dedicated shareholders' equity reserve.

In particular, a proposal was made to allocate part of the profit for the year 2020 to a non-distributable reserve, based on the FONI constraint.

In addition, the directors reasonably believe that the water investments subject to the allocation constraint will be made; therefore, in the next financial year the 2020 FONI reserve may become available, which will be allocated at the time of approval of these financial statements.

In this year, the Foni amount includes the FNI component - advance for new investment financing - equal to EUR 1,099 thousand, generated by the positioning of Veritas within quadrant VI of the regulatory framework matrix mainly due to the high need for funding investments scheduled in the Area Plan for the period 2020-2023 and the persistence of a situation of expansion in terms of scope and process.

In particular, with regard to investment requirements, the forecast of the acquisition of the Savec Est water infrastructure by Veneto Acque led to a significant increase in the value of investments in the four-year period 2020-2023, to the point that the ratio compared to the current RAB (*Regulatory Asset Base*) exceeded the threshold (parameter *w*, equal to 0.50) for which the FNI component is recognised to the manager.

The activation of the FNI is subject to a four-year final valuation: if the investments made are in

fact lower than the point which bring the ratio below the threshold value, the operator is required to return the components recognised as an advance, as well as to remodulate the tariffs in order to satisfy the new annual increase restriction.

Considering that the actual amount of water investments for the year 2020 determines the substantial attainment of the target set for the year, it is believed that at present there are no elements of particular uncertainty in the achievement of the four-year objectives such as to require the allocation to a risk provision already from this year for the possible return of the component at the end of the four-year period.

### Penalties for investments and contractual quality in the water sector

Article 34 of the MTI-3 tariff method (ARERA resolution 580/2019/R/IDR of 27 December 2019, valid for 2020-2023 tariffs), requires that the manager of the integrated water service that has not realised at least 95% of the investments envisaged in the Action Plan for the 2016-2019 four-year period, must allocate a penalty to a specific provision tied to the financing of spending for investments.

Considering that in the four-year period of observation the parent company carried out 74% of planned investments (equal to approximately EUR 93.6 million of expenditure, with contributions collected of EUR 20.6 million), in the years 2019 and 2020 a total of EUR 1,002 thousand euro was allocated to the provision for risks and charges, to take into account the penalty resulting from the failure to make the investments planned for the 2016-2019 period.

With regard to any penalties for failure to carry out the planned investments in relation to the 2020 financial year, we are currently waiting for the extension by ARERA of the provision also for the future two-year/four-year period and, therefore, also of the possible update of the calculation method by the same Authority and consequently it is believed that, at the closing date of these financial statements, no estimate can be made regarding this penalty.

With reference to the years 2018-2019, provision was also made for an award/penalty linked to reaching the macro-indicators and the technical quality requirements governed by ARERA resolution No. 917/2017/R/IDR (RQTI), to be attributed on the basis of the performances of the managers for each macro-indicator, as well as the preparation by the Authority of an annual ranking of the performances of all managers and the number of entities that can be admitted to the incentive mechanism.

With resolution 59/2020/R/COM of 12 March 2020, the Authority postponed the mandatory deadline for the conclusion of data collection to 31 October 2020 (from 30 September) for the assignment of the award and penalty rankings.

The subsequent resolution 235/2020 further deferred to 17 July 2020 the deadline for the closure of the QT 2018-2019 data collection, while as regards the deadline of 31 October 2020 for the assignment of the rankings and the publication of this specification is still pending to date.

It should also be noted that provision 235/2020 established that the technical quality objectives relating to 2020 and 2021 are to be assessed cumulatively on a two-year basis. Consequently, for the purposes of applying the award or penalty factors for the years 2020 and 2021, the level that reached cumulatively at the end of the year 2021 for the technical quality macro-indicators from M1 to M6 will constitute an assessment element.



Considering that:

- the final balance calculated shows that the technical quality objectives set for 2018 and 2019 for the M1 (water losses) and M3 (quality of water supply) were not met;
- but that the procedure for the publication of a national ranking of technical quality performance has not yet been completed;
- and that, in addition, for the technical quality objectives set for 2020, it will be necessary to wait for the final balance for the year 2021;

it is believed that at the closing date of these financial statements, the amount of the RQTI penalties due by Veritas cannot be reliably estimated.

## Guarantees provided

The Veritas Group granted the following guarantees as at 31 December 2020 and 2019 in favour of the subjects indicated hereunder:

<u>(thousands of Euro)</u>	<u>2020</u>	<u>2019</u>
Metropolitan city of Venice/Province of Venice	26,806	25,653
Ministry of the Environment	10,258	9,121
Port Authority - former Water Authority - Venice and Chioggia Harbour Office	1,878	1,878
banks and insurance companies	6,200	
Italian Revenue Agency/Customs Agency	7	628
other entities	2,658	2,903
ULSS and other local entities	224	117
<b>total</b>	<b>48,031</b>	<b>40,300</b>

In turn, the parent company issued guarantees totalling EUR 41,620 thousand to the subsidiaries and EUR 353 thousand to partner municipalities.

Eco-ricicli Veritas S.r.l. issued a guarantee policy in favour of the subsidiary Metalrecycling Venice S.r.l. for a value of EUR 264 thousand to guarantee the obligations deriving from the Single Temporary Authorisation for the recovery of waste and manufactured products (issued by the Municipality of Venice).

Depuracque servizi S.r.l. issued a joint guarantee of EUR 810 thousand with another shareholder of the subsidiary Rive S.r.l. for the benefit of Veritas S.p.A.

The parent company also provided letters of patronage to subsidiaries for EUR 32,300 thousand and to associates for EUR 16,000 thousand.

Details of the entities to whom the parent company issued guarantees are provided below:

<u>guarantees given (thousands of Euro)</u>	<u>31.12.2020</u>	<u>31.12.2019</u>
Ecoprogetto Venezia S.r.l.	35,720	26,868
Eco-ricicli Veritas S.r.l.	4,700	4,700
Sifagest S.c.a.r.l.	1,200	1,200
<b>guarantees to subsidiaries</b>	<b>41,620</b>	<b>32,768</b>
Sifa scpa	0	0
<b>guarantees to associates</b>	<b>0</b>	<b>0</b>
Municipality of Venice	2	2
Municipality of Meolo	171	171
Municipality of Marcon	24	24
other Municipalities	156	156
<b>guarantees to parent companies</b>	<b>353</b>	<b>353</b>
Port Authority - former Water Authority	1,801	1,801
Metropolitan city of Venice	7,768	7,768
Ministry of the Environment	2,439	2,439
Ulss	117	117
INPS (NATIONAL SOCIAL SECURITY INSTITUTE)	0	0
Ecopiave S.r.l.	50	50
other entities	2,145	2,146
<b>guarantees to others</b>	<b>14,320</b>	<b>14,321</b>
<b>total guarantees granted</b>	<b>56,293</b>	<b>47,442</b>

<u>letters of patronage (thousands of Euro)</u>	<u>31.12.2020</u>	<u>31.12.2019</u>
Ecoprogetto Venezia S.r.l.	3,100	3,100
Eco-ricicli Veritas S.r.l.	21,900	23,640
Rive S.r.l.	6,200	
Metarecycling Venice S.r.l.	1,100	
<b>letters of patronage to subsidiaries</b>	<b>32,300</b>	<b>26,740</b>
Sifa	10,000	10,000
Veritas Conegliano S.r.l.	6,000	3,000
<b>letters of patronage to associates</b>	<b>16,000</b>	<b>13,000</b>
<b>total letters of patronage</b>	<b>48,300</b>	<b>39,740</b>

The Group also reserved tangible assets to guarantee certain mortgage loans.

For further details please refer to Note 22.

### Other risks and uncertainties

Please refer fully to the Report on Operations.

## 45. Relations with related parties

### Subsidiaries

The consolidated financial statements include the financial statements of Veritas S.p.A. and of the following subsidiaries:

<u>consolidated companies</u>	<u>head office</u>	<u>share capital</u>	<u>31.12.2020</u> <u>Group's shareholding</u>	<u>31.12.2019</u>
Veritas S.p.A. (parent company)	Venice	145,397,150		
Ecoprogetto Venezia S.r.l.	Venice	53,607,273	56.68%	44.86%
Mive S.r.l. <i>in liquidation</i>	Mirano (Ve)	110,000	100.00%	100.00%
Eco-ricicli Veritas S.r.l.	Venice	7,000,000	82.34%	82.34%
Sifagest S.c.a.r.l. <i>in liquidation</i>	Venice	500,000	65.00%	65.00%
Asvo S.p.A.	Portogruaro (Ve)	18,969,650	55.75%	55.75%
Consorzio bonifica Fusina <i>in liquidation</i>	Venice	100,000	82.05%	82.05%
Metalrecycling Venice S.r.l.	Venice	100,000	82.34%	82.34%
Depuracque servizi S.r.l.	Salzano (Ve)	223,080	100.00%	100.00%
Lecher ricerche e analisi S.r.l.	Salzano (Ve)	46,800	100.00%	100.00%
Rive srl	Venice	100,000	70.00%	70.00%

The movements in the year are described in point 2.1.1 of the Report on Operations.

## Partner entities

The following table shows the total values of transactions which occurred during the financial year with other partner entities:

(thousands of Euro)	2020 revenues from partner Muni- cipalities	2019 revenues from partner Muni- cipalities	2020 purchases from partner Muni- cipalities	2019 purchases from partner Muni- cipalities	2020 receivables due from partner muni- cipalities	2019 receivables due from partner muni- cipalities	2020 payables due to partner muni- cipalities	2019 payables due to partner muni- cipalities
Municipality of Annone Veneto	402	398	0	0	119	116	1	8
Municipality of Campagna Lupia	12	8	4	3	9	5	1	1
Municipality of Campolongo Maggiore	30	33	20	21	6	13	209	210
Municipality of Camponogara	27	21	7	7	11	9	1	1
Municipality of Caorle	6,257	6,604	60	178	2,636	2,553	1,401	1,786
Municipality of Cavallino-Treporti	4,673	4,418	3	4	638	39	1,729	2,496
Municipality of Cavarzere	1,616	1,561			219	1		
Municipality of Ceggia	564	598	23	24	-2	151	1,732	1,712
Municipality of Cessalto	6	8	2	2	1	3	25	50
Municipality of Chioggia	15,472	16,898	69	70	-229	116	5,148	5,630
Municipality of Cinto Caomaggiore	292	297	0		85	90	2	4
Municipality of Cona	374	362	0		109	37	0	
Municipality of Concordia Sagittaria	1,219	1,189	0	0	699	957	0	0
Municipality of Dolo	95	71	18	28	171	157	10	10
Municipality of Eraclea	2,360	2,162	40	41	326	157	1,539	1,486
Municipality of Fiesso d'Artico	234	128	5	5	121	29	97	96
Municipality of Fossalta di Piave	21	16	3	3	14	3	60	58
Municipality of Fossalta di Portogruaro	1,076	986	0	0	364	345	0	4
Municipality of Fossò	11	18	15	16	3	4	217	215
Municipality of Guaro	295	293	0		94	87	0	4
Municipality of Jesolo	11,330	11,196	502	626	740	49	6,100	4,782
Municipality of Marcon	76	42	0	1	51	34	-1	14
Municipality of Martellago	2,749	2,782	15	34	529	371	1,212	1,160
Municipality of Meolo	102	130	3	3	3	338	29	407
Municipality of Mira	112	71	23	23	145	103	69	111
Municipality of Mirano	281	3,764	51	103	165	432	53	1,423
Municipality of Mogliano Veneto	3,872	3,760	13	14	1,277	316	1,248	2,421
Municipality of Morgano	5	5	0		1	1	0	
Municipality of Musile di Piave	1,305	1,370	21	22	322	385	1,040	1,067
Municipality of Noale	2,192	2,051	8	10	301	349	635	736
Municipality of Noventa di Piave	853	861	11	11	52	72	511	482
Municipality of Pianiga	1,478	1,458	13	17	381	177	431	924
Municipality of Portogruaro	3,692	3,582	6	34	1,425	1,257	5	60
Municipality of Pramaggiore	438	440	0		139	138	0	7
Municipality of Preganziol	78	129	0		20	35	0	
Municipality of Quarto d'Altino	31	19	0		11	202	6	72
Municipality of Quinto di Treviso	9	12	0		2	2	0	
Municipality of Salzano	35	33	72	72	13	12	62	62
Municipality of San Donà di Piave	474	531	87	91	344	425	1,420	1,674
Municipality of San Michele al Tagliamento	6,014	6,249	10	7	1,409	1,578	13	35
Municipality of San Stino di Livenza	1,540	1,491	1	77	473	454	105	160
Municipality of Santa Maria di Sala	53	81	173	173	21	10	160	1
Municipality of Scorzè	2,233	2,020	16	16	805	216	927	842
Municipality of Spinea	3,545	3,432	71	67	-75	368	2,076	2,419
Municipality of Stra	21	10	40	40	6	7	34	
Municipality of Teglio Veneto	192	192	0		65	65	0	
Municipality of Torre di Mosto	516	533	9	11	61	170	535	544
Municipality of Venice	102,021	101,438	1,327	1,413	11,988	12,657	46,027	61,270
Municipality of Vigonovo	24	37	14	14	4	11	12	1
Municipality of Zenson di Piave	2	3	0	4	1	1	88	86
Municipality of Zero Branco	5	6	0		1	1	0	
<b>total nominal amounts</b>	<b>180,314</b>	<b>183,797</b>	<b>2,755</b>	<b>3,285</b>	<b>26,074</b>	<b>25,108</b>	<b>74,969</b>	<b>94,531</b>
<b>provision for doubtful debts</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-142</b>	<b>-81</b>	<b>0</b>	<b>0</b>
<b>discounting of receivables/payables</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-69</b>	<b>-80</b>
<b>total</b>	<b>180,314</b>	<b>183,797</b>	<b>2,755</b>	<b>3,285</b>	<b>25,932</b>	<b>25,027</b>	<b>74,900</b>	<b>94,451</b>

The Group presents receivables due from partner entities net of a provision for doubtful debts of EUR 142 thousand, for EUR 81 thousand for the request for recognition of some relations attributable for the parent company shareholding structure to the so-called 'off-balance sheet payables', i.e. receivables for services duly performed by the parent company, but for which the partner Municipality did not make provision, for various reasons, for a spending commitment, and for EUR 61 thousand for the write-down of receivables for tariff equalisations for 2018 and 2019, following the subsequent interpretations of the Catchment Area Council on the application of the MTR tariff calculation method.

Payables due to partner entities are indicated net of the discounting value of EUR 69 thousand.

Service contracts with partner entities primarily concern waste management services for the municipalities that have been applying the TARI tax since 2014.

The municipalities of Fiesso d'Artico, Stra, Salzano, Camponogara, Campolongo Maggiore, Campagna Lupia, Fossò, Vigonovo, Santa Maria di Sala, Marcon, Mira, Fossalta di Piave, San Donà di Piave, Meolo, Quarto d'Altino, Dolo, and Mirano that have decided to apply the quantity-based tariff instead of the tax are excluded and, therefore, the service provider directly bills end users.

In the case of the Municipality of Venice, the following services were charged besides waste management services:

- cemetery;
- markets;
- high-tide footbridges.

Cemetery services are also managed for other Municipalities (Spinea, Mirano, Martellago, Portogruaro and from 2019 San Michele al Tagliamento, San Stino di Livenza, Fossalta di Portogruaro and Cinto Caomaggiore); while for the Municipalities of Chioggia and Fossalta di Portogruaro and Fiesso d'Artico, the public lighting service is carried out. The Municipality of Portogruaro, from 2019, and the Municipalities of San Michele al Tagliamento and Fossalta di Portogruaro from 2020, have also been assigned the maintenance of public green areas.

### Terms and conditions of transactions with partner entities

Service contracts between Veritas and the Municipality of Venice for the aforesaid services are regularly invoiced monthly or quarterly and paid on average within 30-60 days from the invoice date.

Works for the building of new sewerage networks and related extraordinary maintenance (engineering works) are charged to the Municipality of Venice based on a service contract which envisages the payment of a percentage of the works, linked to costs for design and supervision as well as to coverage of overheads.

### Loans from partner entities

Mortgages were stipulated in previous financial years with Cassa Depositi e Prestiti by municipalities of the Mirese area in order to finance investments in the water supply sector and for which the parent company expects annual repayment.

A payable contributed by the aggregation of Asi relating to a financial advance by the Municipality of Jesolo for investments in the water supply sector has also been recognised.

These loans, booked to the financial statements of the parent company, amounted to EUR 750 thousand as at 31 December 2020.

## Associates and jointly controlled companies

The Group has the following shareholdings in associates and jointly controlled companies:

companies valued with the equity method	head office	share capital	31.12.2020 Group's shareholding	31.12.2019
<b>associates</b>				
Insula S.p.A.	Venice	3,706,000	24.73%	24.73%
Sifa scpa	Mestre (Ve)	30,000,000	33.17%	33.17%
Ecoplastiche Venezia S.r.l.	Venice	100,000	32.94%	32.94%
Veritas Conegliano S.r.l.	Venice	100,000	48.80%	48.80%
Vier S.c.a.r.l.	Venice	100,000	49.00%	

The following table shows the total values of transactions occurred during the year with associates:

(thousands of Euro)	2020 revenues from related parties	2019	2020 costs from related parties	2019	2020 receivables due from related parties	2019	2020 payables due to related parties	2019
Insula S.p.A.	1,058	982	794	764	1,386	1,111	648	654
Sifa scpa	12,640	12,579	8,366	6,599	12,923	14,066	1,363	3,702
Veritas Conegliano S.r.l.	219	117	143		157	29	2,478	
Rpm – Riconversione Porto Marghera S.c.a.r.l. <i>in liquidation</i>		109		128		26		24
Vier S.c.a.r.l.	92		153		4,508		140	
<b>total</b>	<b>14,009</b>	<b>13,787</b>	<b>9,456</b>	<b>7,491</b>	<b>18,974</b>	<b>15,232</b>	<b>4,629</b>	<b>4,380</b>

Economic and equity relations with associates are governed at market conditions.

The relations with Vier S.c.a.r.l. and Veritas Conegliano S.r.l. exclusively concern the parent company.

Sifa scpa entered into commercial relations primarily with the parent company; sales refer to management of industrial waste purification plants to take account of the same, while purchases relate mainly to the storage and disposal of sludge produced by Veritas' plants.

## Other related parties

The other related parties include companies and bodies controlled by the Municipality of Venice and other local partner entities of Veritas, companies for which the Group holds, also indirectly, a stake of under 20% and investees of significant minority shareholders of the Group.

The following table shows the total values of transactions occurred during the year with other related parties:

(thousands of Euro)	2020	2019	2020	2019	2020	2019	2020	2019
	revenues from related parties		costs from related parties		receivables due from related parties		payables due to related parties	
Avm S.p.A.	104	108	101	119	25	7	207	102
Actv S.p.A.	165	167	1	4	55	55		1
Vela S.p.A.	443	120	1	1	374	9	0	
Pmv S.p.A.	1	10		6	8	8		90
Ames S.p.A.	77	74	1	6	10	14	8	10
Casinò di Venezia gioco S.p.A.	62	76		58	34	16	35	34
Consorzio Urban	42	43			147	91		
Ist. centri di soggiorno	7	4			1	1		
Ist. bosco e grandi parchi	54	39			11	9		
Ive S.r.l.	2	3			-5			
Marco Polo System GEIE					92	91		
Venis S.p.A.	71	8	54	68	65	4	54	14
Vega S.c.a.r.l.	161	141	58	58	122	123		5
Viveracqua S.c.a.r.l.	74	87	151	103	58	136	150	116
Venezia spiagge S.p.A.	67	70			1	53		
Fondazione Musei civici di Venezia	22	26			4	4		
Fondazione Teatro La Fenice	8	13				2		
Fondazione La Biennale	49	77			33	61		
Catchment Area Council of the Venetian lagoon			608	597			608	
Catchment Area Council of Venezia Ambiente			133	133	30		133	285
Bioman S.p.A.	841	2	5,309	7,861	1,220	2	3,645	3,623
Sst S.p.A.	80	16			177	112	49	49
Ipab Felice Casson		23				4		
Ecopatè	2,934	2,326	2,486	1,058	596	657	375	346
Jesolo Patrimonio S.r.l.	34	7	16	18	7	3	524	508
other related parties	147	62			21	21		
<b>total</b>	<b>5,444</b>	<b>3,502</b>	<b>8,919</b>	<b>10,090</b>	<b>3,087</b>	<b>1,483</b>	<b>5,788</b>	<b>5,183</b>

Economic and equity relations with other related parties are governed at market conditions.

As regards Bioman S.p.A., commercial relations refer to Ecoprogetto S.r.l., to Eco-ricicli Veritas S.r.l. and to the parent company itself; revenues include a capital gain from the sale of real estate, whose receivable of € 1,200 thousand is included in receivables and classified in the financial statements under the item other receivables.

As regards Ecopatè, the commercial relations refer to Eco-ricicli Veritas S.r.l.

It should be noted that payables due to related parties also include financial payables for operating leases of EUR 2 thousand due to AVM S.p.A. and of EUR 421 thousand to Jesolo patrimonio S.r.l. by the parent company, and of EUR 387 thousand due to Bioman by the subsidiary Ecoprogetto.

## Remuneration of the Board of Directors and the Board of Statutory Auditors

Pursuant to Article 38 of Italian Legislative Decree 127/1991, the remunerations pertaining to the parent company's directors, statutory auditors and independent auditing firm for the performance of their offices, also in other companies included in the consolidation scope, are indicated below. It is the company's policy not to pay any further remuneration for activities carried out by board members of the parent company in other subsidiaries; therefore, the overall remuneration corresponds to that paid out in the parent company Veritas S.p.A.

(thousands of Euro)	2020	2019
<b>Board of Directors</b>		
remuneration for office	243	243
other compensation		
other benefits		
<b>total costs for services</b>	<b>243</b>	<b>243</b>
<b>Board of Statutory Auditors</b>		
remuneration for office	89	89
other compensation		
other benefits		
<b>total costs for services</b>	<b>89</b>	<b>89</b>
<b>independent auditing firm</b>		
remuneration for office	114	114
<b>total costs for services</b>	<b>114</b>	<b>114</b>



## 46. Financial risk management: Objectives and criteria

The Group's main financial instruments, other than derivatives, comprise bank loans, financial leases, direct and indirect factoring contracts, bank sight deposits and short-term deposits and the issue of bond loans. The main objective of the aforesaid instruments is to finance the Group's operating activities as well as its investments. The Group holds other types of financial instruments, such as trade payables and receivables, cash and cash equivalents and short-term deposits, resulting from its operating activities.

The Group does not enter into transactions involving speculative derivative instruments, but rather solely transactions in derivatives purely for hedging purposes (*swaps*) or to limit (*caps*) the risk of changes in interest rates.

The policy of the Group is, and was in previous financial years, not to trade any financial instruments.

The main risks generated by the Group's financial instruments include interest rate risk, liquidity risk and credit risk. Price risk cannot be determined owing to the fact that the Group operates in sectors which are mostly regulated, the tariffs of which are governed and subject to the approval of the competent authorities. The Board of Directors of the parent company assesses and agrees on the policies for managing such risks, as summarised hereunder.

### Interest rate risk

The Group's exposure to market interest rate risk is primarily connected with long-term bonds with floating interest rates subscribed by the Group.

The policy of the Group is to manage financial costs using a combination of fixed and variable debt rates.

The policy of the Group does not envisage the subscription of derivative instruments for non-hedging purposes.

Indebtedness exposes the Group's earnings before taxes to a certain degree of sensitivity as a result of reasonably possible interest rate fluctuations, with all other variables unchanged.

### Credit risk

The Group's credit risk profile is normal and consistent with industry trends.

Billing receivables (Veritas S.p.A. and Asvo S.p.A.) are, by nature, fragmented over a very high number of users, with limited individual amounts on average.

The COVID-19 health emergency has had a significant impact, especially on the supply chains of economic operators linked to the world of tourism, entertainment and catering, important sectors in the provinces of Venice and Treviso.

The percentage of insolvency relating to urban hygiene receivables (TARIP), which historically was around 5%, a percentage to be considered low in the sector, shows a growth that can be temporarily estimated at around one and a half percentage points.

It should be remembered that after the transfer to the TARI, the credit risk, both in the past and present (and therefore in the future) dimension, is substantially borne by the municipal administrations, either directly or indirectly, and must be taken into account in the final formulation of the tariff.

On the other hand, in the water sector, where the percentages of insolvency are historically lower, quantifiable in the order of 1% of turnover, we see growth that, temporarily, can be estimated at around half a percentage point.

These changes, due to the pandemic health emergency, will have to be confirmed or otherwise in the future, in relation to the adjustments of the economic recovery and the restart, now blocked, of the debt collection enforcement procedures.

In the event of the insolvency of the counterparty, the maximum credit risk for the Group's other financial assets, which consist of cash and cash equivalents, other equity investments, loan notes and two derivative instruments, is equal to the carrying amount of these assets.

### Liquidity risk

The Group controls the liquidity risk by using a planning instrument for the use of cash. This instrument takes into account the maturity term of both financial instruments and financial assets (trade receivables and other financial assets), as well as cash flows expected from transactions.

The objective of the Group is to strike a balance between preserving the funds and optimising flexibility through the use of bank overdrafts, credit lines, financial leases and factoring transactions. The policy of the Group is that not more than 20% of the medium/long-term loans must be due within one year.

As at 31 December 2020, net of the EUR 100 million bond issued in 2014 and due in May 2021, less than 20% of medium/long-term financial payables will accrue within one year.

As at 31 December 2020, the Group reported unused credit facilities amounting to EUR 106.6 million, compared to approximately EUR 106.5 million as at 31 December 2019.

Liquidity risk consists of the risk that the available financial resources may not be sufficient to meet all the obligations with a short-term maturity date, amounting to roughly EUR 34.5 million in loans and EUR 100.75 million in bonds by 31 December 2021, and tackle possible negative variations in working capital.

The company is still of the opinion that the operating investment plans, which are being implemented above all in the water sector, and therefore concern the parent company, are being offset, even though still partially, by tariff adjustments defined by the water sector authorities.

We continue to strive to apply an urban tariff/tax on a fee/quantitative basis, to ensure greater fairness for users and more control for the Municipalities; this solution also has the effect of returning financing directly to the company, thereby eliminating tensions in working capital and increases in financial charges.

In 2020, the Group obtained additional medium/long-term bank loans for a total of EUR 67.2 million and the issue of the second bond loan listed on the regulated Irish market for EUR 100 million.

In 2020, also due to the effects of the health emergency, short-term financial management instruments were used, mainly direct factoring contracts, while residual indirect factoring (reverse factoring) contracts remained, and no new finance lease agreements were.

In this year, the subsidiaries Eco-ricicli Veritas S.r.l. stipulated new finance lease contracts with a residual value of EUR 1,069 thousand as at 31 December 2020.

The Group evaluated the concentration of risk, with reference to the refinancing of debt, and concluded that it is low. Access to sources of financing is sufficiently available and payables expiring within 12 months can be extended with the same funders.

## Capital management

The net indebtedness of the Group, equal to EUR 259,114 thousand as at 31 December 2020 (EUR 199,413 thousand as at 31 December 2019), was offset by a total shareholders' equity of EUR 296,609 thousand as at the same date.

The ratio between the net financial position and shareholders' equity, which defines the degree of balance between external funds and shareholders' equity, was equal to 0.87 as at 31 December 2020, compared with 0.68 as at 31 December 2019.

## Fair value valuation and related valuation hierarchical levels

No significant differences worth mentioning emerged from the comparison between the carrying amount and the fair value, divided by category, of all Group financial instruments recognised in the financial statements, except for those already highlighted.

All financial instruments, recorded at fair value, can be classified under the following categories:

- Level 1 market quotation;
- Level 2 measurement techniques (according to observable market data);
- Level 3 valuation techniques (not based on observable market data).

The fair value of derivatives and loans was calculated by discounting expected cash flows, using the prevailing interest rates. The fair value of bonds and other financial assets was calculated using market interest rates.

As at 31 December 2020 the Group held the following financial instruments measured at fair value:

(thousands of Euro)		31.12.2020		31.12.2019		
type	bank	residual non-tional	fair value of assets	fair value of liabilities	fair value of assets	fair value of liabilities
IRS	unicredit loan 2017	8,386		-134		-153
Interest rate	Bpm loan 2017	5,166	0		1	
Interest rate	Bpm loan 2019	3,549	1		2	
IRS	Ubi loan 2019	12,430		-120		-31
IRS	Bper loan 2019	10,000		-93		-59
IRS	Bpm loan 2020	20,000		-227		
IRS	Bpm loan 2020	20,000		-230		
IRS	Intesa San Paolo loan 2018	1,100		-12		-16
IRS	Intesa San Paolo loan 2020	3,200		-52		
<b>total derivative financial instruments</b>		<b>83,831</b>	<b>1</b>	<b>-868</b>	<b>3</b>	<b>-259</b>

## 47. Segment reporting

According to IFRS 8, the Group must provide information by operating segment that allows users of its financial statements to assess the nature and effects on the financial statements of the activities it undertakes and the economic contexts in which it operates.

The definition of the operating segment according to the standard is as follows:

- 'is a component of an entity that undertakes activities that generate revenues and costs (including revenues and costs relating to transactions with other components of the same entity);
- whose operating results are reviewed periodically at the highest operational decision-making level for the purpose of making decisions regarding the resources to be allocated to the segment and assessing the results;
- for which separate financial statement information is available'.

The amount of each segment item presented must correspond to the valuation provided to the highest operational decision-making level for the purpose of adopting decisions regarding the allocation of resources to the segment and the assessment of its results.

The Group has identified the following segments as the reference format for segment reporting:

- *Waste management Service*: includes sweeping, activities related to the integrated waste cycle (collection, selection and recycling, transport, treatment, disposal and brokerage), management of industrial plants and management of post-mortem landfills.
- *Integrated water service*: includes activities related to the cycle of drinking water for civil and industrial use (collection, treatment, lifting and distribution), activities related to the cycle of civil and industrial waste water (collection, purification, drainage), engineering and laboratory analysis.
- *Other services*: include collective urban services (cemetery services, management of crematoria, special services for Venice, management of toilets, environmental reclamation, management of the Venice fire prevention network) and activities related to energy (photovoltaic, district heating, public lighting, biogas-biomethane-hydromethane).

These sectors include activities both regulated and not regulated by ARERA regulations.

Waste Management Service	Integrated Water Service	Other services
removal of street waste	<i>drinking water cycle</i>	cemetery services
<i>integrated waste cycle</i>	<i>for civil and industrial use</i>	management of crematoria
collection	collection	special services for Venice
selection and recycling	treatment	management of toilets
transport	lifting	environmental reclamation
treatment	distribution	Venice fire prevention network
disposal	<i>civil and industrial wastewater cycle</i>	photovoltaic
brokerage	collection	district heating
industrial plant management	purification	heat management
management of post-mortem landfills	draining	public lighting
	<i>engineering</i>	biogas-biomethane-hydromethane
	<i>laboratories</i>	

The directors of the group separately monitor the results achieved by the business units in order to make decisions regarding the allocation of resources and the monitoring of performance.

The performance of the sectors is assessed economically on the basis of the EBIT operating result and on the balance sheet on the basis of fixed assets.

Structural costs and revenues are transferred to the individual business units on the basis of operating indicators (drivers), consistent with unbundling regulations.

Fixed assets in the corporate sector concern structural assets.

Intra-sector revenues are eliminated at the consolidated level and are reflected in the column 'Adjustments and eliminations'.

results by operating segment for 2020 (in thousands of euro)	environmental hygiene	Integrated Water Service	other services	Adjustments and elimina- tions	total
revenues from sales and services	224,970	165,842	18,606	0	409,418
other income	5,009	894	1,095	0	6,998
corporate revenues	5,121	5,385	623	0	11,129
intra-segment revenues	25	320	0	-345	0
<b>total net income</b>	<b>235,125</b>	<b>172,441</b>	<b>20,324</b>	<b>-345</b>	<b>427,545</b>
costs for raw and ancillary materials and consumables	-20,323	-11,276	-659	0	-32,258
costs for services	-64,094	-43,989	-10,434	0	-118,517
costs for use of third-party assets	-1,769	-3,422	-256	0	-5,447
personnel costs	-93,440	-32,965	-7,862	0	-134,267
other operating costs	-4,609	-1,765	-225	0	-6,599
corporate operating costs	-26,250	-27,602	-3,196	0	-57,048
intra-segment operating costs	-320	-25	0	345	0
<b>total operating costs</b>	<b>-210,805</b>	<b>-121,044</b>	<b>-22,632</b>	<b>345</b>	<b>-354,136</b>
<b>EBITDA</b>	<b>24,320</b>	<b>51,397</b>	<b>-2,308</b>	<b>0</b>	<b>73,409</b>
provisions for risks and charges	-4,163	-1,110	-23	0	-5,296
provisions for corporate risks and charges	-331	-349	-40	0	-720
amortisation, depreciation and write-downs	-19,907	-16,015	-3,187	0	-39,109
amortisation, depreciation and corporate write-downs	-3,454	-3,632	-419	0	-7,505
<b>operating income</b>	<b>-3,535</b>	<b>30,291</b>	<b>-5,977</b>	<b>0</b>	<b>20,779</b>

2019 results by operating segment (in thousands of euro)	environmental hygiene	Integrated Water Service	other ser- vices	adjustments and elimina- tions	total
revenues from sales and services	231,494	162,478	22,139	0	416,111
other income	4,086	1,354	1,083	0	6,523
corporate revenues	4,676	3,510	445	0	8,631
intra-segment revenues	0	358	0	-358	0
<b>total net income</b>	<b>240,613</b>	<b>167,342</b>	<b>23,667</b>	<b>-358</b>	<b>431,264</b>
costs for raw and ancillary materials and consumables	-18,873	-11,168	-711	0	-30,752
costs for services	-67,619	-43,876	-12,730	0	-124,225
costs for use of third-party assets	-2,269	-3,300	-186	0	-5,755
personnel costs	-95,144	-33,321	-8,005	0	-136,470
other operating costs	-3,883	-1,920	-196	0	-5,999
corporate operating costs	-28,894	-21,688	-2,747	0	-53,329
intra-segment operating costs	-358	0	0	358	0
<b>total operating costs</b>	<b>-217,041</b>	<b>-115,272</b>	<b>-24,574</b>	<b>358</b>	<b>-356,529</b>
<b>EBITDA</b>	<b>23,572</b>	<b>52,069</b>	<b>-907</b>	<b>0</b>	<b>74,734</b>
provisions for risks and charges	-7,241	-932	0	0	-8,173
provisions for corporate risks and charges	-776	-583	-74	0	-1,433
amortisation, depreciation and write-downs	-19,404	-15,275	-2,528	0	-37,207
amortisation, depreciation and corporate write-downs	-4,066	-3,052	-386	0	-7,504
<b>operating income</b>	<b>-7,915</b>	<b>32,227</b>	<b>-3,895</b>	<b>0</b>	<b>20,417</b>

fixed assets by operating segment as at 31 December 2020 (in thousands of euro)	environmental hygiene	Integrated Water Service	Other ser- vices	corporate	total
intangible assets	15,499	3,593	921	3,348	23,361
concession services	27	244,740	9	0	244,776
goodwill	20,435	788	0	0	21,223
tangible fixed assets	218,173	29,939	21,177	64,458	333,747
investment property	15,888	2,507	0	20	18,415
<b>total fixed assets</b>	<b>270,022</b>	<b>281,567</b>	<b>22,107</b>	<b>67,826</b>	<b>641,522</b>

fixed assets by operating segment as at 31 December 2019 (in thousands of euro)	environmen- tal hygiene	Integrated Water Service	other services	corporate	total
intangible assets	14,929	2,052	1,062	3,291	21,334
concession services	0	227,925	5	0	227,930
goodwill	20,435	788	0	0	21,223
tangible fixed assets	207,399	30,908	25,278	65,651	329,236
investment property	15,888	2,507	0	22	18,417
<b>total fixed assets</b>	<b>258,651</b>	<b>264,180</b>	<b>26,345</b>	<b>68,964</b>	<b>618,140</b>

## 48. Disclosure obligations pursuant to Article 1 paragraph 125, law 124/2017

As required by Article 1, paragraph 125 et seq. of law No. 124 of 4 August 2017, amended by Article 35 of Legislative Decree 34/2019, the list of public funds collected by the Group in 2019 is provided below.

Public funds mean 'grants, subsidies, advantages, contributions or aid, in cash or in kind, not of a general nature and without a consideration, remuneration or compensation nature' (Article 1, paragraph 125, Law 124/2017).

disbursing party	Group beneficiary party	type of grant	amounts in euro	included in the national register of state aid
Fondimpresa	Veritas S.p.A.	Training plan to strengthen and further the skills of Veritas S.p.A.'s employees - 2018	49,898	
Fondimpresa	Veritas S.p.A.	Training plan to strengthen and further the skills of Veritas S.p.A.'s employees - 2019	106,627	
Municipality of Chioggia	Veritas S.p.A.	Capital grant for the construction and operating management of the Ca' Rossa landfill	464,758	
Delegated Commissioner formerly Ocdpc No. 616/2019	Veritas S.p.A.	Contribution for exceptional meteorological events occurred on 12 November 2019 in Venice - Sacca SanBiagio interventions and water damage	111,899	
Delegated Commissioner formerly Ocdpc No. 616/2019	Veritas S.p.A.	Contribution for exceptional meteorological events that occurred on 12 November 2019 in Venice - cemetery interventions	52,881	
lww Beratungs GmbH	Veritas S.p.A.	Horizon EU-B-WaterSmart project	286,547	
Veneto Region	Veritas S.p.A.	Separate sewerage network in the zone of Villaggio San Marco in Mestre Venezia, lots 1 and 4 – section 1	715,695	
Veneto Region	Veritas S.p.A.	Construction of the Canal Vena sewer in the historic centre of Chioggia	30,462	
Avepa – Agenzia veneta per i pagamenti (Venetian Agency for Payments)	Veritas S.p.A.	Ecopolimeri Project	48,883	X
Avepa – Agenzia veneta per i pagamenti (Venetian Agency for Payments)	Veritas S.p.A.	Phoenix project - P2G - Advanced technologies for the conversion of carbon dioxide into biomethane in the Porto Marghera area	36,052	X
Municipality of Venice	Veritas S.p.A.	Bio pif plant grid system	336,680	
Municipality of Venice	Veritas S.p.A.	Completion of water collection plant in via Torino	1,532,887	
Municipality of Venice	Veritas S.p.A.	Smarter Together Project	4,321	
Metropolitan city of Venice	Veritas S.p.A.	Re.Mo.Ve. Project - recovery of suburbs and sustainable mobility for the metropolitan city of Venice	2,109,091	
Energy Markets S.p.A.	Veritas S.p.A.	Production of Green Certificates	56,966	
Customs Agency	Veritas S.p.A.	Grant for road haulage diesel oil excise duty	303,145	
Customs Agency	Veritas S.p.A.	Grant for motive power diesel oil excise duty	39,718	
Italian Revenue Agency	Veritas S.p.A.	DPI sanitation credit (Article 125 dl 34/2020)	9,385	
Customs Agency	Depuracque servizi S.r.l.	Grant for road haulage diesel oil excise duty	24,493	
Italian Revenue Agency	Depuracque servizi S.r.l.	2019 Research & Development tax credit	76,535	
Italian Revenue Agency	Depuracque servizi S.r.l.	Undue payment of 2019 IRAP balance (Article 24 of Italian Legislative Decree 34/2020)	18,995	
Italian Revenue Agency	Depuracque servizi S.r.l.	Undue payment of 1st IRAP 2020 advance (Article 24 of Italian Legislative Decree 34/2020)	93,991	
Gestore servizi energetici S.p.A.	Depuracque servizi S.r.l.	Grant for photovoltaic plants	59,185	
Italian Revenue Agency	Metalrecycling S.r.l.	Undue payment of 1st IRAP 2020 advance (Article 24 of Italian Legislative Decree 34/2020)	802	
Energy Markets S.p.A.	Vier S.c.a.r.l. *	Grant for photovoltaic plants	283,247	
Ministry of Economic Development	Ecoprogetto S.r.l.	Tariff concession to energy-intensive companies Article 3 of Ministerial decree of the Ministry of Economic Development of 21.12.2017	517,244	X
Customs Agency	Ecoprogetto S.r.l.	Grant for motive power diesel oil excise duty	123,562	
Italian Revenue Agency	Ecoprogetto S.r.l.	DPI sanitation credit (Article 125 of Italian Legislative Decree 34/2020)	23,527	
Italian Revenue Agency	Ecoprogetto S.r.l.	Undue payment of 2019 IRAP balance (Article 24 of Italian Legislative Decree 34/2020)	43,772	
<b>Veritas Group total</b>			<b>7,561,247</b>	

The amounts are reported in Euros.

## 49. Subsequent events

### Investments and acquisitions of business units

On 26 February 2021, the deed of purchase of the business unit relating to the second and third sections of the Savec East part infrastructure was signed by Veritas S.p.A. The cost of acquisition is EUR 13,422 thousand, of which EUR 2,569 thousand was paid on signature of the contract, while the remaining amount of EUR 10,854 thousand will be paid in 35 six-monthly instalments, from 31 March 2021 to 31 March 2038.

At the end of 2020, all the operational phases of the liquidation of Sifagest can be said to be concluded, therefore in 2021 those relating to the final allocation and distribution to the shareholders of the shares related to the investment in Sifa should be carried out.

In December 2020, the primary and secondary urbanisation works of the "former Alcoa - sector A" area by the Consortium for the reclamation and reconversion of the Fusina production plant, which suffered several delays, also due to the period of health emergency, were almost completed. At the beginning of February 2021, the inspector for the deductible areas (green areas and parking areas) identified by the Municipality completed and filed the technical-administrative test certificate at the relevant municipal office; as of today, the document has been approved with the decision of the Public Works area manager, Urbanisation works sector. Contacts are underway with the Assets Department in preparation for the sale and handover of the area; the liquidation process is expected to be completed in the coming months.

### COVID-19 health emergency

During the period in which these notes are prepared, the health emergency due to the COVID-19 pandemic is still ongoing.

Therefore, the risks and uncertainties deriving from the restrictions due to the fight against the pandemic remain unchanged also for the year 2021, as are the protection measures put in place by the group, including the remuneration policies aimed at containing personnel costs, including personnel reorganisation operations.

The group in particular is also monitoring the trend of collections from bills, also in consideration of the ongoing suspension of compulsory collection activities.

### Water regulations and tariffs

ARERA, with resolution No. 46/2021/R/IDR of 9 February 2021, approved the 2020-2023 regulatory framework of Veritas with amendments. The changes made by ARERA with respect to what was resolved by the Catchment Area Council refer only to the individual components of the VRG, but the total VRG and the *theta* indices were confirmed.

### Water regulations and tariffs

As at the date of these notes, the process of preparation and approval by the Council of Bacino Venezia Ambiente of the 2021 PEFs according to the ARERA MTR method, whose components will include the definition of the 2019 adjustments.

An update of the 2020 PEFs already approved by the same Catchment Area Council in December 2020 is also underway, following the findings of the verification phase by ARERA, for the purpose of their final approval (and which would also lead to the definition of the portions of equalisations exceeding the *Cap*).



From the current calculations we are aware of, reductions in both 2018 and 2019 equalisations previously recorded emerged.

Therefore, the directors of the parent company, pending the definitive approval of said process by the Catchment Area Council, took this information into account already in the 2020 financial year, providing for a write-down of these equalisations for a total of EUR 4,177 thousand.

### Operations

In January 2021, the transaction in progress between the parent company and Garage San Marco regarding the sale of part of the Sant'Andrea area in the historic centre of Venice was completed, with subsequent provision for the construction of the expansion of the adjacent building used as a car park, a transfer that took place back in 2011 but with substantially suspended effects pending building approval.

Despite the fact that the Technical-Scientific Committee for the fine arts and landscape first in 2019 and the Municipality of Venice later in July 2020 expressed a favourable opinion on the project, Garage San Marco asked to exercise the option to sell to Veritas, an option provided by the second supplementary deed signed between the parties on 12 December 2017. Therefore, in January 2021, Veritas repurchased the area at the same price as the initial sale.

On 14 May 2021, the parent company repaid the amount of EUR 100 million relating to the bond loan issued in 2014 on the Irish regulated market.

### Dispute regarding VAT on TIA

Judgment No. 11290/2021 of April 2021 of the Supreme Court (joint sittings) with regard to the application of VAT on the TARIP, confirmed, in accordance with what was previously stated on the issue of TIA2, the private nature of the tariff in question and whether it is subject to VAT.

### Public regulations

With regard to electronic invoicing, with the abolition of the *esterometro* planned from 1 January 2022, it will be necessary to revise the XML layouts again to take into account the types of documents for VAT purposes regarding purchases and sales abroad.

The technical specifications regarding electronic invoicing in public tenders are being defined (Italian Legislative Decree 148/2018); the parent company, being a contracting authority pursuant to the *Procurement Code* (Italian Legislative Decree 50/2016), will have the obligation to receive electronic invoices according to the specific route indicated in the European context in terms of tenders, similarly to any other public administration.

## 2.7 Reports

### 2.7.1 Report of the Board of Statutory Auditors

#### **Report of the Board of Statutory Auditors on the financial statements as at 31 December 2020 (Article 2429, paragraph 2 of the Italian Civil Code)**

Shareholders of Veritas S.p.A.  
(Venice energy, water, territory and environmental services)

by means of this report - drafted in accordance with Article 2429, paragraph 2 of the Italian Civil Code - the Board of Statutory Auditors reports to you on the monitoring activities carried out, in fulfilment of its duties, during the year ended as at 31 December 2020.

#### **Monitoring activities**

In the year ended as at 31 December 2020, our monitoring activities were based on the legal provisions and the rules of conduct of the Board of Statutory Auditors recommended by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (National Institute of Chartered Accountants): the rules of conduct issued by Cndcec which the Board adhered to are those updated on 12 January 2021 (relating to unlisted companies) and, where deemed more effective, those of April 2018 (relating to listed companies).

#### **Monitoring of the observance of the law and the Articles of Association**

In fulfilling its supervisory and control activities, the Board of Statutory Auditors periodically obtained information from the directors, also by participating in meetings of the Board of Directors, information on the activities carried out and the most significant economic, financial and equity transactions resolved and performed by Veritas and its subsidiaries, ensuring that the actions established are compliant with the law and the articles of association and not manifestly imprudent, hazardous, in potential conflict of interest or such as to compromise the integrity of the company's assets.

Based on the information acquired through performing its monitoring activities, the Board of Statutory Auditors learned that all transactions were carried out in compliance with the principles of correct administration, were resolved and implemented in compliance with the law and the Articles of Association, were in line with the company's interests, were in keeping with the resolutions passed by the shareholders' meeting, and were not manifestly imprudent or hazardous or as such to compromise the integrity of company assets.

The Board did not learn of any transactions that involved a potential conflict of interests.

With regard to the overall financial statements, Board judged that the Board of Directors provided adequate information on related party transactions in the Report on Operations and in the Explanatory Notes, taking into account the provisions of the applicable regulations. As far as the Board of Statutory Auditors is aware, no intercompany or related party transactions were entered into in 2020 that were not in keeping with the Company's interests.

In 2020, Veritas did not perform any atypical or unusual transactions, neither with third parties or related parties (including therein Group companies). As regards the most significant ordinary transactions, they respect the limits of prudence, are in keeping with the resolutions of the shareholders' meeting and are not as such to compromise company assets.

## Monitoring of the adequacy of the internal audit system, risk management systems and organisational structure

The Board of Statutory Auditors:

- monitored, for matters within its competence, the adequacy of the company's organisational structure, also by collecting information from directors and the heads of the different departments;
- engaged in dialogue with the top management in order to examine, among other things, the internal audit system and the controls in place to monitor the main risks.

The internal audit and risk management system comprises a set of rules, procedures and organisational structures targeted at allowing - through an adequate process of identification, measurement, management and monitoring of the main risks - sound, correct company management consistent with the pre-established objectives.

This system involves a number of players who act in a coordinated fashion, based on:

- I. the responsibilities for the direction and strategic supervision of the Board of Directors and General Manager;
- II. the monitoring and supervision of management;
- III. the monitoring and support to the Board of Directors for the control and the management of the risks of the Audit department manager;
- IV. the monitoring of the Board of Statutory Auditors.

The Audit department manager has an adequate degree of independence and the necessary means to perform his/her function. These individuals are responsible for supporting the administration and control bodies in verifying the adequacy, full operations and effective functioning of the internal audit and risk management system and proposing corrective measures in the case of anomalies, irregularities and/or deficiencies.

The manager of the Audit department reports on the work performed to the directors and the general manager, those responsible for the internal audit and risk management system, as well as to the Board of Statutory Auditors.

The monitoring activity of the audit department manager is oriented, in particular, towards expressing a judgment on the capacity of the internal audit and risk management system to impact the actual achievement of the objectives assigned to the individual company structures (effectiveness profile), taking into account the rational use of the resources for their achievement (efficiency profile), in light of the presence of quali/quantitative risk factors and the likelihood of them influencing the attainment of said objectives.

This monitoring is ensured through:

- the execution of assurance (audit and complementary activities - so-called third-level controls - targeted at evaluating the governance, risk management and control processes) and consultancy services;
- the control of the implementation of improvement plans through the constant monitoring and performance of specific follow-ups, in particularly complex and significant cases, to the issues analysed originally.

The Audit department manager performs his/her activities also at subsidiaries that lack the corresponding audit structures, acting in their interest and reporting to the respective bodies.

The internal audit and risk management system also includes *Organisational Model 231*, i.e. an organisational and management model targeted at preventing offences from being committed which entail company liability pursuant to Italian Legislative Decree 231/2001. This *Organisational Model 231* makes provision for the appointment of the appropriate Supervisory Body,

with autonomous powers of initiative and control, with the task of monitoring the functioning and observance of said *Model*, and proposing updates to it.

The functions of the Supervisory Body are distinguished from those of the Board of Statutory Auditors; this decision is due, on the one hand, to the number and complexity of the arguments that are already normally part of the activities of the Board of Statutory Auditors and, on the other, the specific nature of the tasks of the Supervisory Body.

The risk management system also incorporates the *Market abuse regulation*, regarding corporate disclosure and internal dealing, with particular reference to the processing of confidential information.

In fact, we recall that Veritas, as the issuer of two bonds [the Bond of EUR 100 million (bullet) issued first in 2014 and, subsequently, in December 2020, and the Viveracqua Hydrobond of EUR 15 million (amortizing), issued in 2014 expiring in 2034] is subject to financial regulations, both European and national, on market abuse.

In conclusion: the Board of Statutory Auditors, based on the activities carried out and the information acquired from the internal audit department, believes that the internal control system, the risk management system and the organisational structure are commensurate with the dimensions and complexity of the company and, also with the nature and methods of pursuing the corporate purpose; it also reports that, with reference to the 2020 financial statements, no significant inadequacies in the internal control system.

#### **Monitoring of the administrative-accounting system, of the financial information process and of non-financial information**

The Board of Statutory Auditors, as Internal Control and Audit Committee, monitored the process and controlled the effectiveness of the internal control and risk management systems as regards financial disclosure.

In compliance with the provisions of the Code of Conduct No. Q.3.6, the Board - in order to monitor the process of production of financial disclosures, to guarantee their integrity, accuracy, reliability and completeness - met periodically with the AFPC manager and the management of the department in order to exchange information on the administrative-accounting system, as well as on the reliability of the latter to correctly represent management events.

Over the course of these meetings - during which the Board examined the corporate documentation and reviewed the results of the activities performed by the independent auditing firm - no significant deficiencies were highlighted in the operating and control processes which could invalidate the judgment of adequacy and effective application of the administrative-accounting procedures.

The Board of Statutory Auditors then acknowledged the control activities performed by the department of the Afpc manager in relation to the subsidiaries falling within the scope of consolidation, which did not bring to light any profiles of significant criticalities.

During periodic meetings, the independent auditing firm, EY S.p.A., did not report to the Board of Statutory Auditors any situations of criticality that could invalidate the internal audit system, as regards the administrative and accounting procedures, nor highlighted any censurable events or irregularities.

The company prepared the *Non-Financial Disclosure* (hereinafter NFD), in compliance with Italian Legislative Decree 254/2016.

The NFD was prepared as an autonomous document on a consolidated basis, and this Board, in light of the provisions of Article 3, paragraph 7, of Italian Legislative Decree 254/2016 and in compliance with the suggested guidelines of rule of conduct No. Q.3.2., verified - also in light of the report issued by the independent auditing firm pursuant to Article 3, paragraph 10, of Italian

Legislative Decree 254/2016, already provided in advance to the Board and issued today to the company - its completeness and compliance with the provisions of the regulations and the drafting criteria outlined in the methodological Note of the NFD, without identifying any elements that need to be mentioned in our report.

In light of the above, therefore, no elements emerged to suggest that the activities were not carried out in compliance with the principles of correct administration and that the organisational structure, the internal audit system and accounting-administrative tools are, on the whole, not suited to the company requirements and dimensions.

### Monitoring activities pursuant to Italian Legislative Decree 39/2010

The Board of Statutory Auditors, as the 'Internal Control and Audit Committee', carried out monitoring of the operations of the independent auditing firm, as required by Article 19 of Italian Legislative Decree 39/2010.

As already highlighted, the Board of Statutory Auditors - pursuant to Article 2409 *septies* of the Italian Civil Code and in compliance with the suggested guidelines of rule of conduct No. 5.3 - met several times during the year with the independent auditing firm EY S.p.A. in order to exchange data and information regarding the activities carried out in the performance of the respective tasks.

The independent auditing firm never communicated any facts, circumstances or irregularities which needed to be brought to the attention of the Board and which, therefore, needed to be highlighted in this report.

Today, the independent auditing firm - pursuant to Article 14 of Italian Legislative Decree 39/2010 and Article 10 of Regulation (EU) No. 537 of 16 April 2014 - issued the certification report, which shows that, as already sent notified in advance to the Board - the financial statements for the year ended as at 31 December 2020 are drafted with clarity and present a true and fair view of the financial position, economic result and cash flows of Veritas S.p.A. for the year ended as at said date. In addition, in the opinion of the independent auditing firm, the report on operations is consistent with the financial statements for the year ended as at 31 December 2020.

The independent auditing firm presented us with the *Additional Report*, required by Article 11 of Regulation (EU) No. 537/2014, already outlined to the Board and issued by the company today - that this Board will bring to the attention of the Board of Directors.

The *additional Report* did not highlight any significant deficiencies of the internal control system related to the financial disclosure process worthy of being brought to the attention of the managers of 'governance' activities.

In the *additional Report*, the independent auditing firm presented the Board of Statutory Auditors with the declaration relating to independence, as required by Article 6 of Regulation (EU) No. 537/2014, which did not bring to light any situations that may compromise the independence or constitute causes for incompatibility pursuant to the aforementioned decree.

Furthermore, the Board of Statutory Auditors acknowledged the *Transparency Report* prepared by the independent auditing firm published on its website in accordance with Article 18 of Italian Legislative Decree 39/2010.

Lastly, the Board examined, as already stated, the contents of the report of EY S.p.A. on the *Declaration of non-financial data* issued in accordance with Article 3, paragraph 10, of Italian Legislative Decree No. 254/2016.

Following the entry into force of the so-called 'Barnier reform' and the subsequent new national regulatory framework, introduced by Regulation (EU) No. 537 of 16 April 2014 and Italian Legislative Decree No. 135 of 17 July 2016, which amended Italian Legislative Decree No. 39/2010, the

company prepared adequate procedures for controlling the system of fees disbursed to the independent auditing firm.

The Board of Statutory Auditors reports that, in 2020, in addition to the engagements to audit the separate financial statements, the consolidated financial statements, the non-financial disclosure and the financial statements of the subsidiaries, the following audit-related engagements were entrusted to EY S.p.A., with the approval of this Board:

- certification of the values certifying the requirement of the financial suitability of transporters required by Article 7 of the Management Decree of 25 November 2011 of the Ministry of Infrastructure and Transport amounting to EUR 1,500;
- audit of the annual separate accounts of Veritas S.p.A. as at 31 December 2019, pursuant to Article 14.4 of the Consolidated Law approved by ARERA with resolution No. 137/2016, amounting to EUR 22,000;
- audit of the table of credit and debit balances with the partner municipalities, as at 31 December 2020, for the purposes set out in Article 11, paragraph 6, of Italian Legislative Decree 118/2011, amounting to EUR 12,000.
- examination of the NFD pursuant to Italian Legislative Decree 254/2016 for EUR 27,000;
- revision for the issue of the comfort letter on the prospectus for the issue of the new bond loan for EUR 110,000;
- methodological support activities for the issue of the sustainable linked bond for EUR 18,000.

The independent auditing firm also confirmed to the Board of Statutory Auditors that, during the year and in the absence of the conditions for their issuing, did not issue any judgments.

#### **Relations with the Supervisory Body pursuant to Article 6, paragraph 1, letter b) of Italian Legislative Decree 231/2001**

The Board of Statutory Auditors acquired, through the *Annual Report* issued on 25 February 2021, from the Supervisory Body the information relating to the activities connected with its role in relation to *Organisation Model 231*. These activities concerned the functioning of the Supervisory Body, also in coordination with the other control and management bodies and functions, the planning and performance of monitoring activities, the management of reports and performance of investigations, the evaluation of the adequacy and updating of *Organisation Model 231*.

In 2020, the Supervisory Body did not send any report to the Board of Statutory Auditors regarding relevant facts or information or deficiencies of the *Organisational Model 231*, as required by Article 6, of the Regulation of the Supervisory Body.

In light of the information provided by the Body in its *Annual Report* and in the absence of any observations or deficiencies of the *Organisational Model 231*, therefore no elements came to light as such to suggest that *Organisational Model 231* is not compatible with the company's organisational structure, dimensions and complexity.

The activities of the Supervisory Body are documented in the *Annual Report*.

The Board of Statutory Auditors is not aware of any facts or complaints to report to the Shareholders' Meeting.

During the course of our monitoring activities and on the basis of information obtained, no complaints were in fact submitted pursuant to Article 2408 of the Italian Civil Code, nor have any omissions, censurable events, limitations, exceptions, irregularities or significant events emerged that need to be mentioned in this report.



No opinions were issued in 2020.

## Financial statements

The Board points out that the draft financial statements for the year ended as at 31 December 2020, which the Board of Directors are submitting for your examination and approval, were drafted according to IAS/IFRS.

In fact, Veritas falls under the definition of an EIP (public interest entity) (whose financial statements must be drafted by applying the international accounting standards, pursuant to Italian Legislative Decree 38/2005) given that the company issued financial instruments consisting of bonds listed on regulated markets.

The draft financial statements are therefore composed of:

- I. a statement of financial position, distinguished by current and non-current assets and liabilities based on their realisation or cancellation as part of the normal company operating cycle respectively within or beyond twelve months from the close of the year;
- II. a comprehensive income statement, which shows costs and revenues classified by nature (method deemed by directors to be more representative with respect to the business sector in which the company operates);
- III. a cash flow statement prepared using the indirect method;
- IV. a statement of changes in shareholders' equity;
- V. explanatory notes containing the information required by the applicable legislation and the international accounting standards, shown appropriately with reference to the financial statement layouts used. The draft financial statements are accompanied by the report on operations, which illustrates the Company's situation, the trend in operating performance and its outlook, and the main events that took place during the year and after the end of the year.

This set of documents was made available to the Board of Statutory Auditors at the Board meeting held on 25 May 2021.

As regards 2020, management recorded a positive result, represented in the financial statements, which are consistent with the facts and information we gained knowledge of - as a result of fulfilling our monitoring duties and exercising our audit and control powers - and we have no observations to make in this regard.

Given the Board is not appointed to conduct the independent audit, and therefore given it has no power of analytical control over the content of the financial statements, we monitored the general approach to the financial statements and their compliance with the law as regards their formation and structure: in this regard, we have no particular observations to make.

We also verified - to the best of our knowledge - that the directors, in drafting the financial statements, did not depart from the provisions of the accounting standards adopted.

In compliance with the suggested guidelines of the rules of conduct of the Board of Statutory Auditors No. 3.8 and No. Q.3.7, we have verified

- the observance, by the directors, of the accounting standards adopted for the procedure of preparing the financial statements;
- the compliance of the statement of financial position, of the income statement, of the statement of comprehensive income, of the statement of cash flows and the statement of changes in shareholders' equity with the provisions of the accounting standards IAS/IFRS;
- the correct indication in the explanatory notes of the measurement criteria and their conformance with the law and the accounting standards adopted;

- the compliance of the content of the explanatory notes and the report on operations with the provisions of articles 2427, 2427 bis and 2428 of the Italian Civil Code;
- the completeness and clarity of the information in the explanatory notes and the report on operations, in respect of the principles of truth, correctness and clarity required by law. In particular, we acknowledge that the report on operations contains adequate information on the internal control system and risk management and that the information provided by the directors with regard to transactions with related parties, inherent and connected to the corporate purpose, are to be considered complete.

### Consolidated financial statements

Pursuant to law, the Board of Directors prepared the Veritas Group consolidated financial statements for the year ended as at 31 December 2020, which were audited by the independent auditing firm EY S.p.A. The scope of consolidation, clearly outlined in the introductory section of the report on operations, is substantially the same as the previous year (the scope of consolidation changed compared to 2019 only with respect to the exclusion of Vier S.c.a.r.l.).

As regards the consolidated financial statements, as set forth in rules of conduct 3.9 and Q.3.8, the Board of Statutory Auditors' sole task is to monitor compliance of the procedural regulations regarding the preparation and approach of the consolidated financial statements and the report on operations: in fact, the Board is not obligated to produce a report or formally express a judgment.

The Board verified the composition of the Group and the equity relations as defined by Article 2359 of the Italian Civil Code and Article 26 of Legislative Decree 127/1991 and, within the parent company's organisational structure, the existence of an efficient and operational function responsible for relations with subsidiaries and associates.

On today's date, pursuant to Article 14 of the Italian Legislative Decree, the independent auditing firm issued the certification report, which shows that the consolidated financial statements for the year ended as at 31 December 2020, already presented in advance to the Board, are drafted with clarity and present a true and fair view of the financial position, economic result and cash flows of the Veritas Group for the year ended as at said date. In addition, in the opinion of the independent auditing firm, the report on operations is consistent with the consolidated financial statements for the year ended as at 31 December 2020.

### Conclusions

In conclusion, the Board of Statutory Auditors - taking account of the specific tasks that rest with the independent auditing firm regarding checking the accounts and verifying the reliability of the financial statements, which issued its judgment without reservations - has no observations to formulate to the shareholders' meeting regarding the approval of the financial statements as at 31 December 2020, accompanied by the report on operations, as presented by the Board of Directors and, therefore, has no objections regarding the approval of the financial statements and the proposed allocation of profit for the year.

As regards the Group's consolidated financial statements as at 31 December 2020, we examined their contents and have no observations to make in this regard.

In light of the deep economic and financial crisis resulting from the COVID-19 emergency, which has been ongoing for one year, the Board of Statutory Auditors acknowledges that Board of Directors has continued to carefully evaluate the inevitable impacts that may continue to have also for Veritas. The relevant details are outlined in the Report on Operations. In fact, based on the information available at the time of preparation of the draft financial statements, the directors conducted an accurate analysis of the current and potential future impacts the



epidemiological emergency could continue to have on the company's economic results and financial position, and have ascertained the existence of the going concern assumption.

The Board therefore verified the financial statements disclosure relating to business continuity, in relation to which no situations of uncertainty are highlighted.

Lastly, the Board acknowledges that the company (which operates in essential services and, therefore, has not stopped its activities) has immediately put in place continuous monitoring and careful and incisive prevention measures, so as to favour the contrast and the containment of the spread of the virus: monitoring and activation of measures to combat COVID-19 that still persist.

Venice, 9 June 2021

*The Board of Statutory Auditors*

Giovanna Ciriotto

Roberto Giordani

Maurizio Interdonato

## 2.7.2 Report of the independent auditing firm



EY S.p.A.  
Viale Applanti, 20/b  
31100 Treviso

Tel: +39 0422 358811  
Fax: +39 0422 433026  
ey.com

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014

(Translation from the original Italian text)

To the Shareholders of  
Veritas S.p.A.

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

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

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

#### 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 our report. We are independent of Veritas S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

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

We identified the following key audit matters:

EY S.p.A.  
Sede Legale: Via Lombardia, 31 - 00187 Roma  
Capitale Sociale Euro 2.525.000,00 i.v.  
iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma  
Codice fiscale e numero di iscrizione 00434000504 - numero R.E.A. 250504  
P.IVA 00691231003  
iscritta al Registro Rivelatori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/01/1998  
iscritta all'Albo Speciale delle società di revisione  
Consob al progressivo n. 2 delibera n. 10631 del 16/7/1997  
A member firm of Ernst & Young Global Limited

Key Audit Matter	Audit Response
<p><b>Recoverability of goodwill</b></p> <p>The goodwill as at December 31, 2020 amounts to Euro 21 million and it is allocated to the following Cash Generating Units (CGU) of the Veritas Group: Ecoprogetto, Sii area Mogliano Ambiente, Eco-ricicli Veritas and Asvo.</p> <p>The processes and methodologies for assessing and determining the recoverable amount of each CGU, in terms of value in use, are based on complex assumptions, that by their nature imply the use of the directors' judgment, in particular with reference to the forecast of future cash flows relating to the period covered by the business plan, the normalized cash flows assumed as a basis for the terminal value, as well as the long-term growth rates and discount rates applied to such cash flows forecasts.</p> <p>In consideration of the judgment required and of the complexity of the assumptions used in the estimate of the recoverable amount of goodwill, we have considered that this area represents a key audit matter.</p> <p>The consolidated financial statement disclosures relating to the impairment test is included in paragraph "Estimates and assumptions" within section "2.2 Discretionary assessments and significant accounting estimates" and in note "7. Goodwill and checks on the related impairment test".</p>	<p>Our audit procedures in response to the key matter included, among others:</p> <ul style="list-style-type: none"> <li>• assessment of the processes and key controls implemented by the Company related to the goodwill impairment test;</li> <li>• the assessment of the adequacy of the CGU identification and the allocation of the carrying amount of the assets and liabilities to the individual CGU;</li> <li>• assessment of the report produced by the directors' third-party specialists, as well as the assessment of their competence, capability and objectivity;</li> <li>• assessment of the reasonableness of future cash flow assumptions, including comparison analysis between the historical forecasts and the actual figures subsequently reported;</li> <li>• assessment of the long-term growth rates and discount rates.</li> </ul> <p>Our procedures were performed with the support of our experts in valuation techniques, who performed an independent recalculation and performed a sensitivity analysis on the key assumptions, in order to determine the changes in the assumptions that could significantly impact the valuation of the recoverable amount.</p> <p>Lastly, we assessed the adequacy of the disclosure provided in the explanatory notes to the consolidated financial statements with reference to the goodwill.</p>
<p><b>Revenue from tariffs for integrated water service and for waste management service</b></p> <p>Revenues related to the integrated water service and waste management service are determined on the basis of the national tariff regulation defined by the Regulatory Authority for Energy Networks and the Environment (<i>Autorità di Regolazione per Energia Reti e Ambiente</i>) through the tariff mechanism called Mti-3 for Integrated water service and Mtr for waste management service. The policy for recognizing</p>	<p>Our audit procedures in response to the key matter included, among others:</p> <ul style="list-style-type: none"> <li>• assessment of the processes and key controls implemented by the Company related to the estimate of revenues, including those related to Information Technology (IT);</li> <li>• testing of the design and operating</li> </ul>

Key Audit Matter	Audit Response
<p>revenues pertaining to the Group (so-called guaranteed revenue restriction - VRG <i>Vincolo dei ricavi garantito</i>) ensures that the manager can regulate in the following years the differences between the VRG and the amount actually invoiced to the users on the basis of the volumes distributed.</p> <p>Revenues from tariffs and fees for the waste management service are determined with reference to financial plans prepared by each municipality accordingly to the waste tariff method (Mtr).</p> <p>Considering the judgment required and the complexity of the assumptions used in the estimation of the revenues from the integrated water service and for waste management service, we identified this area as a key audit matter.</p> <p>The consolidated financial statements disclosures relating to accrued revenues is included in paragraph "2.4 - Accounting criteria - Revenue from Tariffs" and in note "33- Revenues from sales and services".</p>	<p>effectiveness of key controls;</p> <ul style="list-style-type: none"> <li>assessment of the key assumptions used by the directors;</li> <li>testing on a sample basis of the correctness of tariffs applied;</li> <li>assessment of the correct determination of the VRG according to the tariff regulation;</li> <li>assessment of revenue recognition for the waste management service according to approved financial plans and according to the Mtr.</li> </ul> <p>Lastly, we reviewed the adequacy of the disclosure included in the notes to the consolidated financial statements related to the estimate of the revenues earned from the integrated water service and from the waste service.</p>

### Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Veritas S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and 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 have 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 have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of 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 financial statements or, if such disclosures are inadequate, to consider this matter in forming 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 have 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 have obtained sufficient appropriate audit evidence regarding the financial information of the entities 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.

We have 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 identify during our audit.





We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all 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 have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

#### Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Veritas S.p.A., in the general meeting held on June 27, 2013, engaged us to perform the audits of the consolidated financial statements for each of the years ending December 31, 2013 to December 31, 2021.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

### Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Veritas S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Group Veritas as at December 31, 2020, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Veritas Group as at December 31, 2020 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Veritas Group as at December 31, 2020 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.



**Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016**

The Directors of Veritas S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Treviso, June 9, 2021

EY S.p.A.  
Signed by: Maurizio Rubinato, Auditor

*This report has been translated into the English language solely for the convenience of international readers.*



3

# Resolutions





## 3.1 Resolutions of the shareholders' meeting

The quorate ordinary Shareholders' Meeting which met on 24 June 2021 in Mestre, via Porto di Cavergnago 99, also in audio video conference, resolved to:

- approve the separate financial statements of Veritas spa as at 31 December 2020, which closed with a profit for the year of EUR 4,748,857, consisting of the Statement of financial position, the Statement of comprehensive income, the Statement of changes in shareholders' equity, the Cash flow statement and the Notes to the financial statements, as well as the Report on Operations, pursuant to board of directors resolution of 25 May 2021;
- allocate the profit for the year to the legal reserve to the extent of 5% (EUR 237,443), to the non-distributable reserve on the basis of the New Investments Fund (FONI) constraint (EUR 4,511,414);
- allocate a part of the other available reserves to the non-distributable reserve on the basis of FONI constraint for EUR 8,645,784;
- to release the non-distributable reserve recognised previously subject to the FONI constraint (EUR 8,992,291), as the investments in water services planned for 2019 were made;
- acknowledge the report of the Board of Statutory Auditors on the separate financial statements of Veritas spa as at 31 December 2020, pursuant to Art. 2429, paragraph 2 of the Italian Civil Code;
- acknowledge the report of the independent auditing firm on the separate financial statements of Veritas spa as at 31 December 2020, drafted pursuant to Art. 14 of Italian Legislative Decree 39/2010 and Art. 10 of Regulation (EU) no. 537/2014.

It also acknowledged:

- the consolidated financial statements of Veritas spa as at 31 December 2020, consisting of the Statement of financial position, the Statement of comprehensive income, the Statement of changes in shareholders' equity, the Cash flow statement and the Notes to the financial statements, as well as the Report on Operations, pursuant to board of directors resolution of 25 May 2021;
- the report of the independent auditing firm on the consolidated financial statements of Veritas spa as at 31 December 2020, drafted pursuant to Art. 14 of Italian Legislative Decree 39/2010 and Art. 10 of Regulation (EU) no. 537/2014.