



2019 Financial Statements

consolidated financial statements
as at 31 December 2019

Veritas spa

veneziana energia risorse idriche territorio ambiente servizi

registered office

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Board of Directors

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Board of Statutory Auditors

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Consolidated Financial Statements



2.1 Report on operations

2.1.1 Activities and operations during 2019

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 one hundred and eighty days from the close of the period, as per the Articles of Association and Art. 2364 of the Italian Civil Code, since the Company is required to draw up the consolidated financial statements pursuant to Art. 25 of Legislative Decree no. 127/91.

The financial statements of the Veritas Group, as at 31 December 2019, reveal a net profit of EUR 7,798 thousand compared with EUR 20,579 thousand of the consolidated financial statements as at 31 December 2018.

If we consider the consolidated result including the share of minority interests, the profit comes to EUR 4,548 thousand, compared to a consolidated profit of EUR 20,454 thousand in 2018.

The consolidated financial statements include the financial statements of the parent company Veritas spa and the financial statements of the companies over which Veritas spa 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 2019:

<u>consolidated companies</u>	<u>head office</u>	<u>share capital</u>	<u>31.12.2019</u>	<u>31.12.2018</u>
			<u>Group's shareholding</u>	
Veritas spa (parent company)	Venice	145,397,150		
Ecoprogetto Venezia srl	Venice	42,120,000	44.86%	44.86%
Vier srl	Venice	100,000	100.00%	100.00%
Mive srl in liquidation	Mirano (Ve)	110,000	100.00%	100.00%
Eco-ricicli Veritas srl	Venice	7,000,000	82.34%	82.34%
Sifagest scarl in liquidation	Venice	500,000	65.00%	65.00%
Asvo spa	Portogruaro (Ve)	18,969,650	55.75%	55.75%
Consorzio bonifica Fusina in liquidation	Venice	100,000	82.05%	82.05%
Metalrecycling Venice srl	Venice	100,000	82.34%	82.34%
Depuracque servizi srl	Salzano (Ve)	223,080	100.00%	100.00%
Lecher ricerche e analisi srl	Salzano (Ve)	46,800	100.00%	100.00%
Rive srl	Venice	100,000	70.00%	70.00%

In 2019, there were no changes to the scope of consolidation with respect to the previous year; note should be taken, nonetheless, of the following:

- in January 2019, the parent company acquired from Eurekaambiente srl the business unit relating to the group of assets organised for the management and disposal of waste deriving from the bankruptcy of the company Raam. The business unit includes a property situated in Pianiga (Ve).

- at the end of February 2019, the shareholders' meeting of Sifagest scarl resolved to place the company into liquidation, which, in August 2018, transferred all its operations, and the associated personnel, to Veritas spa.

- in October 2019, the parent company paid Ecoprogetto srl an amount of EUR 15,000 thousand as a loan for future share capital increase, for the purposes of the partial support of said entity's development plan, which makes provision for investments in the construction of new plants for roughly EUR 70 million. The increase in share capital was then approved by the shareholders' meeting of Ecoprogetto srl on 28 April 2020 and, therefore, from said date, Veritas' shareholding in Ecoprogetto rose to 46.64% of the share capital.
- In May 2019, Ecoprogetto srl left the shareholding structure of the associate Steriladria srl, recorded from 2018 under assets held for sale; by contrast, in 2017, this company had been consolidated in compliance with IFRS 5.
- as part of the investee rationalisation programme resolved by the partner municipalities pursuant to art. 1, paragraph 611 of the 2015 stability law (law 190/2014), on 1 July 2019, the parent company sold its 18% stake in Porto Marghera servizi scarl. In addition, following the striking off from the register of companies on 26 April 2019, Consorzio Venezia ricerche ceased to exist, in which both the parent company and Depuracque servizi held 15.77% of the shares.

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	31.12.2019	31.12.2018
			Group's shareholding	
associates				
Insula spa	Venice	3,706,000	24.73%	24.73%
Sifa scpa	Mestre (Ve)	30,000,000	33.17%	33.17%
Ecoplastiche Venezia srl	Venice	100,000	32.94%	32.94%
Veritas Conegliano srl	Venice	100,000	48.80%	48.80%
Rpm – Riconversione Porto Marghera scarl <i>in liquidation</i>	Salzano (Ve)	10,000	40.00%	40.00%

Ecoplastiche Venezia srl is an associate of Eco-ricicli Veritas srl.

Rpm – Riconversione Porto Marghera scarl is an investee of Depuracque servizi srl. Operating company in an RTI (temporary association of companies), completed the relevant activity and was placed into liquidation at the end of 2019 owing to achievement of the company purpose.

Veritas spa's share capital, subscribed and paid-up, as at 31 December 2019, 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. The inhabitants receiving the services total more than 920,000, making up 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, 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 integrated environmental hygiene services, the territorial sub-division of Veritas spa is that resulting from the aggregation of the areas of competence of the three companies operating prior to the merger of 2007 (Vesta spa, Acm spa and Asp spa), 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 spa covers the territory of its eleven partner municipalities, which are also partners of Veritas.

The table below shows the main income statement figures of the Veritas group relating to 2019 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.

consolidated income statement	2019	%	2018	%
total net revenues	431,264	100.00%	392,954	100.00%
personnel costs	-166,378	-38.58%	-160,410	-40.82%
other operating costs and accruals	-190,152	-44.09%	-169,636	-43.17%
ebitda	74,734	17.33%	62,908	16.01%
amortisation, depreciation and write-downs	-44,711	-10.37%	-36,808	-9.37%
provisions for risks and charges	-9,606	-2.23%	-754	-0.19%
operating income	20,417	4.73%	25,346	6.45%
portion pertaining to shareholdings valued with the equity method	161	0.04%	276	0.07%
financial (income) charges	-10,511	-2.44%	-13,046	-3.32%
income before taxes	10,067	2.33%	12,576	3.20%
income taxes for the year	-5,519	-1.28%	7,878	2.00%
profit (loss) for the year from continuing operations	4,548	1.05%	20,454	5.21%
net profit (loss) from assets held for sale	0	0.00%	0	0
consolidated profit (loss) for the year	4,548	1.05%	20,454	5.21%
profit (loss) pertaining to minority interests	-3,250	-0.75%	-125	-0.03%
profit (loss) pertaining to the Group	7,798	1.81%	20,579	5.24%

* 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 increased by EUR 38.3 million compared to 2018, marking an increase of 9.75%.

The aggregation of the Depuracque Group made a contribution, for the entire year, of EUR 24.3 million, net of intercompany items. Only the second half had been considered in the previous year.

Revenues from tariffs or from the municipal fee for environmental hygiene for Veritas and Asvo also increased.

The entry into force of the new tariff method - Mtr - approved by means of resolution Arera no. 443/2019/R/rif), which applies from tariffs for 2020, nonetheless makes provision for the recalculation of the financial plans also for the years 2018 and 2019; this calculation involved, for Veritas, the recognition of positive tariff adjustments of EUR 7.3 million, which will be recovered in future financial plans. By contrast, Asvo requested the recognition of a tariff adjustment of EUR 0.9 million to cover higher dry waste disposal costs and the management of beach waste relating to the years 2018 and 2019.

Water service revenues, regarding the parent company, were calculated according to the tariff method (Mti-2) approved in December 2015 by Arera; in March 2017, said authority, approved the Veritas tariffs for the 2016/2019 three-year period, and updated said tariffs in January 2019 for the 2018/2019 two-year period. The water tariff for 2019 recorded a negative tariff adjustment of 2.3% compared to 2018. Arera also approved the new tariff method for the 2020-2023 period (resolution 580/2019/R/idr of 27 December 2019) and, therefore, the tariff adjustments relating to 2019 to be recovered with the 2021 tariff were calculated using the new method; these positive adjustments amounted to EUR 5.8 million.

Ecoprogetto Venezia srl recorded a decrease in ordinary revenues, determined by the loss, for the entire year, of intermediated assets now managed directly by the parent company: this economic impact, estimated at EUR 8.4 million, conversely, involved a reduction in disposal costs. By contrast, Eco-ricicli Veritas srl's revenues remained in line with the previous year.

Personnel costs (EUR 166.4 million) rose by 3.72% compared to 2018 (EUR 160.4 million); the average workforce of 3,249 employees increased by 86 compared to 2018.

The increase in the average number of employees is attributable to Veritas, Asvo and Eco-ricicli, due to insourcing and the coverage of new services, while Ecoprogetto, Depuracque and Lecher recorded small decreases.

(In units)	31.12.2019	31.12.2018	change
senior managers	21.67	22.75	-1.08
middle managers	85.11	87.56	-2.45
white-collar employees	932.05	879.55	52.5
blue-collar employees	2,210.10	2,173.17	36.93
total employees	3,248.93	3,163.03	85.90

The ratio of labour costs to total net revenues is 38.58%, compared to 40.82% in revenues in 2018. The positive change with respect to the previous year is related to salary trends, the expiries of contractual renewals and the benefits of group synergies.

The value remains, on average, above that of groups operating in local public services sectors of comparable size. However, it should be noted that the characteristics of the services provided by the Veritas Group – owing to their complexity and multidisciplinary nature, as well as the peculiarities of the delicate territory in which it operates (in particular the historic centre of Venice) – are scarcely comparable to any other organisation operating in similar sectors or markets.

Other operating costs and accruals account for 44.09% of total revenues. On the whole they remained in line with the previous year (43.17%).

The **gross operating margin (EBITDA)** was equal to EUR 74.7 million, marking an increase of 18.08% compared to EUR 62.9 million in 2018. This increase is due primarily to higher allocations for risks and charges accounted for, in particular by Ecoprogetto and the parent company compared to the previous year (up EUR 8.8 million). It also reflects the consequences of the application, from 2019, of the new accounting standard IFRS 16 (which led to improvements in ebitda and a worsening in the nfp).

The **operating income (EBIT)**, amounting to EUR 20.4 million, fell by 19.44% compared to EUR 25.3 million in 2018.

Net financial expenses, amounting to EUR 10.5 million, fell by EUR 2.5 million compared to 2018; in line with what was recorded in the separate financial statements of the parent company: in fact, in 2018, Veritas had accounted for a non-recurring item relating to a provision for interest on arrears of EUR 3.5 million; net of this item, ordinary financial management was therefore comparable with the previous year.

Income before taxation amounted to EUR 10.1 million, down compared to the EUR 12.6 million of 2018. It accounts for 2.33% of total net revenues.

Income taxes for the year came to EUR 5.5 million compared to a positive EUR 7.9 million in 2018; in fact, in 2018, the parent company had accounted an advanced tax credit of EUR 11.3 million deriving from the tax recognition of assets contributed by the aggregation of Asi in the previous year, as a result of the Italian Revenue Agency's response to the appropriate 'interpello' (request for a tax ruling) on the matter.

The consolidated profit for the year was EUR 4,548 thousand, compared to EUR 20,454 thousand in 2018. While in 2018, the group benefitted from the accounting of prepaid tax assets by Veritas (the transaction is described in the previous point), in the current year, the loss of Ecoprogetto srl had an impact which, following the unfavourable judgment issued by the Court of Cassation on 2 March regarding the Icu/Imu (municipal property tax/ tax on real estate property) dispute for the years 2008/2019, saw fit to allocate an amount of approximately EUR 6.9 million in the financial statements, pending future procedural phases it considers appropriate to initiate.

Profit (loss) pertaining to minority interests amounted to EUR -3,250 thousand (EUR -125 thousand in 2018), relating mainly to the subsidiaries Ecoprogetto srl, Eco-ricicli Veritas srl, Asvo spa and Metalrecycling srl. This result was impacted, in particular, by the performance of Ecoprogetto Veritas srl.

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

(thousands of Euro)	31.12.2019	31.12.2018
assets		
total non-current assets	688,778	645,543
current assets	153,775	147,856
net assets (liabilities) held for sale (non-financial)	3,819	3,859
total assets	846,372	797,258
liabilities and shareholders' equity		
total Group shareholders' equity	261,786	255,034
shareholders' equity pertaining to minority interest	30,258	33,531
non-current liabilities	133,103	114,734
current liabilities	221,812	221,871
net financial position	199,413	172,088
total liabilities and shareholders' equity	846,372	797,258

* The net financial position, calculated according to the criteria set out in the main financial covenants in place as at 31 December 2019, 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 28,034 thousand.

Non-current assets rose by EUR 43.2 million compared to the previous year. The adoption of the new accounting standard IFRS 16 from the current year, which involves a different accounting of leases and rights of use, led to the recognition of additional assets at group level of EUR 19.4 million.

Current assets rose from EUR 147.9 million at the end of 2018 to EUR 153.8 million; in particular, trade receivables increased by EUR 16.8 million (mainly in relation to invoices to be issued for water and environment tariff adjustments), while other receivables dropped by EUR 5.0 million and receivables due from shareholders by EUR 3.0 million.

Current liabilities also remained virtually unchanged with respect to the previous year. Trade payables fell by EUR 10.4 million compared to the previous year; by contrast, payables due to partner municipalities rose by EUR 13.7 million due to collections of the Tari (waste tax) and accessory items still not recharged by the parent company to the municipalities themselves.

Net working capital, namely the difference between current assets and current liabilities, is negative by EUR 68 million, stabilising with respect to the values of the previous year (EUR 74.0 million), also thanks to careful coordination by the parent company.

Non-current liabilities stood at EUR 133.1 million compared to EUR 114.7 million as at 31 December 2018, marking an increase of EUR 18.4 million, due for EUR 17.2 million to the increase in provisions for risks and charges, concerning the parent company in particular (up EUR 8.6 for the post-closure of the Jesolo landfill) and Ecoprogetto (+ EUR 6.9 million for the provision for the risks of the Icu/Imu dispute mentioned above).

Shareholders' equity rose by a total of EUR 3.5 million compared to the previous year, with a net profit of EUR 4.5 million. Shareholders' equity pertaining to minority interests fell by EUR 3.3 million, acknowledging the loss of Ecoprogetto, while the profit for the year pertaining to the group amounted to EUR 7.8 million.

The group's **net financial position** at year-end, which also acknowledges the application of new accounting standard IFRS 16, rose by EUR 27.3 million, up from EUR -172.1 million to EUR -199.4 million. The effect of the application of IFRS 16 involved an increase in financial payables of EUR 14.9 million, of which EUR 2.5 million short-term. Nonetheless, the levels of equilibrium were conformed with respect to the shareholders' equity and operating profitability of the group. For an accurate definition of the individual monetary changes, please refer to the cash flow statement.

The Group recorded a high level of indebtedness, but characterised by a sustainable ratio of Nfp to Ebitda, equal to 2.67, compared with 2.74 of the previous year.

The net financial position is composed as follows:

(thousands of Euro)	31.12.2019	31.12.2018
cash on hand	-118,921	-98,708
payables due to banks and current portion of loans	37,349	24,512
current portion of loans from other funders	14,973	6,102
derivative financial instruments - liabilities	259	131
short-term financial payables due to partner entities	727	86
financial liabilities from assets held for sale	0	0
current financial debt	53,308	30,832
net current financial debt	-65,613	-67,876
medium/long-term loans	138,473	127,212
medium/long-term loans from other funders	119,656	111,991
medium/long-term financial payables due to associates	0	0
medium/long-term financial payables due to partner entities	6,897	762
non-current financial debt	265,026	239,964
net financial debt	199,413	172,088

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 IFRS 1 revised, the company valued, in the opening balance sheet (1 January 2016) the assets and liabilities of the separate financial statements at the same values stated in the consolidated financial statements, already drafted according to IFRS, except for the adjustments due to consolidation. For further details on the movements in 2019, please refer to the Statement of Changes in Shareholders' Equity of the parent company in the separate financial statements:

	profit/loss for the year 2019	sharehold- ers' equity 2019	profit/loss for the year 2018	sharehold- ers' equity 2018
profit (loss) for the year and shareholders' equity of the parent company	7,094	253,883	18,304	247,650
portion of profit (loss) for the year and of shareholders' equity of subsidiaries, net of the book value of equity investments	-2,730	38,441	2,353	40,264
consolidation adjustments, net of the tax effect due to:				
allocation of consolidation differences, and associated amortisation	-309	12,754	307	13,525
elimination of intercompany profits	92	-12,631	-320	-12,994
other adjustments	402	-402	-190	120
total consolidated profit (loss) for the year and shareholders' equity	4,548	292,044	20,454	288,565
share capital and reserves pertaining to minority interests	3,250	-30,258	125	-33,531
total profit (loss) for the year and shareholders' equity of the Group	7,798	261,786	20,579	255,034

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 it belongs to. 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 2019 was a negative figure of approximately EUR 185.8 million (EUR 176.3 million in 2018), generating net financial charges of EUR 10.5 million, in line with the previous year if we consider the values net of the non-recurring item for interest on arrears of EUR 3.5 million posted by the parent company in 2018. The figure on financial charges was impacted, as in the previous year, by the effects of the accounting of amortised cost and discounting. The worsening in the nfp is essentially of an accounting nature, connected with the application of IFRS 16 (*leases*), which generated, as already specified in the previous sections of the report, the recognition of a payable from the reclassification of future lease fees of EUR 14.9 million.

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 insolvency percentage relating to the receivables from Tarip municipal waste management services is close to 5%, a percentage deemed, nonetheless, to fall within the average percentage for the sector, given the undoubted difficulty in stopping the service in case of insolvency. It should be noted, at any rate, that after the change to Tari, the credit risk was essentially shifted to the municipal administrations, which need to take account of it in the final calculation of the tariff.

In the water sector, since it is possible to interrupt the supply, the insolvency percentages are lower, hovering at around 1% of the turnover.

The external economic and financial scenario, in which the Group operated during 2019, was characterised by the maintenance of adequate levels of liquidity and funding opportunities. This scenario is set to change in 2020, as a result of the current health emergency related to Covid-19, and the subsequent economic slowdown, whose duration and size could not be predicted.

Risk related to financial indebtedness

The group managed to maintain an adequate financial balance and not increase the risk of financial indebtedness: at year-end, it presented a level of indebtedness equal to 2.67 times ebitda, the ratio improving slightly (2.74) compared to the previous year.

Accounting ebitda amounted to EUR 62,908 thousand in 2018, increasing to EUR 74,734 thousand in 2019, also including the positive effect of the application of IFRS 16 - *leases*, equal to EUR 5,109 thousand. By contrast, the effect of IFRS 16 on the group's net financial position amounted to EUR -14,862 thousand.

The Group's indebtedness is influenced, in particular, by the significant impact of the water assets of the parent company, which are reported below in the item 'Concession services'. The book value, net of Government grants which partially finance the works, is extremely high.

Since the tariff recovery, which remunerates this type of investment according to amortisation and financial charges, is implemented over a very long period of time (water and sewerage pipes have a "useful life" estimated prudently at 40 years), a continuous need for capital to be refinanced is actually generated, given the limited duration of bank credit facilities.

The average life of the existing bank loans at the close of the financial year is approximately 7 years, and the repayment plans are structured as follows:

medium-term loans	2020	2021	2022	2023	2024	after
168,038	29,565	29,284	29,234	27,070	19,825	33,060

The parent company has two bonds with the following characteristics:

	original amount	repayment	maturity
Veritas 2014 loan issued on regulated markets	100,000	<i>bullet</i>	2021
former Asi 2014 loan issued on regulated markets	15,000	<i>amortising</i>	2034

The objective of the Group is to maintain an adequate financial balance through the use of overdrafts, loans and financial leasing, and the parent company has managed to guarantee a financial management which has not raised the risk of financial indebtedness for the whole Group.

The policy of the Group is that no more than 20% of the loans must be due within 12 months. As at 31 December 2019, less than 20% of the medium/long-term financial debts of the Group, including the bonds listed above, will accrue within one year, based on the budget balances and excluding the assets held for sale.

The refinancing of the Group's debt led, in 2019, to the taking out of new medium/long-term loans of EUR 41 million, against repayments of previous loans of roughly EUR 22 million.

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 2019, the Group observed the parameters set out in the respective contracts, except Eco-ricicli Veritas srl 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

The slowdown in global growth also continued in 2019. The trade tensions between China and the United States, which eased towards the end of the year, the economic weakness of industrialised nations, the decrease in global trade, the complex management of Brexit in Europe, characterised the economic and political scenario in the last year. The pandemic generated by Covid-19 at the start of 2020 triggered further criticalities. It is difficult to predict what the medium and long-term economic impact will be, in view of the scope of its spread; it will depend on the fiscal and monetary policies to restore the confidence of the markets that the national and supra-national authorities put in place. According to the OECD, a slowdown in the first half of 2020 is possible, the result of the impact on the supply chains and on raw materials, the decrease in tourist flows and, in particular, considering the deterioration in the prospects of economic operators. The context is one of general uncertainty.

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 2019, the Group reported unused credit facilities amounting to EUR 106.5 million, compared to EUR 111.2 million as at 31 December 2018.

Liquidity risk consists of the risk that the available financial resources may not be sufficient to fulfil all the obligations with a short-term maturity date, amounting to roughly EUR 29.6 million, and to 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, even though still partially, by 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. Using the new waste tariff method, this problem is also coming to light in the environmental hygiene sector, which concerns the parent company and Asvo.

The Group is committed to searching for a municipal waste management tariff/tax on a fee-quantity basis that ensures greater fairness for users, allows greater control for Municipalities and a direct financial return to the Group, while eliminating stress on working capital and increases in financial charges.

Dispute regarding application of VAT on Tia (environmental hygiene tariff)

The judgment of the civil Court of Cassation (joint sittings) 5078/2016, filed on 15 March 2016, provided a definitive interpretation regarding the application of VAT on the environmental hygiene tariff established by art. 49 of 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 hygiene tariff (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 to it.

Subsequently, by contrast, case law, especially following the judgment of the Constitutional Court 238/2009 which, despite only incidentally, had declared the tax nature of the Tia, adopted a firm position in that regard, consequently rejecting the correctness of the application of tax.

In the meantime, by means of Italian Legislative Decree 152/2006, an integrated environmental tariff Tia2 was introduced which, based on the Legislator's intentions, should have replaced Tia1.

Art. 14, paragraph 33 of Decree Law 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 Tia1 with Tia2, 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.

The parent company, as with all other companies that provide environmental hygiene services associated with Federambiente - Utilitalia had, nonetheless, 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 (an amendment which clearly never arrived), especially based on the substantive consideration that the tax requested from users was not in its available funds given that, owing to its nature of neutral tax amount, 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.

Now, thanks to the clarity of the judgment of the Court of Cassation (joint sittings), 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 the parent company 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 unconceivable 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).

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 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 Basin 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 Court of Cassation 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 art. 14 paragraphs 29-32 of Decree Law 201/2011 (so-called "Tares fee") and the tariff pursuant to art. 1, paragraph 668 of law 147/2013 (so-called "quantity-based Tari"), the company had presented, in June 2016, an additional request for a tax ruling to the Revenue Agency, asking if the application of VAT also for these additional forms of tariffs continued to be correct, in view of the reasons of the judgment of the Court of Cassation (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 Court of Cassation (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).

The reasons for these judgments also acknowledge the legitimacy of the case law as regards the application of VAT also on the Tares fee and the quantity-based Tari, in line, this time, with the stance already affirmed by the Revenue Agency.

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 basin, 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 Basin Council), through additional provisions, has recognised that Veritas spa 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 spa 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 spa, Vesta spa and Asp spa in 2007, the partner Municipalities, while confirming the continuation of the services previously assigned to the merging companies, to the new company Veritas spa, 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 Basin council for the Venetian lagoon requested the registration of Veritas spa in the Anac list of in-house contracting authorities pursuant to art. 192 of Italian Legislative Decree no. 50 of 18 April 2016.

An agreement was signed on 20 December 2018 between the Basin council for the Venetian

lagoon and Veritas spa for the regulation of the performance of the integrated water service in the Venice Lagoon optimal territorial sub-division, folder no. 44421, index no. 141026, notary Francesco Candiani of Venice, whose duration is envisaged until 31 December 2038, except for the right of extension exercised by the Basin council for a period of six months under the same conditions, without prejudice to any different terms permitted or imposed by the legal provisions.

As regards waste, the majority of the partner Municipalities of Veritas spa endorsed the resolution pursuant to Art. 34 of the Italian Decree Law 179/2012 confirming, amongst other things, again pursuant to and in accordance with art. 34 of Italian Decree Law 179/2012, that services currently managed through Veritas spa 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 Basin council of Venezia ambiente was established on 24 November 2014, after the signing of the "Agreement for the establishment and functioning of the Basin council of Venezia ambiente regarding the integrated urban waste management service in the Venice territorial basin", by representatives from all 44 Municipalities in the Venice metropolitan area and the Municipality of Mogliano Veneto. The replacement of the basin Council in the activities and legal relations of Ato Venezia ambiente in liquidazione (in liquidation) was completed by resolution of the basin Committee no. 3 of 27 April 2015.

By means of resolution of the basin Assembly no. 11 of 17 December 2015, the basin 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 of the Venezia ambiente basin assembly no. 3 of 25 May 2016, the final alignment of the expiries of the assignments of the integrated waste cycle management service in the basin municipalities 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 for another eight basin municipalities 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 basin 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 basin Council then approved the Report pursuant to art. 34 of Decree Law 179/2012 which defines and explains the choice of in-house providing model for the assignment to Veritas spa 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 spa 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 Basin council of Venezia ambiente requested the registration of Veritas spa in the Anac list of in-house awarding authorities pursuant to art. 192 of Legislative Decree no. 50 of 18 April 2016.

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 art.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 spa 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 spa of the companies Asi spa (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 spa (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 spa, Alisea spa, Veritas spa, in line with the regulatory provisions in force and the guidelines of the competent basin Councils, drafted integration projects in order to make it possible to manage the aforementioned services through a single manager for each reference or territorial basin. The merger by incorporation of Asi spa was completed in 2017, that of Alisea in 2018.

It should be noted that Asvo spa is the in-house contractor of environmental hygiene services for the eleven partner Municipalities, which are also partners of Veritas.

As regards waste treatment, in the Fusina area, the subsidiary Ecoprogetto Venezia srl manages the integrated hub for the treatment and development of residual urban waste for the Venezia ambiente basin, 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 srl 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. It is expanding the industrial project for the treatment of bulky waste and paper/cardboard.

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).

With regard to the installation of high tide footbridges and public toilets, also relating to the Municipality of Venice alone, 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 basin 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.

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.

Following the merger involving SIs srl, from the year 2015 the public lighting and heating management service is active for the Municipality of Chioggia, with duration up to 2020.

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

Asvo spa, 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, it has also overseen the maintenance of public green areas for the Municipality of Portogruaro.

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 Art. 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, Art. 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 Art. 143, paragraph 1".

Art. 149-bis of the Environment Code inserted by Art. 7, paragraph 1, letter d) of Italian Decree Law no. 133 of 12 September 2014, converted, with amendments, by Law no. 164 of 11 November 2014, and amended by Art. 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, Art. 200 of the Environment Code establishes that "Urban waste management is organised on the basis of optimal territorial subdivisions, hereinafter also known as ATOs, outlined in the regional plan pursuant to art. 199, in compliance with the guidelines set forth in art. 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.

Art. 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”.

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, Art. 5 of the Public Contracts Code, as amended by Art. 6, paragraph 1, of Italian Legislative Decree no. 56 of 19 April 2017, describes the requirements of the in-house assignment.

In particular, Art. 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 art. 5, also in order to guarantee adequate levels of publicity and transparency in public contracts. Registration in the list is on demand, after it has been verified that the requirements are met, according to the methods and criteria that the Authority defines through its deed. 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 art. 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 Art. 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, Art. 1, paragraph 5, states: "5. *The provisions of this decree apply, only if expressly provided, to listed companies, as defined by Art. 2, paragraph 1, letter p, as well as to their investees, while Art. 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 art. 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.

Art. 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.

2.1.2 Significant events after the close of the year

As part of the plan for the rationalisation of investees, the parent company concluded a market fact-finding investigation (following the notice of an expression of interest published in 2019) and is now evaluating the interest of economic operators in purchasing stakes in the subsidiary Vier srl, for the purposes of its future strategic-operating development (development and application of renewable energies).

In February 2019, Eco-ricicli Veritas srl presented a project finance proposal to the Veritas Group regarding services involving the treatment and selection, for the subsequent development and/or readying for disposal, of urban waste deriving from the separated waste collection of the metropolitan city of Venice and the Municipality of Mogliano Veneto. Veritas' Board of Directors certified the public benefit of the proposal. The process of assignment of the tender following the project finance proposal has still not been completed. Due to the fact this evaluation phase has been drawn out, Veritas spa – also on behalf of Asvo spa – extended the contract for management of the existing service with Eco-ricicli Veritas until 30 June 2020.

On 6 December 2019, the subsidiary Eco-ricicli Veritas signed a framework agreement with the company F.lli Busato autotrasporti srl 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 effective from 1 January 2020.

On 2 March 2020, the judgment of the Court of Cassation relating to the classification of property assets located in the Integrated Hub of Fusina was made public. The negative judgment against the subsidiary Ecoprogetto Venezia and, conversely, in favour of the Italian Revenue Agency, involved the need for a major review of the values booked to the business plan adopted in 2018, both in economic and equity terms. As a result of the new judgment, 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.

The unfavourable judgment of the Court of Cassation represented an exceptional and non-recurring event that entailed the allocation of a provision for risks of EUR 6.9 million in the 2019 financial statements. The operating result of the subsidiary Ecoprogetto was only negative because said provision was necessary, therefore determining a loss for the year, which would not otherwise have been registered.

In February 2019, Ecoprogetto Venezia srl presented the Veneto Region with a request for an environmental impact assessment for the issuing of a new AIA (Integrated Environmental Authorisation) for the project of technological upgrading of the Plant Hub of Fusina for waste management, which makes provision, among other things, for the request for co-incineration, in the two lines already authorised, also of C_{ss} (secondary solid fuel) obtained from the industrial process of waste treatment, secondary solid fuel currently channelled to the Enel Palladio plant in Fusina or, for the quantity not received by the plant, sent for disposal at Italian and foreign sites with significant negative impacts on the income statement.

The works, commenced in July 2019, will be completed in the middle of 2020 with testing planned for the first half of 2020; production is expected to start in 2020, after the requested authorisation is issued.

In view of the financial requirements for the realisation of the investments planned over the three-year period (the injection of own funds to the company would also be required by the financing banks), the shareholders' meeting of Ecoprogetto Venezia srl of 4 September 2019 had resolved the payment of funds totalling EUR 15,000 thousand, in the form of a future share capital increase. The payment was made for the entire amount resolved by the shareholder Veritas spa in October 2019, in the form of a future share capital increase.

The shareholders' meeting of Ecoprogetto Venezia srl of 28 April 2020 resolved to increase the share capital from EUR 42,120 thousand to EUR 77,923 thousand, through new contributions in cash; the proposed increase was subscribed by the sole shareholder Veritas spa for a total of EUR 11,487 thousand, plus premium of EUR 3,513 thousand. 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 spa redetermined its equity investment at 18% following the transaction.

2.1.3 Business outlook

The performance in the first few months of 2020 was heavily impacted by the consequences of the ongoing health emergency connected with the Covid-19 infection, which is impacting the entire global economy, following the suspension of economic and social activities, a measure taken by both the Italian Government and the majority of other countries all over the world to counteract the risk of infection and the virus spreading.

The group, operating in essential services and the essential services chain, did not halt its activities, but had to implement social distancing measures for employees, like all other operators, the most important of which was the large-scale introduction of smart working.

The halting or slowdown in economic and social activities is generating an exceptional economic crisis, and the group will also be impacted in terms of financial tension stemming from lower revenues due to a notable reduction in water consumption and waste production that said crisis is causing, the increase in costs deriving from higher expected user insolvency, as well as the increase in costs for health and workplace safety; these tensions derive, in particular from users in the tourist chain. In March, and more markedly in April, waste inflows recorded a decrease with respect to the forecasts, recorded by all group companies involved in the environmental hygiene chain.

The group is therefore studying forms of “organisational and economic repositioning” which will consist of the restructuring of general overheads, protection of employment levels through the suspension or limitation of new hires and the use of social shock absorbers, the development and consolidation of smart working, greater use of forms of financing also with, if needs be, the negotiation or rescheduling of bank loans, and more use of factoring of receivables due from the Municipalities.

The Arera provisions of the first few months of 2020, both for the water and waste sections, focussed on mitigating the effects, for users, of the health emergency related to Covid-19.

As a result of judgment numbers 8631/2020 and 8632/2020 of May 2020 of the Court of Cassation (joint sittings) regarding the application of VAT on Tia2 pursuant to Italian Legislative Decree 152/2006, which confirmed the private-law nature of the tariff in question and that it is subject to VAT, it is reasonable to predict a reduction in ongoing disputes on the matter.

As regards the prevention of corruption, the parent company’s Board of Directors adopted a document of guidelines regarding the policy for preventing corruption and a regulation for the management system for the prevention of corruption compliant with standard Uni Iso 37001:2016. This is all incorporated in the current internal control system and is coordinated with the current model 231 regarding the company’s criminal liability.

The Municipality of Fossalta di Portogruaro assigned the management of the maintenance of public green areas to Asvo spa, effective from the current year.

In 2020, the move to the system for the quantity-based measurement of the waste service also commenced for the Municipality of Mirano, managed by the parent company.

2.2 Consolidated statement of financial position

assets (in thousands of Euro)	note	31.12.2019	31.12.2018
	s		
non-current assets			
intangible assets	6	21,334	22,352
concession services	6	227,930	218,684
goodwill	7	21,223	21,223
tangible fixed assets	8	329,236	296,038
investment property	9	18,417	17,495
shareholdings in associates and jointly controlled companies	10	10,443	9,051
financial assets available for sale	11	1,511	1,550
long-term receivables due from partner entities	16	3,330	3,996
long-term receivables due from associates and jointly controlled companies	17	10,676	10,426
other financial assets	12	10,472	10,635
receivables due from subsidiaries held for sale	5	0	0
receivables due for income taxes	19	5,531	5,740
prepaid tax assets	43	28,675	28,353
total non-current assets		688,778	645,543
current assets			
inventories	13	7,149	6,785
contract work in progress	14	1,890	2,602
trade receivables	15	100,298	83,442
receivables due from partner entities	16	21,697	24,740
receivables due from subsidiaries held for sale	5	0	0
receivables due from associates and jointly controlled companies	17	4,556	5,936
other receivables	18	17,289	22,274
receivables due for current income taxes	19	893	2,061
cash and cash equivalents	20	118,921	98,708
derivative financial instruments - assets	30	3	16
total current assets		272,696	246,564
assets held for sale	5	3,819	3,899
total assets		965,293	896,006

liabilities and shareholders' equity (in thousands of Euro)	note s	31.12.2019	31.12.2018
shareholders' equity			
share capital	21	145,397	145,397
own shares	21	-1	-1
reserves	21	116,390	109,638
shareholders' equity pertaining to the Group		261,786	255,034
share capital and reserves pertaining to minority interests	21	30,258	33,531
total shareholders' equity pertaining to minority interests		30,258	33,531
total shareholders' equity		292,044	288,565
non-current liabilities			
medium/long-term loans	22	138,473	127,212
loans from other funders	23	119,656	111,991
provisions for risks and charges	24	76,989	59,825
employee severance indemnity	25	26,131	26,408
long-term payables due to subsidiaries held for sale	5	0	0
long-term payables due to partner entities	26	6,898	762
long-term payables due to associates and jointly controlled companies	27	0	0
other non-current liabilities	28	21,902	19,294
deferred tax liabilities	43	8,080	9,207
total non-current liabilities		398,129	354,699
current liabilities			
trade payables	29	88,686	99,080
payables due to partner entities	26	87,553	77,854
payables due to subsidiaries held for sale	5	0	0
payables due to associates and jointly controlled companies	27	4,380	1,293
payables due to banks and current portion of medium/long-term loans	22	37,349	24,512
loans from other funders	23	14,973	6,102
derivative financial instruments	30	259	131
other current liabilities	31	41,572	43,698
current tax payables	32	348	32
total current liabilities		275,120	252,702
liabilities held for sale	5	0	40
total liabilities		673,249	607,441
total liabilities and shareholders' equity		965,293	896,006

2.3 Consolidated statement of comprehensive income

	note			
comprehensive income statement (in thousands of Euro)		s	2019	2018
continuing operations				
revenues from sales and services	33		418,211	376,564
other income	34		13,053	16,390
total revenues			431,264	392,954
costs for raw and ancillary materials and consumables	35		-31,104	-26,684
costs for services	36		-140,716	-123,630
costs for use of third-party assets	37		-6,632	-10,795
personnel costs	38		-166,378	-160,410
other operating costs	39		-21,306	-9,281
amortisation, depreciation and write-downs	40		-44,711	-36,808
operating income			20,417	25,346
portion pertaining to investments valued with the equity method	41		161	276
financial charges	42		-12,099	-15,022
financial income	42		1,588	1,976
income before taxes			10,067	12,576
income taxes for the year	43		-5,519	7,878
profit (loss) for the year from continuing operations			4,548	20,454
assets held for sale				
net profit (loss) from assets held for sale			0	0
consolidated profit (loss) for the year			4,548	20,454
profit (loss) pertaining to minority interests			-3,250	-125
profit (loss) pertaining to the Group			7,798	20,579
other components of the comprehensive income statement				
		note		2018
		s		
consolidated profit (loss) for the year			4,548	20,454
other components of the comprehensive income statement that will be reclassified subsequently under the profit/(loss) for the year				
conversion differences				
other components of the comprehensive income statement that will not be reclassified subsequently under the profit/(loss) for the year				
actuarial gains (losses) on defined benefit pension plans	25		-1,318	334
income taxes pertaining to other components of the comprehensive income statement			316	-80
comprehensive profit (loss) for the year net of taxes			3,546	20,708
attributable to:				
parent company shareholders:			6,817	20,831
minority shareholders			-3,217	-123
comprehensive profit (loss) for the year net of taxes			3,546	20,708

2.4 Changes in shareholders' equity

(thousands of Euro)	share capital	legal reserve	own shares	other reserves	valuation of associates with the equity method	profit (loss) for the period pertaining to 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
balance as at 1 January 2018	142,235	2,583	-1	71,193	154	13,813	229,978	33,351	1,057	34,408	264,386
application of IFRS 9				-1,562			-1,562				-1,562
adjusted balance as at 1 January 2018	142,235	2,583	-1	69,631	154	13,813	228,416	33,351	1,057	34,408	262,824
share capital increase and business combination	3,162			2,355			5,517				5,517
allocation of previous year's profit/(loss)		405		13,408		-13,813	0	1,057	-1,057	0	0
own shares in portfolio											
business combinations				356			356	-647		-647	-293
other transactions				-86			-86	-105		-105	-191
dividends											
acquisition of minority interests											
increase in minority interests											
other comprehensive income components				252			252	2		2	254
profit (loss) as at 31 December 2018						20,579	20,579		-125	-125	20,454
balance as at 31 December 2018	145,397	2,988	-1	85,916	154	20,579	255,034	33,656	-125	33,531	288,565
balance as at 1 January 2019	145,397	2,988	-1	85,916	154	20,579	255,034	33,656	-125	33,531	288,565
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
profit (loss) as at 31 December 2019						7,798	7,798		-3,250	-3,250	4,548
balance as at 31 December 2019	145,397	3,903	-1	104,534	154	7,798	261,786	33,508	-3,250	30,258	292,044

2.5 Cash flow statement

cash flow statement (in thousands of Euro)	2019	2018
cash flow generated by operating activities		
profit (loss) for the period pertaining to the Group	7,798	20,579
profit (loss) for the period pertaining to minority interests	-3,250	-125
cash flows generated by operating activities		
(interest receivable)/interest payable for the year	10,262	12,848
income taxes for the year	5,519	-7,878
adjustments to reconcile net profit with cash and cash equivalents generated (used) by operating activities		
amortisation, depreciation and write-downs	44,758	36,808
financial income (charges) from discounting	249	198
write-down of receivables and inventories	4,395	3,582
change in fair value of interest rate derivatives	0	0
portion pertaining to investments valued with the equity method	-161	-276
capital gains/losses		
from disposal of property, plant and equipment and investment property	-572	-267
from disposal of shareholdings	0	0
provision (use)		
employee severance indemnity	-1,618	-1,162
provisions for risks and charges	8,450	1,862
other adjustments for non-monetary elements	-9,534	-3,175
cash flows before changes in NWC	66,294	62,994
changes in net working capital		
inventories	-364	1,319
contract work in progress	712	-926
trade receivables	-7,199	9,724
other receivables	5,605	4,377
trade payables	-1,403	3,949
payables due to subsidiaries held for sale	3,086	-1,429
other current payables	-3,225	-1,457
total changes in current assets and liabilities	-2,788	15,557
other adjustments		
(interest paid)	-10,192	-9,896
interest income	1,327	1,363
(income taxes paid)	-5,370	-9,125
dividends received	0	80
change in other non-current payables	6,056	2,924
cash flow generated (used) by operating activities	55,327	63,898

cash flow statement (in thousands of Euro)	2019	2018
cash flows generated from investment activities		
disposal of intangible assets	2	17
disposal of property, plant and equipment and concession services	3,148	1,177
net assets/liabilities held for sale	0	-13
transfer (acquisition) of minority interests	0	0
dividends from associates and joint ventures	0	0
investments in business combinations net of liquidity acquired	-2,985	-8,149
purchases of intangible assets	-6,320	-5,528
investments in concession services	-19,232	-20,524
purchase of property, plant and equipment and investment property	-44,522	-35,730
purchase of shareholdings in associates and joint ventures	-750	-256
grants collected for plants	8,212	7,012
sale/(purchase) of shareholdings in associates and joint ventures	0	0
disinvestments (investments) in financial assets available for sale	39	152
disinvestments/(investments) in other financial assets and receivables due from associates	-678	6,477
cash flow generated (used) by investment activities	-63,086	-55,364
cash flows generated from financing activities		
shareholders' equity		
transfer (acquisition) of own shares	0	0
other changes in shareholders' equity	0	0
dividends paid out	0	-233
third-party financing		
medium/long-term loans taken out	40,940	16,200
medium/long term from other financiers and factoring	0	0
collections/(payments) on derivative instruments	-36	-82
bond issue	0	0
increase/(decrease) in payables due to associates and jointly controlled companies	0	0
increase/(decrease) in short-term payables due to banks	5,550	-758
(repayment) of medium/long-term	-21,934	-22,003
medium/long term from other financiers	5,448	-5,742
increase/(decrease) in financial payables due to partner entities	-1,246	-345
(reimbursement) of bonds	-750	-750
cash flow generated (used) by financing activities	27,972	-13,713
net increase/(decrease) in cash and cash equivalents	20,213	-5,179
cash and cash equivalents at the start of the year	98,708	103,887
cash and cash equivalents at the close of the year	118,921	98,708

2.6 Notes to the financial statements

ACCOUNTING STANDARDS AND NOTES TO THE FINANCIAL STATEMENTS

I. Corporate information

Veritas spa, parent company of the same group, is a joint-stock company (*società per azioni*) 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 Veritas. 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, 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 Venice Lagoon basin. The Group provides the integrated water service and purifies wastewater in the territories of the partner municipalities, with a population of roughly 800,000 inhabitants.

During 2019, the Group billed roughly 76.4 million cubic meters of water. Veritas also manages 15 kilometres of the industrial water supply of Porto Marghera where about 5.5 million cubic metres of water are dispensed, in line with the previous annual management.

The aqueduct network is 5,700 km long and, for the water purification cycle, a 2,800 km-long sewerage network channelling roughly 95 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 Fiesso 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 and in Spinea;

- the construction and management of photovoltaic and cogeneration plants through the subsidiary Vier srl;
the management of hazardous and non-hazardous waste, environmental redevelopment with hi-tech mobile systems through the subsidiary Depuracque servizi srl;
the development of the activities of the Rtn (toxic and hazardous waste) waste treatment plant in Fusina by the subsidiary Rive srl.

The current consolidated financial statements of the Veritas Group have been approved with a resolution issued by the Board of Directors on 29 May 2020.

2.1 Drafting criteria

The consolidated financial statements of Veritas spa for the year ended as at 31 December 2019 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 Art. 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 Art. 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 Art. 14 of Italian Legislative Decree no. 39 of 27 January 2010 by the independent auditing firm Ernst & Young spa.

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.

Accounting standards, amendments and interpretations applied as at 1 January 2019

The accounting standards adopted for the preparation of the consolidated financial statements as at 31 December 2019 are the same as those used to draft the economic-financial data presented for comparative purposes, except for what will be described regarding the first-time application of IFRS 16.

The following amendments to the standards that are in force for years starting on or after 1 January 2019 became effective in 2019. 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:

- IFRS 16 – Leases: IFRS 16 was published in January 2016 and replaces IAS 17 Leasing, IFRIC 4 Determining whether an arrangement contains a Lease, Sic 15 Operating Leases - Incentives and Sic 27 - Evaluating the substance of transactions involving the legal form of a lease.

IFRS 16 defines the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for the majority of leases in the financial statements based on a single accounting model. Contracts that confer the right to control the use of a specific asset, for a defined period of time, in exchange for consideration, fall under the definition of a lease.

The new standard eliminates, for the lessee, the distinction between an operating and finance lease set forth, by contrast, in IAS 17 and incorporates all the different cases in the field under a single model.

The standard contains two exceptions to recognition for lessees:

- leasing of “low value” assets (for example personal computers);
- short-term leases (i.e. lease agreements with a rental period of 12 months or shorter).

At the effective date, the lessee must recognise the asset consisting of the right of use of the underlying asset during the lease term (i.e. right of use) and the lease liability relating to lease fees. The asset consisting of the right of use must be measured at cost, while the liability must be equal to the present value of the payments due and still unpaid at said date, discounted at the implicit interest rate of the contract. Lessees will also be required to separately recognise interest expense on the lease liability and amortisation on the right of use.

Lessees will also be required to reconsider the amount of the liability relating to the lease on verification of given events (for example, a change in the lease term, change in future fees deriving from a variation in an index or rate used to determine said payments). Generally speaking, the lessee will recognise the difference from remeasurement of the amount of the leasing liability as an adjustment of the right of use.

The accounting method for the lessor in respect of IFRS 16 remains essentially unchanged with respect to the current accounting policy according to IAS 17.

The Group adopted the standard retrospectively without re-stating the comparative data according to the modified approach, by accounting for the cumulative effect of the initial application of the standard from 1 January 2019, recognising, in the statement of financial position, the assets consisting of the right of use of leased assets and the lease liabilities at the present value of the remaining payments due and, therefore, without recognising the effects on shareholders' equity.

In certain contracts, the assets for rights of use were recognised for a value equal to that of the corresponding lease liability, adjusted for the amount of any deferred income or accrued income relating to the lease recorded in the statement of financial position immediately before the application date.

The Group chose to use the transition practical expedient according to which, it was not required to redetermine whether the contract is, or contains a lease at the initial date of 1 January 2019. The Group applied the standard solely to contracts previously identified as leases in application of IAS 17 and IFRIC 4 at the date of first-time application.

The Group has also chosen to apply the exemptions proposed by the standard on 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 contain the purchase option (short-term lease) and the leases for which the underlying asset is of a low value (low value lease). Contracts for which the exemptions have been applied fall mainly into the following categories: electronic devices or other equipment of low value. For these contracts, the introduction of IFRS 16 will not involve the recognition of the financial liability for the lease and the related right of use, but the lease payments will be recognised in the income statement on a straight-line basis for the duration of the respective contracts.

The Group also applied the following practical expedients permitted by IFRS 16 which allow lessees to:

- use their onerous contract assessment under IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application, instead of performing an impairment review;
- exclude the direct initial costs from the measurement of the asset consisting of the right of use at the date of initial application;
- base their position on the experience acquired, for example in determining the duration of the lease containing lease extension or termination options.

At the time of the first application of IFRS 16, the Group has adopted a single approach for the recognition and measurement of all leases, except for short-term or low-value leases. Additional details and a sensitivity analysis of the key assumptions are included in Note 23 and in paragraph 2.4 Leases.

In short, the effects of the adoption of IFRS 16 are as follows:

assets (in thousands of Euro)	impacts at the transition date - 1 January 2019
non-current assets	
tangible fixed assets - right of use	17,296
concession services - right of use	6,949
total non-current assets	24,245
current assets	
prepaid expenses	-953
total current assets	-953
total assets	23,292
liabilities and shareholders' equity (in thousands of Euro)	impacts at the transition date - 1 January 2019
shareholders' equity	
total shareholders' equity	-
non-current liabilities	
non-current financial liabilities for leases	18,351
total non-current liabilities	18,351
current liabilities	
current financial liabilities for leases	4,941
total current liabilities	4,941
total liabilities	23,292
total liabilities and shareholders' equity	23,292

Based on what was indicated previously, at 1 January 2019:

- leased assets were recognised and presented separately in the statement of financial position under the items Tangible fixed assets for EUR 17,296 thousand and Concession services for EUR 6,949 thousand. These are augmented by lease activities previously classified as finance leases.

- Additional operating lease liabilities with no passing of title were recognised:
 - for EUR 11,751 thousand Non-current loans from other funders;
 - for EUR 3,710 thousand Current loans from other funders;
 - for EUR 6,600 thousand Non-current payables due to partner entities;
 - for EUR 1,231 thousand Current payables due to partner entities;
- Prepaid expenses of EUR 953 thousand were eliminated relating to previous operating leases which were included in the item Other receivables.

Leases previously classified as finance leases were not subject to any changes in the book value of assets and liabilities at the date of first-time application; assets for rights of use and liabilities are measured at the same value they had by applying IAS 17.

- *Ifric Interpretation 23 – Uncertainty over income tax treatments:* The interpretation defines the accounting treatment of income taxes when the tax treatment involves uncertainties that have an effect on the application of IAS 12 and does not apply to taxes or duties that do not fall under the scope of IAS 12, nor specifically includes requirements relating to interest or penalties attributable to uncertain tax treatments. The interpretation specifically addresses the following points:
 - whether an entity separately considers uncertain tax treatments;
 - the entity’s assumptions on the analysis of tax treatments by the tax authorities;
 - how an entity determines taxable profit (or tax loss), the tax base, unused tax losses, unused tax credits and tax rates;
 - how an entity treats changes in facts and circumstances.

The Group defines whether to consider each uncertain tax treatment separately or together with other (one or more) uncertain tax treatments and uses the approach that provides better predictions of the resolution of the uncertainty.

The Group applies a significant judgment in identifying uncertainties over income tax treatments. Given that the Group does not operate in a multinational context, the interpretation did not have an impact on the consolidated financial statements.

- *Amendments to IFRS 9 – Financial instruments:* Pursuant to IFRS 9, a debt instrument can be measured at amortised cost or fair value through comprehensive income, provided that the contractual cash flows are “exclusively payments of principal and interest on the reference amount (SPPI test) and the instrument is classified in the appropriate business model. The amendments to IFRS 9 clarify that a financial asset passes the SPPI test regardless of the event or circumstance that causes the early termination of the contract, and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the consolidated financial statements of the Group.
- *Amendments to IAS 19 – Plan amendment, curtailment or settlement:* the amendments to IAS 19 ratify the accounting rules in the event in which plan amendment, curtailment or settlement occurs during the reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the year, an entity must determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.

An entity is also required to determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset). These amendments did not have any impact on the consolidated financial statements given that the Group, in the reference period, did not register any amendment, curtailment or settlement of plans.

- *Amendments to IAS 28 - Long-term interests in associates and joint ventures:* The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests).

This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarify that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 *Investments in Associates and Joint Ventures*. These amendments did not have any impact on the consolidated financial statements given that the Group does not hold any investments in associates and joint ventures to which the equity method does not apply.

International accounting standards and/or interpretations endorsed by the competent bodies of the European Union but still not applicable and not adopted early by the Group

Starting from 1 January 2020, the following accounting standards or amendments to accounting standards, shall be compulsory as they have already concluded the EU endorsement process:

- *IFRS 17 – Insurance Contracts:* In May 2017, IASB issued IFRS 17 Insurance contracts, a new complete standard relating to insurance contracts that covers the 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 of the references to the conceptual framework*: document issued by IASB on 29 March 2018, applicable from 1 January 2020, with the objective of updating the references to the conceptual framework present in the IFRS, given the latter was revised by the IASB in 2018. On 29 November 2019, the European Commission adopted the EU Regulation 2019/2075, amending Regulation EC 1126/2008, which adopts certain international accounting standards in compliance with Regulation (EC) No. 1606/2002 of the European Parliament and Council. These improvements include amendments to the existing international accounting standards as follows: *IAS 1 Presentation of financial statements, IAS 8 Accounting standards, changes in the accounting estimates and errors, IAS 34 Interim financial reporting, IAS 37 Provisions, liabilities and contingent liabilities, IAS 38 Intangible assets, IFRS 2 - Share-based payments, IFRS 3 - Business combinations, IFRS 6 Exploration for and Evaluation of Mineral Resources, IFRIC 12 – Service Concession Arrangements, IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine, IFRIC 22 Transactions in foreign currency and advance consideration and SIC 32 Intangible assets - Website costs*. The amendments clarify, correct or remove redundant wording or formulations in the text of the relevant standards.

The adoption of these amendments did not impact the Group's financial statements.

International accounting standards and/or interpretations still not endorsed by the competent bodies of the European Union

The following standards, updates and amendments to IFRS (already approved by IASB), as well as the following interpretations, are in the process of being acknowledged by the competent European Union bodies:

On 12 December 2017, IASB published the document *Improvements to International Financial Reporting Standards: 2015-2017 Cycle*. These improvements include amendments to the four existing international accounting standards:

- *IFRS 3 – Business combinations*: the amendment specifies that a new valuation of the investment previously held in a joint operation must be performed when control of the same is obtained;
- *IFRS 11 – Joint arrangements*: it is clarified that the value of the investment previously held in a joint operation does not need to be revised when joint control of the asset is obtained;
- *IAS 12 – Income taxes*: the improvement clarifies that an entity is required to account for taxes related to the payment of dividends using the same methods as the latter;
- *IAS 23 – Borrowing costs*: entities are required to consider as general borrowings any loan originally stipulated to realise a specific asset when the latter is available for planned use or sale.

The amendments, applicable from 1 January 2019, with early application permitted, clarify, correct or remove redundant or conflicting wording or formulations in the text of the relevant standards.

- *Amendments to IFRS 3 – Business combinations*: document issued by IASB on 22 October 2018, applicable from 1 January 2020, with early application permitted. The amendments clarify the definition of business and help companies to determine whether the acquisition concerns a business or a group of assets instead. More specifically, the new definition underlines that the purpose of a business consists of providing goods and services to customers, while the previous definition concentrated on returns in the form of dividends, cost savings or other economic benefits for investors.

- *Amendments to IAS 1 and IAS 8 – Definition of materiality*: document issued by IASB on 31 October 2018, applicable from 1 January 2020, with early application permitted. The amendments clarify the definition of materiality and how it should be applied, in order to make it easier for companies to choose the information to include in the financial statements.

With reference to the new amendments or new interpretations outlined previously, the Group is analysing their content and intends to adopt these standards and improvements, once they come into force, even though it does not expect them to have a tangible impact on the economic result and on shareholders' equity.

Presentation in compliance with IFRS

The consolidated financial statements of Veritas spa 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 spa 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 (Art. 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, and to paragraph 1.2.9 Risks and Uncertainties of the Report on Operations for the separate 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,

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. 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 losses (expected credit losses - ECL) for all financial assets, as required by IFRS 9. The Group uses a matrix to calculate ECL 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. 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 company 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 judgment in determining the duration of the leases which 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 company 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 spa and the financial statements of the companies over which Veritas spa 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 2019:

consolidated companies	head office	share capital	31.12.2019	31.12.2018
			Group's shareholding	
Veritas spa (parent company)	Venice	145,397,150		
companies consolidated on a line-by-line basis				
Ecoprogetto Venezia srl	Venice	42,120,000	44.86%	44.86%
Vier srl	Venice	100,000	100.00%	100.00%
Mive srl <i>in liquidation</i>	Mirano (Ve)	110,000	100.00%	100.00%
Eco-ricicli Veritas srl	Venice	7,000,000	82.34%	82.34%
Sifagest scarl <i>in liquidation</i>	Venice	500,000	65.00%	65.00%
Asvo spa	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 srl	Venice	100,000	82.34%	82.34%
Depuracque servizi srl	Salzano (Ve)	223,080	100.00%	100.00%
Lecher ricerche e analisi srl	Salzano (Ve)	46,800	100.00%	100.00%
Rive srl	Venice	100,000	70.00%	70.00%

Please refer to Note 3 of the separate financial statements of the parent company 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	31.12.2019	31.12.2018
			Group's shareholding	
associates				
Insula spa	Venice	3,706,000	24.73%	24.73%
Sifa scpa	Mestre (Ve)	30,000,000	33.17%	33.17%
Ecoplastiche Venezia srl	Venice	100,000	32.94%	32.94%
Veritas Conegliano srl	Venice	100,000	48.80%	48.80%
Rpm – Riconversione Porto Marghera scarl <i>in liquidation</i>	Salzano (Ve)	10,000	40.00%	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
useful life	definite	definite
amortisation method used	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
internally produced or acquired product	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 2019, include the following:

tangible fixed assets	category	depreciation rates % 2019
land	land and buildings	indefinite life
industrial and civil buildings	land and buildings	2.5% - 3% - 4%; from 5.88% to 9.52%
lightweight constructions	land and buildings	4% - 6.5% - 10%
fixed water systems	land and buildings	2.5%
tanks	land and buildings	3% - 4%
production-filtration systems	plant and machinery	3% - 5%
water conduits	plant and machinery	2.5%
sewerage pipes	plant and machinery	2.5%
water lifting systems	plant and machinery	3% - 5% - 6%
water purification systems	plant and machinery	3% - 4%
connections	plant and machinery	2.5% - 4%
purification plants	plant and machinery	3% - 5% - 7%
Photovoltaic plants	plant and machinery	5% - 7%
sewage lift stations	plant and machinery	5% - 6%
machinery	plant and machinery	6.5% - 9% - 10% - 15%
waste disposal systems	plant and machinery	3% - 5% - 6% - 7.5% - 8.5% - 15%
waste disposal systems - landfill sites	plant and machinery	depending on the waste (in cubic metres) conveyed to landfill sites
electrical, electronic and thermo-technical systems	plant and machinery	7% - 10%; from 6.67% to 33.3%
wells	plant and machinery	10%
remote-control systems	plant and machinery	7%
equipment	industrial and commercial equipment	7.5% - 10% - 15%
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	8% - 10% - 20%
handling machines and internal transport means	other assets	6.5% - 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 lower of the technical useful 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 lower of the technical useful 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 leases for low-value assets:** 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 contain the 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.

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 the potential consideration classified as assets or liabilities, like the financial instrument that is subject to IFRS 9 Financial instruments, must be booked in the income statement in accordance with IFRS 9. The potential consideration that does not fall under the scope of IFRS 9 is measured at fair value at the balance sheet date and the fair value changes 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 pertaining to the Group. Goodwill referring to the associate 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.

Impairment of non-financial 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 they 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 with changes recognised in the income statement include liabilities held for trading and financial liabilities designated at fair value with changes recognised in the income statement at the time of the initial recognition.

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 company did not designate financial liabilities at fair value with changes booked through profit or loss.

Trade payables

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.

Other liabilities, included under non-current and current liabilities, are initially recognised at cost corresponding to the fair value of the liability, net of transaction costs which are directly attributable to the issuance of the liability itself. After the initial recognition, these financial liabilities are assessed at their amortised cost, using the original effective interest method.

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.

Before 1 January 2018, the documentation included the identification of the hedging instrument, the hedged element or transaction, the nature of the risk subject to hedging and the way in which the company will evaluate the effectiveness of fair value changes in the hedging instrument in offsetting the exposure to changes in the fair value or the cash flows of the hedged element attributable to the risk hedged. These hedges are expected to be highly effective in offsetting the changes in the fair value or the cash flows and are measured on a continuing basis in order to determine whether these hedges have actually proved to be highly effective in the years for which they were designated as hedging transactions.

From 1 January 2018, the documentation includes the identification of the hedging instrument, the hedged element, the nature of the risk and the methods the company 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 entity actually hedges and the quantity of the hedging instrument that the company 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.

Revenue

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 were calculated by taking as a reference the permitted revenue level (VRG), calculated according to the water tariff method (MTI-2) currently in force for the 2016-2019 period.

The approval of tariffs according to the MTI-2 consists in defining a VRG, which determines the tariff multiplier (the so-called 'theta') that defines the tariff increases with respect to periods after 2015 (last year of application of the previous MTI 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; therefore, considering that the tariff equalisation relating to 2019 will be a component of the tariff for 2021, this was determined according to the Mti-3 water tariff method which will be in force for tariffs relating to the 2020-2023 period.

The MTI-2 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.

Art. 20.1 of AEEGSI resolution 664/2015/R/IDR (MTI-2) states that 'the operator of the integrated water service (*servizio idrico integrato*, SII) is required to allocate exclusively for new investments to be made in the territory served, or for the financing of subsidised tariffs to provide social support, a portion of the permitted revenue level to FONI'.

The directors of the parent company 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 tariffs and fees for the municipal waste management services are recorded on an accrual basis, represented by the tariff applied with the time-based criterion, adjusted for future expenses on financial plans and relating to shares of equalisation deriving from the final results of financial plans for the year or previous years.

These revenues were calculated in accordance with the waste tariff method (Mtr) in force starting with the tariff for 2020, which makes provision, however, for equalisation components relating to the recalculation of financial plans for the years 2018 and 2019 according to said method.

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. Business combinations and transfer of minority interests

Acquisitions and transfers in 2019

Purchase of business unit from Eurekaambiente

By means of deed of notary Sandi, index no. 109370 of 11 January 2019, the parent company acquired from Eurekaambiente srl the business unit comprised of the group of assets organised for the management and disposal of waste deriving from the bankruptcy of the company Raam srl.

The purchase price was EUR 600 thousand and the assets contributed by the business unit were tangible fixed assets. The fixed assets acquired from the business unit include a building located in Pianiga intended for logistics support for the municipal waste service in the area of Miranese and Riviera del Brenta.

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

The consideration for the acquisition has been paid.

Acquisitions/terminations after the reporting date

It should be noted that the parent company subscribed a share capital increase of Ecoprogetto Venezia srl, resolved at the end of April 2020. The transaction was already described in the report on operations, point 2.1.2.

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

No companies were consolidated based on IFRS 5 for the year 2019.

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 2018 are also disclosed.

(thousands of Euro)	31.12.2019	31.12.2018
assets		
investment property	3,819	3,839
other assets available for sale	0	60
valuation at equity of companies held for sale		
total assets held for sale	3,819	3,899
liabilities	0	40
total liabilities held for sale	0	40
total net assets held for sale	3,819	3,859

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 30 thousand.

6. Intangible assets

Changes to intangible fixed assets as at 31 December 2019 and 31 December 2018 are indicated below:

(thousands of Euro)	start-up and expansion costs	develop- ment costs	patent rights	licences and software	conces- sions of public services	other intangible assets	investments in progress	total
<i>cost</i>								
as at 1 January 2018	21	32	202	36,119	27,871	412	3,306	67,962
increases for business combinations and changes in perimeter	6		4	244		6	-199	62
increases				3,516		2	1,823	5,341
disposals				-38		-1	-16	-55
reclassifications				141		4,681	-419	4,403
impairment								
other transactions						-6		-6
discontinuing operations								
as of 31 December 2018	27	32	206	39,982	27,871	5,094	4,495	77,707
<i>amortisation, depreciation and im- pairment losses</i>								
as at 1 January 2018	-18	-32	-196	-31,008	-18,454	-21	-558	-50,288
increases for business combinations and changes in perimeter	-2		-4	-214		-6	376	150
amortisation/depreciation	-4		-2	-3,247	-2,011			-5,264
disposals				38				38
reclassifications				3				3
other transactions						6		6
as of 31 December 2018	-24	-32	-202	-34,428	-20,466	-22	-182	-55,356
residual value of contributions	0	0	0	0	0	0	0	0
<i>net carrying amount</i>								
as of 31 December 2018	3	0	4	5,554	7,405	5,072	4,313	22,352
<i>cost</i>								
as at 1 January 2019	27	32	206	39,982	27,871	5,094	4,495	77,707
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								
as at 31 December 2019	27	32	299	43,874	27,871	6,123	3,464	81,690
<i>amortisation, depreciation and im- pairment losses</i>								
as at 1 January 2019	-24	-32	-202	-34,428	-20,466	-22	-182	-55,356
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								
as at 31 December 2019	-25	-32	-206	-38,217	-21,653	-41	-182	-60,356
residual value of contributions	0	0	0	0	0	0	0	0
<i>net carrying amount</i>								
as at 31 December 2019	2		93	5,657	6,218	6,082	3,282	21,334

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 2019, amounted to EUR 6,218 thousand, refers to the management of the Jesolo landfill contributed in 2018 from the merger of Alisea (EUR 5,329 thousand), in addition to the concession for the use of the Spinea funeral cremation facility (EUR 889 thousand) recorded by the parent company.

Under other fixed assets, Eco-ricicli Veritas srl 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 srl, on which the new bulky waste plant will be built, the new loading section of the Vpl1 line and the inorganic waste line.

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>31.12.2019</u>	<u>31.12.2018</u>
'water' concession services	227,930	218,684
total concession services	227,930	218,684

The following table highlights changes in Concession services as at 31 December 2019 and 31 December 2018:

<i>(thousands of Euro)</i>	<i>concession services</i>
<i>cost</i>	
as at 1 January 2018	650,420
increases for business combinations	
increases	19,625
reclassifications	7,771
disposals	-20
as of 31 December 2018	677,796
<i>amortisation, depreciation and impairment losses</i>	
as at 1 January 2018	-290,571
increases for business combinations	
amortisation/depreciation	-17,026
reclassifications	-6,308
disposals	7
impairment	
other transactions	
as of 31 December 2018	-313,898
residual value of 2018 contributions	-145,214
<i>net carrying amount</i>	
as of 31 December 2018	218,684
<i>cost</i>	
as at 1 January 2019	677,796
application of IFRS 16	6,949
as at 1 January 2019 - adjusted	684,745
increases for business combinations	
increases	17,411
reclassifications	-7
disposals	-1,135
as at 31 December 2019	701,014
<i>amortisation, depreciation and impairment losses</i>	
as at 1 January 2019	-313,898
increases for business combinations	
amortisation/depreciation	-17,992
reclassifications	-1
disposals	1,135
impairment	-11
other transactions	
as at 31 December 2019	-330,767
residual value of 2019 contributions	-142,317
<i>net carrying amount</i>	
as at 31 December 2019	227,930



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.

Rights of use relating to the first-time application of IFRS 16 were recognised under concession services as at 1 January 2019 for an amount of EUR 6,949 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 821 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)	31.12.2018	increases	decrease	31.12.2019
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
total goodwill	21,223			21,223

No changes were recorded with respect to 2018.

Waste disposal hub unit - Ecoprogetto

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

Projected cash flows, included in the 2020-2025 financial plan approved by the BoD, were used for the calculations.

The discounting rate applied to projected cash flows was 6.04% for the years 2020-2025, in consideration of the higher increases of expected flows in the new industrial plan. The terminal value was taken by assuming NOPAT for year 2020 as reference cash flow for capitalisation, at 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 spa 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 2020-2022 three-year financial plan approved by the BoD, were used for the calculations.

The discounting rate applied to projected cash flows is 6.04%, using a growth rate g 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 srl.

Also Metalrecycling Venice srl, a subsidiary of Eco-ricicli Veritas srl, 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 2020–2022 three-year financial plan approved by the management, were used for the calculations.

The discounting rate applied to projected cash flows is 6.04%, and cash flows up to 2022 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 srl guaranteed the creation of profit margins as such to ensure the coverage of the economic-equity needs of the company 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 Court of Cassation 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 Court of Cassation, 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 financial statements. In addition, having acknowledged the economic-equity results of 2019 and modified the original plant approach to support the probable indications of the decision-making body of the Region, it shows the company's future capacity to generate income and cash flows suited to maintaining liquidity, profitability and equity strength conditions.

The new plan, which covers the 2020-2025 period, takes account of the evolution of the waste market and the long-term relationship with Enel Produzione Spa, 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 spa.

Eco-ricicli unit

With regard to this unit, the actions implemented lead us to reasonably believe that the 2020-2022 industrial plan will be fulfilled.

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.

In December 2019, the company signed a framework agreement for the acquisition of the business unit of F.lli Busato Autotrasporti srl relating to the road haulage of goods and waste on behalf of third parties, an agreement finalised in January 2020; it identified (Gruppo Progest spa of Istrana) the new business associate with which to develop the paper pulp recovery chain, it has other confidentiality agreements in place for new acquisitions as part of the transport of goods and waste on behalf of third parties and has launched new business partnerships.

The management considers it necessary to construct new and innovative plant lines, already planned, in order to adjust into line with the requirements of the secondary raw materials market and the recycling market in general.

The Directors, therefore, 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 2020-2022 industrial plan will be fulfilled.

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 2019 and 31 December 2018 are as follows:

(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	fixed assets in progress or advances	total
<i>net carrying amount</i>									
as at 1 January 2018	139,531	55,699	18,288	32,016	5,116	0	12,307	9,335	272,292
<i>cost</i>									
as at 1 January 2018	188,519	149,830	56,016	102,703	18,383	11	29,469	11,548	556,479
increases for business combinations and changes in perimeter	2,652	16,239	-392	4,721	1,554		-2,043	573	23,304
increases	10,545	12,114	4,664	11,067	1,865		149	7,968	48,372
disposals	-116	-222	-1,022	-3,251	-136			-21	-4,768
reclassifications	-15,418	20,115	-649	3,052	105		-21,861	-3,072	-17,728
impairment		21						-53	-32
other transactions		-21					1	-16	-36
as of 31 December 2018	186,182	198,076	58,617	118,291	21,771	11	5,715	16,927	605,590
<i>amortisation, depreciation and impairment losses</i>									
as at 1 January 2018	-46,958	-93,833	-37,151	-70,655	-13,087	-11	-17,162	-1,039	-279,896
increases for business combinations and changes in perimeter	-42	-10,977	-4	-2,150	-920		631		-13,464
amortisation/depreciation	-3,441	-7,590	-3,302	-5,696	-1,230		-291		-21,550
disposals	17	105	928	2,770	52				3,872
reclassifications	5,757	-12,683	103	-1,056	8		14,703		6,832
impairment								-160	-160
other transactions									
as of 31 December 2018	-44,665	-124,979	-39,426	-76,790	-15,176	-11	-2,118	-1,200	-304,365
residual value of contributions as at 31.12.2018	-1,669	-1,101	-48	-22	-273	0	0	-2,076	-5,189
<i>net carrying amount</i>									
as of 31 December 2018	139,848	71,996	19,143	41,479	6,322	0	3,597	13,651	296,038
<i>cost</i>									
as at 1 January 2019	186,182	198,076	58,617	118,291	21,771	11	5,715	16,927	605,590
application of IFRS 16							17,296		17,296
as at 1 January 2019 - adjusted	186,182	198,076	58,617	118,291	21,771	11	23,011	16,927	622,886
increases for business combinations and changes in perimeter	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
as at 31 December 2019	189,578	215,939	62,587	128,053	23,744	11	18,017	22,638	660,567
<i>amortisation, depreciation and impairment losses</i>									
as at 1 January 2019	-44,665	-124,979	-39,426	-76,790	-15,176	-11	-2,118	-1,200	-304,365
increases for business combinations and changes in perimeter									
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
as at 31 December 2019	-48,849	-134,174	-42,125	-79,759	-15,668	-11	-3,158	-1,159	-324,903
residual value of contributions as at	-2,526	-3,118	-41	-483	-260				-6,428

31.12.2019

net carrying amount

as at 31 December 2019	138,203	78,647	20,421	47,811	7,816	14,859	21,478	329,236
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There was a net increase of EUR 33,198 thousand in tangible fixed assets, from EUR 296,038 thousand to EUR 329,236 thousand.

The application of IFRS 16 involved the recognition, as at 1 January 2019, of rights of use in tangible fixed assets for EUR 17,296 thousand.

As regards the parent company, please refer to the comments on the fixed assets reported in the appropriate note to the separate financial statements.

The amounts indicated under 'Increases for business combination', for a net value equal to EUR 600 thousand, refer to the assets acquired from the Veritas' purchase of the business unit from Eurekaambiente on 11 January 2019.

Eco-ricicli srl continued to invest in glass-plastic-cans (VPL) treatment plants and relative machinery (roughly EUR 1,465 thousand) and in the Marghera 'Ecodistrict' area. By contrast, the increases in fixed assets in progress include a waste treatment plant (EUR 618 thousand), the purchase of a press that will become operational in 2020 (EUR 377 thousand) and improvements to the fire prevention system (EUR 334 thousand).

For Ecoprogetto, investments continued in 2019 in the investment contract called "new biomass plant" (increased by EUR 3,803 thousand). The period of temporary operation concluded positively and the confirmation of the authorisation to operate closed the first phase of the planned works.

After the authorisations were obtained, the biomass plant was shut down and preliminary activities were undertaken to complete the second plant block called "L1" (EUR 2,230 thousand). Works will be completed in the middle of 2020 with testing, with production starting in 2020, pending and consistent with the times for issuing of the authorisation requested from the Veneto Region.

As they form part of a single plant structure, the two investment contracts are booked in the 2019 financial statements as fixed assets in progress and will be capitalised under accounting categories consistent with the ministerial tables, at the placement in the production cycle of the plants themselves.

Deferred costs booked to fixed assets in 2019 also include the consideration for the purchase of the first plant block acquired from Bioman spa (EUR 997 thousand).

Depuracque servizi srl has investments in tangible assets amounting to EUR 5,905 thousand, including the conclusion of the purchase, commenced, in 2018 of two industrial buildings adjacent to the Salzano site (EUR 4,172 thousand), for which redevelopment works were launched for the purposes of company use. Investments of EUR 488 thousand in plant and machinery were also incurred. By contrast, decreases include the disposal of plant and machinery totalling EUR 2,084 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.

Impairment losses refer primarily to maintenance of third-party assets incurred in previous years on property assets of the head office of the subsidiary Depuracque servizi srl subject to purchase/sale in 2019; therefore, their residual value was eliminated, given included in the total value of the respective buildings booked to tangible fixed assets.

Impairment losses of fixed assets in progress and advances include EUR 47 thousand relating to Ecoprogetto srl for initiatives implemented in previous years that, in 2019, were no longer considered realisable, given the original conditions in place when these investment contracts came about were no longer objectively applicable. The values booked in the investment contracts whose implementation was abandoned were transferred to the income statement, under the various cost accounts by nature.



The item 'other movements' under plant and machinery amounting to EUR 8,404 thousand refers to the capitalisation of post-operating discounted expenses relating to the Jesolo landfill by the parent company as a result of the new estimate of these expenses and deriving from the project to expand the capacities of said landfill approved by the metropolitan city of Venice in December 2019.

Depreciation for the period, amounting to EUR 27,728 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.

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 154 thousand for the parent company, EUR 42 thousand for Ecoprogetto Venezia srl, EUR 9 thousand for Metalrecycling srl and EUR 37 thousand for Depuracque servizi srl.

9. Investment property

The following table shows the changes in investment property as at 31 December 2019 and 31 December 2018, entirely composed of land and buildings:

<i>(thousands of Euro)</i>	<i>total</i>
<i>cost</i>	
as at 1 January 2018	12,716
<i>increases</i>	
reclassifications	5,023
as of 31 December 2018	17,740
 <i>amortisation, depreciation and impairment losses</i>	
as at 1 January 2018	-56
amortisation/depreciation	-3
	-185
as of 31 December 2018	-245
 <i>net carrying amount</i>	
as of 31 December 2018	17,495
 <i>cost</i>	
as at 1 January 2019	17,740
<i>increases</i>	
disposals	-1,583
reclassifications	2,507
as at 31 December 2019	18,664
 <i>amortisation, depreciation and impairment losses</i>	
as at 1 January 2019	-245
amortisation/depreciation	-2
as at 31 December 2019	-247
 <i>net carrying amount</i>	
as at 31 December 2019	18,417

Investment property is composed almost entirely of the value of a plot of land (termed ex 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.

The increase in 2019 relates to the reclassification, by the subsidiary Depuracque, of its portion of land called former Alcoa from land to investment property.

Disposals of EUR 1,583 thousand refer to the sale by the parent company of part of these areas of land to an external company.

10. Shareholdings in associates and jointly controlled companies

As at 31 December 2019, the Group holds the following shareholdings in associates:

(thousands of Euro)	book value		Group's % shareholding	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Sifa scpa	8,804	8,162	33.17	33.17
Insula spa	496	496	24.73	24.73
Ecoplastiche Venezia srl	39	39	32.94	32.94
Veritas Conegliano srl	1,099	349	48.80	48.80
Rpm – Riconversione Porto Marghera scarl in liquidation	5	5	40.00	40.00
total shareholdings in associate companies	10,443	9,051		
total shareholdings in jointly controlled companies				
total shareholdings in associates and jointly controlled companies	10,443	9,051		

The item 'Shareholdings in associates and jointly controlled companies' increased by EUR 1,392 thousand from EUR 9,051 thousand to EUR 10,443 thousand, relating to Sifa scpa and Veritas Conegliano srl.

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 main object of the company, established in 2005, is the design, construction and economic-financial management of initiatives through the funding of projects related to the concession of the complex named 'Progetto Integrato Fusina' (Fusina Integrated Project) by the Veneto Region.

Therefore, the table below summarises the financial disclosures on the shareholding, with reference to the 2018 financial statements, the last set approved:

<i>(thousands of Euro)</i>	31.12.2018	31.12.2017
<i>balance sheet of the associate</i>		
current assets	31,852	26,020
non-current assets	180,006	184,955
current liabilities	-29,692	-112,486
non-current liabilities	-147,653	-67,746
total net assets	34,512	30,743
<i>revenues and profit/loss of the associate</i>		
Revenues	25,486	18,490
profit (loss)	3,769	81
carrying value of the shareholding as at 31.12.2019	8,804	8,162

The IFP provides for the construction of plants for the treatment of waste coming from the Marghera industrial hub, the Mirese area and water for civil use (the manager of the currently operating industrial plants is Veritas spa). It is a large environmental recovery project which concerns a vast area of Fusina, which includes the reconversion of disused areas of the petrochemical plant in the port areas (additional works set forth in the Moranzani programme agreement). The initial agreement, signed in July 2005 with the Veneto Region, was subsequently supplemented in December 2008 and March 2010. In December 2016, a new supplementary and amendment deed to the concession was signed which makes provision for the new attainment of long-term economic-financial equilibrium thanks to the disbursement, by the Region, of a grant for plants of EUR 56 million.

In 2019, Sifa's activities continued in the post-treatment of urban A waste, in the treatment of industrial waste-water and leaching storm water from the industrial area of Porto Marghera, the treatment of groundwater of retro-embankments constructed by the Interregional Procurement and Supply Department for Public Works and by Sifa.

The management confirms that the 2019 operating performance is positive and in line with the industrial plan approved in April 2019.

The subsidiary Depuracque servizi srl, in turn, has a 1% stake in Sifa.

As at 31 December 2019, the Group recognised:

- EUR 8.8 million as the book value of the shareholding in Sifa, in line with the equity value of the associate, estimated by the company by taking the Economic-Financial plan cited above as a starting point and supplemented for the reasons outlined above;
- EUR 14million in financial and trade receivables, relating primarily to the parent company and, to a lesser extent, the Depuracque group and Sifagest;
- EUR 3.7 million in trade payables, relating to the parent company.

The positive change of EUR 642 thousand in the value of the investment with respect to the previous year refers to an addition to financial expenses, already calculated in 2016-2018, 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 7,392 thousand that Sifagest transferred to Veritas following its placement into liquidation.

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

Therefore, the directors, having judged the 4% market interest rate to be applicable to Sifa, had already discounted this receivable in the previous year, for the difference between the two interest rates, and using said financial expense to increase the value of the shareholding.

Insula spa

The company operates in the context of works financed by the special law regarding Venice for the consolidation, conservative restoration, the restructuring of primary and secondary urbanisation works in the city (among other things the Municipality of Venice is the majority shareholder), as well as the management and administration of public residential housing and the administrative management of municipally-owned condominiums.

The following table summarises the financial disclosures on the shareholding in Insula spa:

<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
total net assets	4,460	4,386
<i>revenues and profit/loss of the associate</i>		
revenues	27,376	17,856
profit (loss)	74	136
carrying value of the shareholding	496	496

After a period of uncertainty due to the lack of planning and financing of projects, the company obtained a third consecutive positive net result, also the result of the restructuring and relaunch process implemented in the last few years.

In 2019, the operating performance recorded the expected increase in the value of production compared to the previous year, due to both construction site set-up of the main contracts assigned between the end of 2017 and the adjustment of the municipal budget in the middle of 2018 and the new assignments of 2019.

The Municipality of Venice, in its role of almost exclusive client, concretely demonstrated its confidence in the company's ability to respond, putting it in a position to operate at full capacity for the entire year.

Ecoplastiche Venezia srl

The company was established on 16 May 2014 by Idealservice sc and Eco-ricicli Veritas srl, 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 2019, it was not yet operational.

A summary of the financial disclosures on the shareholding in Ecoplastiche Venezia srl as per the 2019 and 2018 financial statements is shown in the following table:

<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
total net assets	93	94
<i>revenues and profit/loss of the associate</i>		
revenues	0	0
profit (loss)	-1	-1
carrying value of the shareholding	39	39

Veritas Conegliano srl

The company was incorporated by the parent company and another four private shareholders in December 2016, following the definitive award of the tender for the construction of a crematorium facility and the management of cemeteries in the Municipality of Conegliano.

The plant was constructed with project financing, and the proposers are shareholders of Veritas Conegliano srl.

A summary of the financial information on equity investment in Veritas Conegliano srl is shown in the following table:

<i>(thousands of Euro)</i>	31.12.2019	31.12.2018
<i>balance sheet of the associate</i>		
current assets	2,114	4,284
non-current assets	4,050	1,102
current liabilities	-1,459	-856
non-current liabilities	-3,028	-3,006
total net assets	1,677	1,524
<i>revenues and profit/loss of the associate</i>		
revenues	1,848	1,042
profit (loss)	153	22
carrying value of the shareholding	1,099	349

The company became operational from 2017, following the signing of the thirty-year concession for the management of cemetery services and the crematorium, effective from 1 January 2017. The regional authorisation process suffered delays; construction works on the new plant commenced at the end of 2018 and the plant is expected to get up to full operating capacity in July 2020. The company also manages cemetery services in the Municipality of Conegliano, and their ordinary and extraordinary maintenance.

Construction and management activities are being developed on the basis of the economic-financial plan approved, which envisages investments of more than EUR 9,100 thousand, bank loans and shareholders' payments for future share capital increases, which Veritas carried out, in 2018 for EUR 300 thousand and in 2019 for a further EUR 750 thousand.

The value of the parent company's shareholding therefore increased from EUR 349 thousand to EUR 1,099 thousand as at 31 December 2019.

Rpm – Riconversione Porto Marghera scarl in liquidation

Rpm is an associate of Depuracque servizi srl, which holds a 40% stake in it.

It is a special purpose entity and operating company, incorporated by the consortia shareholders for the reversal of costs of a contract relating to an environmental decontamination project. In 2019, the company achieved its corporate purpose and, given the shareholders' meeting had not resolved its modification, the director published said reason for the winding-up at the Register of Companies that recorded it on 16 October 2019, the effective date, with the simultaneous appointment of the liquidator to go ahead with the liquidation activities.

The table below provides a summary of the financial information on the shareholding in Rpm scarl, now in liquidation:

<i>(thousands of Euro)</i>	31.12.2019	31.12.2018
<i>balance sheet of the associate</i>		
current assets	182	388
non-current assets	0	0
current liabilities	-89	-309
non-current liabilities	-67	-60
total net assets	26	19
<i>revenues and profit/loss of the associate</i>		
revenues	322	803
profit (loss)	2	0
carrying value of the shareholding	5	5

11. Financial assets available for sale

Available-for-sale financial assets, equal to EUR 1,511 thousand, relate to minority interests held by the parent company (EUR 206 thousand), by Ecoprogetto (EUR 1,004 thousand), Eco-ricicli srl (EUR 200 thousand) and by Asvo (EUR 101 thousand).

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

Eco-ricicli srl instead holds an investment in Ecopatè srl, recorded in the financial statements for EUR 200 thousand.

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 2019 and 31 December 2018:

(thousands of Euro)	31.12.2019	31.12.2018
guarantee deposits	950	568
financial receivables due from other entities	6,013	6,087
other non-current receivables	3,509	3,980
total other financial assets	10,472	10,635

The total for other financial assets recorded a decrease of EUR 163 thousand.

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 spa 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.

The other non-current receivables relate primarily to receivables due after the year of the parent company, in particular relating to the sale of part of the Sant'Andrea area in Venice (EUR 2,500 thousand)

13. Inventories

The following table highlights disclosures on inventories as at 31 December 2019 and 31 December 2018:

(thousands of Euro)	31.12.2019	31.12.2018
spare parts and consumables	5,703	5,685
CDR (waste-derived fuel)		3
fuels	220	138
inventories of work in progress and semi-finished products		6
inventories of goods for sale	1,573	1,300
provision for inventory depreciation	-347	-347
total inventories	7,149	6,785

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 Ecoprogetto, Eco-ricicli and Metalrecycling. Note that:

- in 2018, the subsidiary Ecoprogetto had reclassified the entire Hypsas tugboat complex to said item with the associated equipment and fixtures, as a result of the procedure entailing an expression of interest in the purchase launched in December. Said asset was transferred to third parties by means of notarial deed of 25 July 2019 at a price of EUR 250 thousand, coinciding with the value booked to current assets in 2018.

14. Contract work in progress

The following table highlights disclosures on contract work in progress as at 31 December 2019 and 31 December 2018:

(thousands of Euro)	31.12.2019	31.12.2018
revenues from contract work recognised as revenue for the period	6,366	1,202
costs for contract work incurred at the reporting date	6,366	1,202
profit recognised at the reporting date	0	0
advances received from the Municipality of Venice	201	453
gross amount due by the principal for contract works	1,890	2,602

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 and remediations.

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.

In addition, in this year, this item included an amount of EUR 936 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 2019 and 31 December 2018:

(thousands of Euro)	31.12.2019	31.12.2018
trade receivables	32,337	28,504
receivables due from SII and SIA users	105,452	88,114
receivables due from related parties	935	1,610
receivables due from entities controlled by the Municipality of Venice	549	662
total nominal trade receivables	139,273	118,890
provision for doubtful trade debts	-4,200	-2,954
bad debt provision related to utilities	-34,775	-32,494
total provision for doubtful debts	-38,975	-35,448
total trade receivables	100,298	83,442

Trade receivables as at 31 December 2019 amounted to EUR 100,298 thousand (EUR 83,442 thousand as at 31 December 2018) and comprise estimated consumption, for the portion pertaining to the year, relating to bills and invoices which will be issued after 31 December 2019. The values are recorded net of the provision for bad debt provision to EUR 38,975 thousand (EUR 35,448 thousand at 31 December 2018), which is deemed appropriate and prudential in relation to the presumed realisable value of such receivables.

The total increase compared to 31 December 2018 was EUR 16,856 thousand.

For the parent company, the main changes concern the recognition of receivables for equalisation for 2018 and 2019 regarding the environmental tariff deriving from application of the new Mtr tariff method established by Arera (EUR 7,275 thousand), the recovery that took place with the billing of the water tariff of 2019 of previous receivables for tariff equalisations for -EUR 1,433 thousand, the final accounting of new receivables in 2019, again for water tariff equalisations (+EUR 4,193 thousand), the increase in the receivables for bills to be issued (+EUR 4,546 thousand), as well as for bills issued (+EUR 2,507 thousand), as well as the increase in the provisions for bad debts and the provision for the year (-EUR 3,834 thousand).

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

(thousands of Euro)	31.12.2019	31.12.2018
receivables due from SII and SIA users billed	56,865	54,420
receivables due from users for Tia1	20,692	20,417
receivables due from SII and SIA users to be billed	15,416	10,832
receivables due from users for water tariff equalisations	5,204	2,445
receivables due from users for environment tariff equalisations	7,275	
total receivables due from SII and SIA users	105,452	88,114

As regards receivables due from environmental hygiene users, it should be noted that judgment no. 5078/2016 of the Supreme Court of Cassation, in a joint sitting of all divisions, definitively confirmed the fiscal nature of the environmental hygiene 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 2019 amounted to EUR 20,637 thousand; the residual portions of allocations for losses already inserted in the old financial plans based on the Tia1 system as at 31 December 2019 (recognised by the parent company as the provision for doubtful debts) came to EUR 7,991 thousand.

As at 31 December 2019, the parent company recorded receivables due from users for water tariff equalisations amounting to EUR 5,204 thousand, composed of:

equalisation description	amount in thousands of Euro	year of invoicing	ref. year equalised	resolution
(residual amount to be invoiced) equalisations for 2004–11 cost/revenue variance and recognition of amortisation	95	2014-16	2004-2011	Basin Council director decision 585-586/2014 of 30.06.2014
<i>prior to 2004 (regulated method)</i>				
equalisation for adjustment to VRG equalisations for 2010–11 ex-Asi cost/revenue variance (normalised method)	-2,499	to be defined	2010-2011	determination of Council assembly Eastern Veneto basin 4/2012 of 24.02.2012
equalisation for adjustment to VRG applied for 2017 (Vrg and water 2 tariff method equalisation)	2,496	2020	2017	Basin Council resolution no. 5/2017 – 6/2017 of 16.02.2017 AEEGSI resolution no. 113/2017/R/idr
equalisation for adjustment to VRG applied for 2018 (VRG interim tariff method 2 water 3 tariff method equalisation)	-681	2020	2018	Basin Council resolution no. 9/2018 of 26.06.2018 Arera resolution no. 10/2019/R/idr
equalisation for adjustment to VRG applied for 2019 (VRG water 2 tariff method - water 3 tariff method equalisation)	5,793	2021	2019	Basin Council resolution no. 9/2018 of 26.06.2018 Arera resolution no. 10/2019/R/idr
total receivables for water tariff equalisations	5,204			

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, but 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 Tariff quantity-based tariff system, billed directly by the group companies to users, and to the Municipalities based on the Tari tax system, and for which the group companies bill the environmental hygiene service to the Municipalities themselves.

The entry into force of the new tariff method - Mtr - approved by means of resolution Arera no. 443/2019/R/rif), which applies from tariffs for 2020, nonetheless make provision for the recalculation of the financial plans also for the years 2018 and 2019; this calculation involved, for Veritas, the recognition of positive tariff adjustments of EUR 7,275 thousand, which will be recovered in future financial plans. At the date of drafting of the financial statements, therefore the requirements are met by Veritas for the recognition of assets for equalisations, quantified in accordance with the provisions of the new tariff method, while uncertainties persist regarding the correct distribution of this equalisation between the receivables due from users (relating to the territories governed by Tarip) and the receivables due from the Municipalities (Tari). The approval, by the Venezia ambiente basin Council, of the distribution mechanism, also inclusive of any equalisation systems, will allow an accurate definition of the attribution of the equalisation to users.

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
as at 1 January 2018	2,283	28,157	30,439
increases for business combinations and changes in perimeter	130	210	340
provisions	310	3,097	3,407
adjustment for IFRS 9		2,055	2,055
uses	-229	-553	-782
increases, decreases and reversals	54	-66	-12
as of 31 December 2018	2,548	32,900	35,448
provisions	1,254	3,141	4,395
uses	-212	-1,072	-1,284
increases, decreases and reversals	379	37	416
as at 31 December 2019	3,969	35,006	38,975

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
2019	100,298	65,370	8,840	2,473	2,682	1,476	19,457
2018	83,442	47,846	5,870	3,932	2,349	1,632	21,813

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 2019 and 31 December 2018:

(thousands of Euro)	31.12.2019 within 12 months	31.12.2019 beyond 12 months	31.12.2018 within 12 months	31.12.2018 beyond 12 months
receivables due from the Municipality of Venice	9,327	3,330	8,381	3,996
receivables due from municipalities with a shareholding of more than 10%				
receivables due from municipalities with a shareholding of less than 10%	12,370		16,359	0
total due from partner entities	21,697	3,330	24,740	3,996

Receivables due from the Municipality of Venice are shown below:

(thousands of Euro)	31.12.2019 within 12 months	31.12.2019 beyond 12 months	31.12.2018 within 12 months	31.12.2018 beyond 12 months
receivables due from service contract, engineering works and other current receivables	5,453		3,962	
instalment-based receivables	518	3,330	1,518	3,996
receivables due for invoices to be issued	2,707		2,556	
receivables due from SII and SIU	22		345	
receivables for plant grants due	627		0	
total receivables due from the Municipality of Venice	9,327	3,330	8,381	3,996

Receivables from partner municipalities decreased by a total of EUR 3,709 thousand.

As a result of the increase in share capital in 2017, all partner Municipalities, excluding Venice, have shareholdings of less than 10% in the parent company.

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.

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.

As already described in the previous note, receivables for tariff equalisations deriving from the recalculation of environmental hygiene using the Mtr method of the 2018 and 2019 financial plans, both in the case of Tari and Tarip, were recognised on the whole by the subsidiary under trade receivables pending the approval of the new tariffs.

By contrast, Asvo requested the recognition of a tariff adjustment of EUR 945 thousand to cover higher dry waste disposal costs and the management of beach waste relating to the years 2018 and 2019. This amount is classified under Receivables due from Municipalities holding less than a 10% shareholding.

17. Receivables due from associates and jointly controlled companies

The following table highlights disclosures on amounts due from associates as at 31 December 2019 and 31 December 2018:

(thousands of Euro)	31.12.2019 within 12 months	31.12.2019 beyond 12 months	31.12.2018 within 12 months	31.12.2018 beyond 12 months
Insula spa	1,111		571	
Sifa scpa	3,390	10,676	5,186	10,426
Veritas Conegliano srl	29		61	
Rpm Riconversione Porto Marghera scarl	26		118	
total amounts due from associates and jointly controlled companies	4,556	10,676	5,936	10,426

The Group's trade receivables due from Sifa, mainly attributable to the parent company after the transfer of the same from Sifaget in liquidation, were converted to financial receivables expiring after one year, following the signing of shareholders' agreements in December 2016 between the shareholders of Sifa, including Sifaget and Veritas, and which make provision, among the various clauses, for the deferred payment of these receivables over a period of around 10 years. In 2019, Sifa scpa continued to reimburse shareholders as per planned repayment plan.

18. Other receivables

The following table highlights disclosures on other receivables as at 31 December 2019 and 31 December 2018:

(thousands of Euro)	31.12.2019	31.12.2018
receivables due from public authorities for grants related to plants	2,319	2,759
receivable due from tax authorities for VAT	780	1,277
receivables due from tax authorities for excise duties, additional taxes, other	65	67
advances to suppliers and employees	3,169	1,742
receivables due from social security institutes	377	291
receivables due from other companies	188	1,573
accrued income and prepaid expenses	6,661	9,061
receivables for disposal of investment property	2,050	1,700
other receivables	1,680	3,803
total other receivables	17,289	22,274

Receivables due from the public authorities, especially due from the Region, refer to grants on investments resolved but not yet paid to the parent company.

The residual receivable for the disposal of investment property is due to the completion of a sale regarding the Sant'Andrea area carried out by the parent company. The portions of said receivable expiring after 2020, amounting to EUR 2,500 thousand, were classified under other financial assets.

The item Prepaid Expenses has included, since 2013, the consideration of EUR 5,900 thousand recognised to Ladurner srl 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 2019 the deferral amounted to EUR 3,518 thousand.

The decrease in prepaid expenses following the application of IFRS 16 amounted to EUR 953 thousand.

19. Receivables due from income taxes

The following table highlights disclosures on amounts due from income taxes as at 31 December 2019 and 31 December 2018:

(thousands of Euro)	31.12.2019	31.12.2018
IRES tax receivables within the year	537	1,551
IRES tax receivables beyond the year	5,531	5,740
IRAP tax receivables	278	472
other tax receivables	78	38
total receivables due from income taxes	6,424	7,801

IRES and IRAP tax receivables correspond to the 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.

The IRES tax receivables, payable beyond the year and amounting to EUR 5,531 thousand, relate to the deduction of the IRAP tax on labour costs for IRES tax purposes for the years 2007–2011, after the reimbursement claims filed in February 2013 (Art. 4, Par. 16 of Italian Decree Law 16/2012) by the parent company, on behalf of all companies included in the tax consolidation regime in the above period (totalling EUR 5,373 thousand), as well as by the other subsidiaries that, at the time, did not participate in tax consolidation (EUR 158 thousand).

20. Cash and cash equivalents

The following table highlights disclosures on cash and cash equivalents as at 31 December 2019 and 31 December 2018:

(thousands of Euro)	31.12.2019	31.12.2018
cash on hand and cheques	285	37
bank deposits	118,636	98,671
total cash and cash equivalents	118,921	98,708

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 118,921 thousand (EUR 98,708 thousand as at 31 December 2018).

The analysis of changes in cash and cash equivalents is shown in detail in the cash flow statement.

As at 31 December 2019, the Group reported unused credit facilities amounting to around EUR 106.5 million, compared to EUR 111.2 million as at 31 December 2018.

21. Share capital and reserves

The following table highlights disclosures on share capital and reserves as at 31 December 2019 and 31 December 2018:

(thousands of Euro)	31.12.2019	31.12.2018
share capital	145,397	145,397
legal reserve	3,903	2,988
own shares	-1	-1
other reserves	112,487	106,650
total Group shareholders' equity	261,786	255,034
share capital and reserves pertaining to minority interests	30,258	33,531
total shareholders' equity of minority interests	30,258	33,531
total shareholders' equity	292,044	288,565

The share capital of the parent company as at 31 December 2019 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 915 thousand, compared with the previous year, as a result of the allocation of 5% profit for 2018. The reserve is not distributable as has not reached the threshold set out by Art. 2430 of the Italian Civil Code.

Under other reserves, the parent company highlights the non-distributable reserve for the Foni restriction for an amount of EUR 15,235 thousand. For further details, please refer to note 21 of the separate financial statements of the parent company.

The other reserves rose by a total of EUR 5,837 thousand, mainly due to the recognition of the Group profit equal to EUR 7,798 thousand.

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 srl, Eco-ricicli Veritas srl, Sifagest scarl, Asvo spa, Consorzio bonifica e riconversione produttiva Fusina, Metalrecycling srl and Rive srl. As at 31 December 2019 it amounted to EUR 30,258 thousand; the loss pertaining to minority interests came to EUR 3,250 thousand and is related, in particular, to the loss for the year recognised by Ecoprogetto srl.

22. Payables due to banks and medium-long-term loans

Payables due to banks and medium/long-term loans amounted to EUR 175,822 thousand (of which EUR 138,473 thousand expiring beyond the next year and EUR 37,349 thousand within the year), marking an increase of EUR 24,098 thousand compared to the previous year.

The part relating solely to loans amounted to EUR 138,473 thousand and the following table shows the information as at 31 December 2019:

(thousands of Euro)	disbursement date	original amount	interest rate	expiry date	residual amount 31.12.2019	of which short-term	of which medium/long-term
	29/12/2009	25,000	6m Euribor + 1.30%	31/12/2025	11,014	1,732	9,282
*	24/07/2009	20,000	6m Euribor + 1.75%	30/06/2024	8,269	1,652	6,617
*	03/08/2011	7,000	3m Euribor + 2.10%	01/07/2022	2,387	781	1,606
*	28/12/2011	1,200	4.40%	30/06/2026	528	72	456
*	20/03/2014	800	3m Euribor + 4.00%	20/03/2024	375	78	297
**	06/05/2015	30,000	0.68%	06/05/2030	27,597	2,648	24,949
**	19/09/2016	20,000	0.61%	19/09/2031	20,111	843	19,268
**	13/01/2017	10,000	3m Euribor + 2.25%	31/03/2024	6,203	1,403	4,800
	30/11/2007	2,280	6m Euribor + 0.95%	30/11/2022	592	188	404
	30/06/2008	1,450	6m Euribor + 0.90%	30/06/2023	452	120	332
**	30/06/2010	3,000	6m Euribor + 1.49%	31/12/2025	1,200	200	1,000
	22/11/2010	587	6m Euribor + 1.307%	31/12/2025	260	41	219
**	31/12/2012	4,000	6m Euribor + 4.35%	30/06/2022	1,254	482	772
	13/01/2017	5,000	6m Euribor + 0.95%	31/12/2024	3,599	705	2,894
	30/05/2017	10,000	3m Euribor + 2.50%	30/06/2023	7,098	1,954	5,144
**	01/06/2017	15,000	3m Euribor + 2.90%	30/06/2024	10,588	2,237	8,351
**	29/01/2018	8,000	2.53%	30/06/2025	6,249	1,131	5,118
	03/05/2018	3,000	3m Euribor + 2.15%	30/06/2023	2,126	590	1,536
	07/10/2008	10,000	6m Euribor + 0.79%	30/06/2021	1,500	1,000	500
(a)	08/05/2019	5,000	3m Euribor + 2.3%	28/06/2024	4,481	954	3,527
(b)	30/05/2019	7,000	3m Euribor + 3.1%	30/06/2026	6,520	921	5,599
** (c)	19/06/2019	15,000	6m Euribor + 2.85%	19/06/2025	14,942	2,545	12,397
(d)	30/10/2019	10,000	6m Euribor + 2.50%	31/10/2024	9,985	1,901	8,084
**	settl.	21,333	6m Euribor + 4.375%	28/01/2024	10,682	2139	8,543
**	18/07/2014	5,000	6m Euribor + 4.45%	31/07/2024	2,777	555	2,222
** (#)	29/01/2018	2,000	fixed 2.62%	30/06/2023	1,391	1391	0
	20/12/2018	1,000	3m Euribor + 3.0%	19/12/2023	805	193	612
(e)	21/03/2019	1,000	3m Euribor + 2.5%	31/12/2023	806	193	613
* (f)	23/04/2019	1,440	3m Euribor + 2.5%	31/12/2025	1,331	207	1,124
(g)	19/06/2019	1,000	6m Euribor + 2.85%	19/06/2024	903	191	712
(h)	22/11/2019	500	3m Euribor + 3.0%	21/11/2024	488	93	395
	06/03/2018	200	3m Euribor + 0.90%	06/03/2020	25	25	0
	28/11/2018	2,000	3m Euribor + 1.20%	29/09/2023	1,500	400	1,100
total medium/long-term loans					168,038	29,565	138,473
less current portion					-29,565		
medium/long-term loans - non-current portion					138,473		

It is noted that the following loans (marked in the table with *) are covered with mortgages:

- loan stipulated in July 2009 by Veritas spa with Mediocredito del Friuli Venezia Giulia, in the amount of EUR 20,000 thousand, with a residual debt of EUR 8,269 thousand as at 31 December 2019, 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 spa with Banca Antonveneta (now Monte Paschi di Siena) in the amount of EUR 7,000 thousand, with a residual debt of EUR 2,387 thousand as at 31 December 2019, covered by a mortgage on the property of the Centro Direzionale 2 in Mestre, via Orlanda 39;
 - loan stipulated in December 2011 by Veritas spa from Banca Intesa Infrastrutture e Sviluppo, in the amount of EUR 1,200 thousand, with a residual debt of EUR 528 thousand as at 31 December 2019, secured by a mortgage on the area relating to the Mogliano Veneto eco-centre;
 - loan stipulated in March 2014 by Veritas spa with Banca Popolare dell'Alto Adige in the amount of EUR 800 thousand, with a residual debt of EUR 375 thousand as at 31 December 2019, 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 spa – 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 2019 was EUR 1,331 thousand, secured by a mortgage on the industrial facility of Via dell'Elettronica 3 in Marghera.

The following unsecured loans were stipulated in 2019:

- a) loan stipulated on 8 May 2019 by Veritas spa with Banco Bpm spa, in the amount of EUR 5,000 thousand with the aim of making structural investments and purchasing machinery; the loan, with maturity term on 28 June 2024, envisages quarterly repayments at a floating rate of 3-month Euribor + 2.3% spread; the repayment started on 30 September 2019;
- b) loan stipulated on 30 May 2019 by Veritas spa with Banca di Cividale scpa, in the amount of EUR 7,000 thousand with the aim of making structural investments and purchasing machinery; the loan, with maturity term on 30 June 2026, envisages quarterly repayments at a floating rate of 3-month Euribor + 3.1% spread; the repayment started on 30 September 2019;
- c) loan stipulated on 19 June 2019 by Veritas spa with Ubi banca spa, in the amount of EUR 15,000 thousand with the aim of making structural investments and purchasing machinery; the loan, with maturity term on 19 June 2025, envisages half-yearly repayments at a floating rate of 6-month Euribor + 2.85% spread; the repayment will start on 19 June 2020;
- d) loan stipulated on 30 October 2019 by Veritas spa with Bper banca spa, in the amount of EUR 10,000 thousand with the aim of making structural investments and purchasing machinery; the loan, with maturity term on 31 October 2024, envisages half-yearly repayments at a floating rate of 6-month Euribor + 2.5% spread; the repayment started on 30 April 2020;
- e) loan stipulated on 21 March 2019 by Eco-ricicli with Iccrea banca impresa spa, in the amount of EUR 1,000 thousand with the aim of making investments; the loan, with maturity term on 31 December 2023, envisages quarterly repayments at a floating rate of 3-month Euribor + 2.5% spread; the repayment started on 31 March 2019;
- f) mortgage loan stipulated on 23 April 2019 by Eco-ricicli with Iccrea banca impresa spa, based on a 50% pool arrangement with Banca di credito cooperativo di Venezia, Padova e Rovigo, in the amount of EUR 1,440 thousand with the aim of making investments; the loan, with maturity term on 31 December 2025, envisages quarterly repayments at a floating rate of 3-month Euribor + 2.5% spread; the repayment started on 30 September 2019;
- e) loan stipulated on 19 June 2019 by Eco-ricicli with Ubi banca spa, in the amount of EUR 1,000 thousand with the aim of making investments; the loan, with maturity term on 19 June 2024, envisages quarterly repayments at a floating rate of 6-month Euribor + 2.85% spread; the repayment started on 19 December 2019;
- h) loan stipulated on 22 November 2019 by Eco-ricicli with Banco delle Tre Venezie spa, in the amount of EUR 500 thousand with the aim of making investments; the loan, with maturity

term on 21 November 2024, envisages quarterly repayments at a floating rate of 3-month Euribor + 3.0% spread; the repayment started on 21 January 2019.

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 2019, 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 srl 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 2019, the maturity dates for medium-long-term loans for the period are as follows:

(thousands of Euro)	31.12.2019
31 December 2020	29,565
31 December 2021	29,284
31 December 2022	29,234
31 December 2023	27,070
31 December 2024	19,825
beyond 2024	33,060
total medium/long-term loans	168,038

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 2019 and 31 December 2018:

(thousands of Euro)	31.12.2019	31.12.2018
current portion of medium/long-term loans	29,565	22,279
payables due to banks in current account	7,784	2,233
other bank payables		
total due to banks and current portion of medium/long-term loans	37,349	24,512

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 134,629 thousand, of which EUR 119,656 thousand at medium/long term and EUR 14,973 thousand at short term. They recorded an increase of EUR 16,536 thousand compared to the previous year.

This item consists of:

- bonds of EUR 115,203 thousand (of which EUR 4,982 thousand short-term) concerning the parent company;
- payables for finance leases of EUR 2,633 thousand (of which EUR 630 thousand short-term);
- payables for operating leases (IFRS 16) of EUR 7,998 thousand (of which EUR 1,817 thousand short-term). These include leases to related parties for EUR 70 thousand (of which EUR 7 thousand short-term);
- other loans of EUR 8,795 thousand (of which EUR 7,544 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 102,237 thousand to the bond issued by Veritas in November 2014 for a nominal amount of EUR 100,000 thousand on the Irish regulated market (Irish Stock Exchange – ISE), Main Securities Market segment.
2. for EUR 12,966 thousand to the bond issued by former Asi in July 2014 (called Hydrobond) for a nominal amount of EUR 15,000 thousand on the Italian regulated market ExtraMot Pro.

The bond of EUR 100,000 thousand has the following characteristics:

- nominal amount to be repaid in a lump sum upon maturity of EUR 100,000 thousand;
- placed in November 2014 on the Irish regulated market (Irish Stock Exchange – ISE), Main Securities Market segment, and subscribed by qualified investors;
- duration 6.5 years and, therefore, with maturity in May 2021;
- 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 2019, 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 2019, 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 <= 3.5

Nfp/EBITDA <=5

These parameters are checked on a half-yearly basis in light of the results of the consolidated financial statements. As at 31 December 2019, 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	contract residual	term 31.12.2019	of which short-term	of which medium/long-term
Banca Italease	01/03/2007	3,468	3.57%	180	2022	438	230	208
Selmabipiemme	28/01/2016	54	3.86%	59	2021	11	10	1
Selmabipiemme	19/02/2016	108	3.86%	59	2021	24	20	4
Fraer leasing	16/04/2018	146	2.75%	48	2022	64	26	38
Iccrea Bancaimpresa	29/10/2018	490	2.50%	60	2024	415	95	320
Iccrea Bancaimpresa	12/12/2018	77	2.50%	60	2023	61	15	46
Bioman spa	01/01/2019	1,718	2.00%	78	2025	1,620	234	1,386
total leases		6,061				2,633	630	2,003

The lease stipulated in 2019 refers to Ecoprogetto Venezia srl; the two leases with Iccrea Bancaimpresa were stipulated by Eco-ricicli Veritas srl in 2018 but take effect in 2019.

Operating lease payables are detailed in the following table:

(thousands of Euro)	original interest rate	residual amount 31.12.2019	of which short-term	of which medium/long-term
Veritas spa	3.50%	6,149	1,375	4,774
Depuracque servizi srl	3.50%	34	23	11
Lecher ricerche e analisi srl	3.50%	7	2	5
Ecoprogetto Venezia srl	3.50%	465	90	375
Eco-ricicli Veritas srl	3.50%	677	237	440
Vier srl	3.50%	66	4	62
Asvo spa	3.50%	534	62	472
Metalrecycling Venice srl	3.50%	66	24	42
grand total		7,998	1,817	6,181

The application of IFRS 16 from 1 January 2019 involved the recognition of payables for operating leases as at 31 December 2019 of EUR 7,998 thousand (of which EUR 1,817 thousand short-term). For further details please refer to note 2.1 paragraph Accounting standards, amendments and interpretations applied as at 1 January 2019

24. Provisions for risks and charges

The following table shows the movements of the provisions for risks and charges as at 31 December 2019 and 31 December 2018:

(thousands of Euro)	post-closure provision for Ca' Rossa landfill	post-closure provision for Piave Nuovo landfill	post-closure provision for Centa Taglio landfill	provision for legal disputes	provision for equity investment risks	other provisions for risks and charges	total
as at 31 December 2017	3,812	0	13,357	2,649	1,394	22,660	43,872
increases for business combinations		10,099				254	10,353
provisions		294				7,337	7,631
other transactions			154		1,193	-1,326	20
uses	-79		-665	-340		-966	-2,051
as of 31 December 2018	3,734	10,393	12,845	2,308	2,587	27,958	59,825
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
as at 31 December 2019	3,504	19,032	10,964	3,191	2,435	37,863	76,989

The provisions for risks and charges increased by EUR 17,164 thousand, from EUR 59,825 thousand at 31 December 2018 to EUR 76,989 thousand at 31 December 2019.

A brief description of the largest provisions is provided below.

Post-closure provisions for 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 environmental hygiene 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 environmental hygiene

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.

The new total expenses amounted to EUR 23,059 thousand, discounted as at 31 December 2019 to EUR 19,032 thousand; therefore the provision was increased by EUR 8,639 thousand, of which EUR 8,404 thousand as an increase in the value of plants, and EUR 235 thousand recognised to financial income and expenses.

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 post-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 movements include EUR -1,237 thousand due to the update of the discount rate used.

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 by the parent company of EUR 1,578 thousand 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 scpa.

Provision for future expenses on environmental hygiene financial plans

The parent company allocated EUR 3,017 thousand in the current year. The provision allocated represents the amounts of previous equalisation deriving from the final accounting of the old Tia1, Tia2, Tares fee and Tarip financial plans, which can be inserted to reduce future financial plans.

The use of this provision increases the revenues of the environmental hygiene service (Tarip tariff revenues or the Municipal fee if the Municipality is operating under the Tari regime).

As at 31 December 2019, the provision totalled EUR 8,474 thousand.

Provision for risks of tax assessments

The provision concerns the parent company as at 31 December 2019, amounting to EUR 5,460 thousand. These provisions refer to risks relating to tax assessments in the process of being completed or already completed, including those for which a dispute is outstanding.

The decrease in the provision in this year amounting to EUR 305 thousand refers to the elimination of a part of the risk.

As regards risks, the following should be noted:

- the dispute 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, by means of a favourable first instance judgment for Veritas. The Italian Revenue Agency filed an appeal;
- the dispute relating to the payment of the regional tax for the transfer of waste to landfill

relating to the Ca' Rossa landfill for the 2005-2009 period, for a total of EUR 2,368 thousand, and for which an appeal is in progress at the Court of Cassation.

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 basin Council.

As at 31 December 2019, the provision totalled EUR 5,405 thousand.

Provision for Ici/Imu 2008-2019 tax

The provision includes the allocation made by Ecoprogetto of EUR 6,998 thousand, and relates to the Ici/Imu tax 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 Court of Cassation, with judgment announced on 2 March 2020.

The Court of Cassation, 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 srl is subject to the Ici/Imu tax in favour of the Municipality of Venice which, in the meantime, has served notice of assessments up to 2014, suspended in the discussion at the first instance tax court, indeed pending the judgment from the Court of Cassation.

Now, in accordance with the procedural terms in force, these disputes will be discussed and, subsequently, the quantification of the tax due, penalties and related interest will be defined in a certain manner (that the judgment of the Court of Cassation does not accurately quantify, having ruled on the accounting aspects of the case), to best seek a settlement with the Municipality of Venice.

Indeed the uncertainty of the future procedural phases that will be implemented to ensure the certain and definite quantification of all components resulting from the judgment of the Court of Cassation and taking into account the difficulties in involving all the interested parties as a result of the current emergency health situation ongoing since the end of February 2020, the subsidiary's administrative body saw fit to allocate, in the 2019 financial statements, the total IMU tax verifiable from the cadastral income, assigned to the Fusina property complex, referring the definitive closure to a future 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 basin for the final rectification of the former Marcon landfill;
- future expenses on the transfer of the Sant'Andrea area;
- cyclical maintenance charges;
- future expenses for the penalties set forth in art. 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 2019 and 31 December 2018:

(thousands of Euro)	31.12.2019	31.12.2018
current value of the obligation at the beginning of the year	26,408	26,562
current value of the obligation at the acquisition date	59	1,400
current value of the obligation of discontinuing or discontinued operations		
curtailment effect		
cost relative to current work provided	241	221
financial charge	23	136
benefits paid out	-1,918	-1,577
actuarial loss (profit) on the obligation	1,318	-334
current value of the obligation at year-end	26,131	26,408

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:

	2019	2018
discount rate at the beginning of the year	0.10%-0.60%	0.77% -1.77%
expected rate of salary increases	3% - 4.5%	3% - 4.5%
expected employee turnover rate	4.34%	4.35%
expected average remaining working lives of employees	13	13

In calculating the employee severance provision as at 31 December 2019, 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 2019. A decrease was recorded, with respect to the values as at 31 December 2018, 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 2019 and 31 December 2018:

(thousands of Euro)	31.12.2019 within 12 months	31.12.2019 beyond 12 months	31.12.2018 within 12 months	31.12.2018 beyond 12 months
payables due to the Municipality of Venice	60,816	454	55,348	
payables due to municipalities with shareholding exceeding 10%				
payables due to municipalities with shareholding below 10%	26,737	6,444	22,506	762
total payables due to partner entities	87,553	6,898	77,854	762

There are currently no shareholders with stakes of higher than 10% and less than 50%.

Payables due to partner municipalities rose by a total of EUR 15,835 thousand (EUR 9,699 thousand within the year and EUR 6,136 thousand beyond the year).

As regards this variation, the effect of the application of IFRS 16 amounted to EUR 6,863 thousand (of which EUR 676 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 and for which the parent company Veritas makes up the instalments of 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 Basin Council for 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 49,032 thousand (EUR 35,253 thousand in 2018).

Payables due to the Municipality of Venice are shown below:

(thousands of Euro)	31.12.2019 within 12 months	31.12.2019 beyond 12 months	31.12.2018 within 12 months	31.12.2018 beyond 12 months
payables for cemetery concessions	1,427		654	
amounts due to the Municipality of Venice for contract work in progress	201		453	
payables pursuant to Italian Law 206/95	3,298		2,710	
payables for collection of TARI/TARES tax	27,028		16,715	
operating lease payables	222	454		
payables for recognitions of 2015 agreement *	28,034		33,641	
other payables	606		1,175	
total payables due to the Municipality of Venice	60,816	454	55,348	0

* Includes the residual payable for fees pursuant to law 206/95 and cemetery concessions as at 31 December 2014 for EUR 25,899 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 2019 and 31 December 2018:

(thousands of Euro)	31.12.2019 within 12 months	31.12.2019 beyond 12 months	31.12.2018 within 12 months	31.12.2018 beyond 12 months
payables due to Sifa scpa	3,702		869	
payables due to Insula spa	654		331	
payables due to Rpm scarl	24		93	
total payables due to associates and jointly controlled companies	4,380	0	1,293	0

The item recorded an increase of EUR 3,087 thousand, mainly due to the increase in payables due to Sifa (EUR 2,833 thousand).

28. Other non-current liabilities

The following table highlights disclosures on other current liabilities as at 31 December 2019 and 31 December 2018:

(thousands of Euro)	31.12.2019	31.12.2018
guarantee deposits from customers - SII	12,433	12,511
advance payments on consumption	202	202
payables due to social security institutes - long-term portion		
other long-term payables	9,267	6,581
total other non-current liabilities	21,902	19,294

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 already collected early but relating to works still to be carried out (EUR 5,488 thousand).

29. Trade payables

The following table highlights disclosures on trade payables as at 31 December 2019 and 31 December 2018:

(thousands of Euro)	31.12.2019	31.12.2018
trade payables	84,029	94,206
payables due to related parties	4,472	4,690
payables due to entities controlled by the Municipality of Venice	185	184
total trade payables	88,686	99,080

Trade payables are normally not interest-bearing and are usually paid after 60–150 days.

30. Financial derivative instruments

The following table highlights disclosures on derivative financial instruments as at 31 December 2019 and 31 December 2018:

(thousands of Euro)				31.12.2019		31.12.2018	
type	bank	notes	residual notional	fair value assets	fair value liabilities	fair value assets	fair value liabilities
IRS	unicredit loan 2017	a)	10,647		-153		-117
Interest rate	Bpm loan 2017	b)	7,135	1		16	
Interest rate	Bpm loan 2019	c)	4,522	2			
IRS	Ubi loan 2019	d)	15,000		-31		
IRS	Bper loan 2019	e)	10,000		-59		
IRS	Intesa San Paolo loan 2018	f)	1,500		-16		-14
total derivative financial instruments			48,804	3	-259	16	-131

As at 31 December 2019, 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 2019, amounted to EUR 10,647 thousand, equal to 0.29% on an annual basis. This interest rate swap contract had a negative fair value of EUR -153 thousand as at 31 December 2019.
- 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 envisages 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. As at 31 December 2019, the contract had a market value of EUR 1 thousand. 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 envisages 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. As at 31 December 2019, the contract had a market value of EUR 2 thousand. 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 2019, amounted to EUR 15,000 thousand, equal to 0.12% on an annual basis. This interest rate swap contract had a negative fair value of EUR -31 thousand as at 31 December 2019;
- 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 -59 thousand as at 31 December 2019;



- f. an interest rate swap contract, stipulated on 28 November 2018 by Depuracque servizi srl 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 2,000 thousand. The contract envisages the payment of a premium on the residual notional value, which, as at 31 December 2019, amounted to EUR 1,500 thousand. As at 31 December 2019, the contract had a market value of EUR -16 thousand. The underlying loan expires on 30 September 2023.

31. Other current liabilities

The following table highlights disclosures on other current liabilities as at 31 December 2019 and 31 December 2018:

(thousands of Euro)	31.12.2019	31.12.2018
advances from customers	2,110	1,881
payables due to personnel	15,058	14,747
payables due to social security institutes	7,628	7,303
payables due for excise duties and additional taxes	3,440	3,152
payables due to tax authorities for IRPEF (personal income tax) withholding tax	4,546	4,727
payables due to tax authorities for VAT	1,038	1,777
accrued liabilities and deferred income	497	193
other payables	7,255	9,917
total other current liabilities	41,572	43,698

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 environmental hygiene tariffs (Tia1, Tia2, Tares fee and Tarip); it concerns the parent company and Asvo spa.

The payable due to the tax authorities for VAT decreased by EUR 739 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 includes the final instalment of EUR 2,385 thousand falling due in July 2020 for the purchase of shares in Depuracque servizi srl, carried out in July 2018 by the parent company.

32. Current tax payables

The following table highlights disclosures on current tax payables as at 31 December 2019 and 31 December 2018:

(thousands of Euro)	31.12.2019	31.12.2018
IRES payables	288	-17
IRAP payables	43	39
other tax payables	17	10
total current tax payables	348	32

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 2018, the parent company contributed negative differences and, therefore, only recorded receivables for current taxes.

33. Revenues from sales and services

(thousands of Euro)	2019	2018
revenues from water service and sewerage tariff	116,264	114,477
revenues from environmental hygiene tariff	30,502	26,084
institutional service revenues	174,273	164,712
revenues from third-party services	85,463	63,954
revenues from the sale of electricity/photovoltaic energy	343	341
sale of raw and ancillary materials, semi-finished goods and movable assets	5,196	4,739
changes to contract work in progress	5,655	2,126
changes to inventories of work in progress	515	131
total revenues from sales and services	418,211	376,564

In the introduction to the notes of the income statement, it should be noted that the Depuracque group is considered for the entire year in these financial statements, while it was only considered for the second half in 2018.

Revenues resulting from sales and services amounted to EUR 418,211 thousand, up by EUR 41,647 thousand compared with the previous financial year.

The revenues relating to the water tariff amounted to EUR 116,264 thousand, marking an increase of EUR 1,787 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 2019 financial year was applied based on the VRG approved by the Basin Council on 26 June 2018, then ratified by Arera on 15 January 2019, which envisaged, on a 2018 basis, a tariff decrease of 2.3%.

With the definition of the VRG relating to 2019, the parent company accounted for negative equalisations amounting to EUR 5,793 thousand.

It also accounted for additional negative equalisations, supplementing the amount already calculated in previous years, for EUR 123 thousand.

Revenues from the environmental hygiene tariff, amounting to EUR 30,502 thousand, refer to the application of the quantity-based TARIP tariff by the parent company, and increased by EUR 4,418 thousand compared to the previous year.

Revenues from institutional services in 2019 amounted to EUR 174,273 thousand, up EUR 9,561 thousand compared to 2018.

The latter also include municipal environmental hygiene fees for the Municipalities in the form of tax. Therefore, revenues for the environmental hygiene service (tariff and municipal fees added together) amounted to EUR 204,775, marking a total increase of EUR 13,979 thousand compared to the previous year.

Note that the entry into force of the new tariff method - Mtr - approved by means of resolution Arera no. 443/2019/R/rif), which applies from tariffs for 2020, nonetheless made provision for the recalculation of the financial plans also for the years 2018 and 2019; this calculation involved, for Veritas, the recognition of positive tariff adjustments of EUR 7,275 thousand, which will be recovered in future financial plans. By contrast, Asvo requested the recognition of a tariff adjustment of EUR 945 thousand to cover higher dry waste disposal costs and the management of beach waste relating to the years 2018 and 2019.

Revenues from services provided to third parties are broken down as follows:

(thousands of Euro)	2019	2018
revenues from services and works on green areas	28	1
revenues from consortia (Conai)	317	244
revenues from leases	2,251	1,611
revenues from purification activities and waste water management	12,246	6,531
revenues from waste disposal service	6,305	5,802
revenues from differentiated waste disposal service	17,822	16,888
revenues from cleaning and hygienic services	971	950
revenues from consultancy	3,313	1,932
revenues from management of plants on behalf of third-parties	19,226	10,060
revenues from reclamation of land	443	376
revenues from cemetery services	4,459	4,419
revenues from maintenance and water service connections	1,481	1,525
revenues from heat management	4,655	4,953
revenues from sale of electricity	55	67
other revenues from third-parties services	11,691	8,400
minor revenues	200	196
total revenues from third-party services	85,463	63,954

These revenues recorded an increase of EUR 21,509 thousand.

This increase is due in particular to revenues contributed by the Depuracque group.

Revenues for the management of plants on behalf of third parties instead rose by EUR 9,166 thousand, relating to Veritas (EUR 5,755 thousand) and Depuracque servizi srl (EUR 2,486 thousand). The revenue of the parent company derives, for EUR 4,925 thousand, from the annualisation of revenues from the management of industrial waste purification plants on behalf of the associate Sifa as a result of the acquisition of the former Sifagest business unit in August 2018.

34. Other income

(thousands of Euro)	2019	2018
leases and concessions	1,063	1,069
capital gains on disposal of assets	762	460
insurance reimbursements	660	774
cost reimbursement	2,443	1,963
seconded staff	313	393
other revenues and income	4,828	8,863
capital grants	1,957	2,057
gains on extraordinary disposals		1
ordinary contingent assets	1,027	810
total other income	13,053	16,390

Other income recorded an overall decrease of EUR 3,337 thousand.

The same account recorded decreases, deriving from lower revenues registered by Sifagest following the suspension of operations, from August 2018, of Sifa scpa's purification plants, management assigned to the parent company on the same date.

Lease income and concessions refer to portions of leased properties (recognised under concession services) generated revenues of EUR 821 thousand for Veritas and leased properties (booked under tangible fixed assets) which generated revenues from third parties of EUR 154 thousand for the parent company, EUR 42 thousand for Ecoprogetto Venezia srl, EUR 9 thousand for Metalrecycling srl and EUR 37 thousand for Depuracque servizi srl (please refer to note 2.3 paragraph Leasing).

35. Costs for use of raw and ancillary materials and consumables

(thousands of Euro)	2019	2018
drinking water	5	11
purchase of materials	6,228	4,579
combustibles, fuels and lubricants	7,950	7,636
consumables and materials for maintenance and ordinary repairs	17,005	15,262
change in inventories	-84	-804
total costs for raw and ancillary materials and consumables	31,104	26,684

The costs for raw materials and consumables rose by EUR 4,420 thousand compared to the previous year.

36. Costs for services

(thousands of Euro)	2019	2018
works and maintenance	20,809	18,474
industrial services	11,923	9,389
utilities	26,516	25,356
operating services	56,583	48,311
general services	24,053	21,295
corporate bodies	832	804
total costs for services	140,716	123,630

Costs for services reported a total increase of EUR 17,086 thousand compared to the previous year.

This increase is due primarily to the increase in operating services (up EUR 8,272 thousand), in particular disposal costs.

Works and maintenance refer to ordinary maintenance of property and engineering division activities; they rose by EUR 2,292 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 1,578 thousand) and the allocation for cyclical maintenance and expenses regarding water purification systems (EUR 410 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)	2019	2018
lease instalments	3,362	4,276
rental and lease payments	276	1,710
concession payments	1,124	1,481
other	1,870	3,328
total costs for use of third-party assets	6,632	10,795

Costs for use of third-party assets fell by a total of EUR 4,163 thousand compared to the previous year.

The non-retrospective application of IFRS 16 in 2019 led to the registration of a negative change of EUR 5,109 thousand; for further details please refer to note 2.1 paragraph Accounting standards, amendments and interpretations applied as at 1 January 2019.

38. Personnel costs

(thousands of Euro)	2019	2018
wages and salaries	118,317	112,983
social security charges	40,498	39,046
employee severance indemnity	7,661	7,229
provisions for pension liabilities and similar	58	45
other costs	-156	1,107
total personnel costs	166,378	160,410

An overall increase of EUR 5,968 thousand was recorded.

This increase derives mainly from the increase in the workforce due to the hiring of personnel following the activation of new services and/or insourcing as well as the salary increases set forth in the latest contractual renewals.

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.

(in units)	2019	2018	change
senior managers	21.67	22.75	-1.08
middle managers	85.11	87.56	-2.45
white-collar employees	932.05	879.55	52.5
blue-collar employees	2,210.10	2,173.17	36.93
total employees	3,248.93	3,163.03	85.90

39. Other operating costs

Other operating costs amounted to EUR 21,306 thousand, marking an increase of EUR 12,025 thousand compared to the previous year.

(thousands of Euro)	2019	2018
provisions for write-down of receivables	4,378	3,574
provisions for interest on arrears	17	8
provisions for risks and charges	9,606	754
other provisions		0
membership fees and other contributions	781	640
ATO operating expenses	597	596
special tariff for landfill sites	267	222
taxes, duties and local taxation	3,177	2,722
credit losses	484	0
capital losses on disposal of assets	196	193
other minor charges	650	206
ordinary contingent liabilities	759	290
finances and compensation for damages	394	76
total other operating costs	21,306	9,281

The increase in the provisions for risks and charges of EUR 8,852 thousand is due mainly to the allocation made by the subsidiary Ecoprogetto (EUR 6,998 thousand) and the allocations of the parent company to provisions for ongoing disputes, provisions for contractual risks and the provision for concessions (+ EUR 2,490 thousand).

The allocation made by Ecoprogetto relates to the Ici/Imu tax 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 Court of Cassation, with judgment announced on 2 March 2020. For further details please refer to Note 24.

Credit losses are attributable to the parent company for EUR 412 thousand, 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 recorded in this year under revenues for the environmental hygiene service (from tariffs and municipal fee) given that said loss will be covered in the environmental hygiene financial plans.

40. Amortisation, depreciation and write-downs

The value of amortisation, depreciation and write-downs amounted to EUR 44,711 thousand, compared to EUR 36,808 thousand in 2018, a total increase of EUR 7,903 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)	2019	2018
amortisation of intangible assets	5,002	5,263
amortisation of concession services	17,992	17,026
depreciation of tangible fixed assets	27,728	21,550
depreciation of investment property	2	3
other write-downs of fixed assets	-20	-21
impairment of tangible fixed assets	1,500	359
impairment of concession services	11	0
grants for plants	-7,504	-7,372
total amortisation, depreciation and write-downs	44,711	36,808

The increase in the amortisation/depreciation of fixed assets is attributable to leased assets as a result of the application of IFRS 16 for EUR 3,062 thousand (EUR 2,447 thousand for tangible fixed assets and EUR 615 thousand for concession services) and the effects of approval of the alteration project of the Jesolo landfill for EUR 740 thousand.

41. Portion pertaining to shareholding valued with the equity method

The portion of profit (loss) from shareholdings valued with the equity method totalled a positive EUR 161 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 12,099 thousand compared to EUR 15,022 thousand in 2018, marking a decrease of EUR -2,923 thousand.

The most significant change compared to the previous year concerns the allocation made by the parent company to the provision for risks for interest on arrears (EUR -3,537 thousand); this provision is not present in this year given a non-recurring item recognised in 2018 as a result of the judgments of the Court of Auditors which require the payment of legal interest on payables pursuant to law 206/95 and payables for cemetery concession expenses, both due to the Municipality of Venice.

The increase in financial charges for financial leasing and rental contracts is attributable to the application of IFRS 16 in force from 1 January 2019 for EUR 781 thousand.

Net of the non-recurring item of 2018 and expenses deriving from the application of IFRS 16 present from this year, financial charges increased by EUR 167 thousand.

Financial charges payable to banks, leasing institutes and on other financial instruments used amounted to EUR 4,714 thousand, compared to EUR 4,123 in the previous year, while the amount of interest payable on bonds remained almost unchanged.

They include EUR 955 thousand in discounting expenses, calculated on employee severance indemnity (EUR 23 thousand), on financial payables due to parent companies (EUR 15 thousand), on the financial payables of Sifagest scrl (EUR 67 thousand), on the payables for the purchase of equity investments (EUR 122 thousand), on the post-closure provision of the Jesolo di Alisea landfill, now at Veritas (EUR 303 thousand) and the Centa Taglio landfill managed by Asvo (EUR 425 thousand).

The summary table is provided below:

(thousands of Euro)	2019	2018
interest payable to banks for current account overdrafts	309	260
interest payable to banks for medium/long-term loans	2,879	3,240
financial charges for financial leasing and rental contracts	784	99
charges for fair value measurement of derivatives	256	177
financial charges from other discounting	917	837
financial charges from discounting from parent companies	15	13
financial charges from discounting of employee severance indemnity	23	133
financial charges for factoring transactions	486	347
interest payable on bonds	4,886	4,917
write-down of shareholdings	0	141
other financial charges	1,544	1,322
provisions for risks for interest on arrears		3,537
total financial charges	12,099	15,022

Financial income

Financial income totalled EUR 1,588 thousand, compared to EUR 1,976 thousand in the previous year, marking a total decrease of EUR 388 thousand.

An increase in interest income from banks was recorded (EUR 28 thousand), while 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 decrease compared to the previous year is due to the extraordinary presence, in 2018, of income from equity investments of EUR 211 thousand deriving from the evaluations following the acquisition of control of Depuracque servizi srl.

The summary table is provided below:

<u>(thousands of Euro)</u>	<u>2019</u>	<u>2018</u>
interest income from banks	196	168
measurement at fair value of derivatives		3
default interest and payment extension	438	402
financial income from associates	236	368
financial income from discounting vs Sifa	558	682
financial income from other discounting	148	102
other financial income	12	40
income from other equity investments (revaluations)		211
total financial income	1,588	1,976

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 2019:

(thousands of Euro)	2019	2018
applicable ordinary rate	24.00%	24.00%
income before taxes	10,067	12,576
theoretical tax charge (income)	2,416	3,018
adjustments compared to income taxes of the previous year	-25	-695
write-down and adjustments of prepaid taxes recorded in the previous financial year	1,156	17
recognition of prepaid taxes on temporary differences related to previous financial years	-753	-9,664
non-recognition of prepaid taxes on tax losses in the year on temporary differences	0	6
non-recognition of prepaid/deferred taxes for the year on temporary differences	0	1
(income)/expenses from tax consolidation	0	0
exempt income/tax incentives/non-taxable income	-1,252	-1,074
non-deductible costs	2,216	738
other permanent differences	-60	-217
actual IRES tax charge	3,698	-7,870
current taxes	5,175	4,585
deferred taxes (prepaid)	-1,095	-11,760
taxes related to previous financial years	-389	-695
substitute tax	7	0
(income)/expenses from tax consolidation	0	0
actual IRES tax charge (income)	3,698	-7,870
current local taxes (Irap)	1,737	1,569
local deferred (prepaid) taxes	-20	-1,804
local taxes for previous financial years	104	227
actual local tax charge (income)	1,821	-8
total actual tax charge (income)	5,519	-7,878

It is worth noting that the current IRAP rate of the parent company and Asvo spa is equal to 4.2% (special rate for companies holding concessions for the management of public services and works).

It should be noted that, in the previous year, taxes were negative given that income had been accounted for deriving from the recognition of the tax credit, amounting to EUR 11,314 thousand, relating to higher values recognised for tax purposes of the net assets contributed from the 2017 aggregation of Asi.

Therefore, net of this extraordinary item, taxes for the year rose by EUR 254 thousand.

Prepaid and deferred taxes, relative to the two financial years ended 31 December 2019 and 2018, are as follows:

(thousands of Euro)	31.12.2019	31.12.2018
provision for doubtful debts	5,487	5,143
provision for risks and charges	10,354	9,995
provision for inventory depreciation	104	104
depreciation of fixed assets	508	780
maintenance expenses	525	382
civil amortisation/depreciation difference	10,073	10,743
other costs deductible in subsequent financial years	121	103
fair value adjustment of derivatives	0	0
business combination bonus	392	470
reversal of capital gains on intragroup transactions	96	132
other minor	409	86
interest expense deductible in the future (GOP)	4	
tax losses	108	31
discounting of employee severance indemnity	494	383
total prepaid tax assets	28,675	28,353

(thousands of Euro)	31.12.2019	31.12.2018
non-taxable default interest	481	328
non-taxable revenues	1,968	2,061
equity capital gains	0	5
landfill asset	1,679	1,836
other temporary differences	38	56
higher value allocated to fixed assets	2,212	2,365
concessions at market value	0	181
leased assets	1,617	2,256
separation of land	85	120
total deferred tax liabilities	8,080	9,207

It is worth noting that the parent company Veritas spa 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 prepaid tax assets is based on the reasonable expectation of the tax burden 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, above all for advertising purposes. 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 company in the year came to EUR 1,063 thousand (EUR 1,069 thousand in 2018). Lease income refers to portions of leased properties (recognised under concession services) which generated revenues of EUR 821 thousand for Veritas and leased properties (booked under tangible fixed assets) which generated revenues from third parties of EUR 154 thousand for the parent company, EUR 42 thousand for Ecoprogetto Venezia srl, EUR 9 thousand for Metalrecycling srl and EUR 37 thousand for Depuracque servizi srl (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 2019 and 2018, include the following:

(thousands of Euro)	2019	2018
within 1 year	378	391
beyond 1 year but within 5 years	632	922
beyond 5 years	54	23
total commitments for leases and rentals	1,069	1,336

Commitments for investments

The Mti-2 water tariff method requires the calculation components making up the tariff to also include the component called 'New investments fund' (FONI). Art. 20.1 of AEEGSI resolution 664/2015/R/IDR (Mti-2) actually requires operators to allocate a specific portion of the VRG exclusively to new investments identified as priority.

The amount of the FONI relative to the 2019 VRG is EUR 9 million net of the tax effect.

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 2019 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 2018 FONI reserve may become available, which will be allocated at the time of approval of these financial statements.

Penalties for investments and contractual quality in the water sector

Art. 34 of the new 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 2016-2018 four-year period, must allocate a penalty to a specific provision tied to the financing of spending for investments.

Therefore, in 2019, the parent company allocated EUR 279 thousand to the provision for risks and charges, to take account, albeit an estimate, of the penalties deriving from the failure to carry out the planned investments for the 2018-2019 period (given a component of the calculation of future 2020-2021 tariffs using the Mti-3 method).

There are still elements of uncertainty in the calculation of said allocation given that the Authority's official tool for determining the tariffs with the new method has still not been published and the definition of the perimeter of investments subject to said regulation is at the agreement phase with the Basin council for the Venetian lagoon.

In addition, for the first two years of application, provision was made for an award/penalty on reaching the macro-indicators and the technical quality requirements governed by Arera resolution 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.

Considering that:

the simulations performed shows that, for some macro-indicators, the technical quality objectives were not met for 2018 and 2019;

the procedure for the quantitative evaluations set forth by the technical quality incentive mechanism, launched by means of Arera resolution 46/2020/R/idr and extended under resolution 59/20/R/com, will be concluded by the deadline of 31 October;

it is believed that at the closing date of these financial statements, a reliable estimate of the Rqti penalties due from Veritas cannot be carried out.

Guarantees provided

The Veritas Group granted the following guarantees as at 31 December 2019 and 2018 in favour of the subjects indicated hereunder:

(thousands of Euro)	2019	2018
Metropolitan city of Venice/Province of Venice	17,885	23,336
Ministry of the Environment	6,683	4,073
Port Authority - former Water Authority - Venice and Chioggia Harbour Office	77	2,682
banks and insurance companies	0	0
Italian Revenue Agency / Customs Agency	628	620
other entities	708	2,209
ULSS and other local entities	0	214
total	25,981	33,134

In turn, the parent company issued guarantees totalling EUR 32,768 thousand to the subsidiaries and EUR 353 thousand to partner municipalities.

Eco-ricicli Veritas srl issued a guarantee policy in favour of the subsidiary Metalrecycling Venice srl 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 srl issued a joint guarantee of EUR 810 thousand with another shareholder of the subsidiary Rive srl for the benefit of Veritas spa.

The parent company also provided letters of patronage to subsidiaries for EUR 26,740 thousand and to associates for EUR 13,000 thousand.

Details of the entities to whom the parent company issued guarantees are provided below:

<u>guarantees given (thousands of Euro)</u>	<u>31.12.2019</u>	<u>31.12.2018</u>
Ecoprogetto Venezia srl	26,868	26,868
Eco-ricicli Veritas srl	4,700	4,700
Sifagest scarl	1,200	1,200
guarantees to subsidiaries	32,768	32,768
Sifa scpa	0	0
guarantees to associates	0	0
Municipality of Venice	2	2
Municipality of Meolo	171	171
Municipality of Marcon	24	24
other Municipalities	156	156
guarantees to parent companies	353	353
Port Authority - former Water Authority	1,801	1,815
Metropolitan city of Venice	7,768	7,722
Ministry of the Environment	2,439	2,439
Ulss	117	117
INPS (NATIONAL SOCIAL SECURITY INSTITUTE)	0	81
Ecopiave srl	50	50
other entities	2,146	2,121
guarantees to others	14,321	14,346
total guarantees granted	47,442	47,466

<u>letters of patronage (thousands of Euro)</u>	<u>31.12.2019</u>	<u>31.12.2018</u>
Ecoprogetto Venezia srl	3,100	3,100
Eco-ricicli Veritas srl	23,640	12,640
letters of patronage to subsidiaries	26,740	15,740
Sifa	10,000	10,000
Veritas Conegliano srl	3,000	3,000
letters of patronage to associates	13,000	13,000
total letters of patronage	39,740	28,740

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 spa and of the following subsidiaries:

<u>consolidated companies</u>	<u>head office</u>	<u>share capital</u>	<u>31.12.2019</u> <u>Group's shareholding</u>	<u>31.12.2018</u>
Veritas spa (parent company)	Venice	145,397,150		
Ecoprogetto Venezia srl	Venice	42,120,000	44.86%	44.86%
Vier srl	Venice	100,000	100.00%	100.00%
Mive srl <i>in liquidation</i>	Mirano (Ve)	110,000	100.00%	100.00%
Eco-ricicli Veritas srl	Venice	7,000,000	82.34%	82.34%
Sifagest scarl <i>in liquidation</i>	Venice	500,000	65.00%	65.00%
Asvo spa	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 srl	Venice	100,000	82.34%	82.34%
Depuracque servizi srl	Salzano (Ve)	223,080	100.00%	100.00%
Lecher ricerche e analisi srl	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)	2019 sales to partner muni- cipalities	2018 purchases from partner muni- cipalities	2019 receivables due from partner muni- cipalities	2018 payables due to partner muni- cipalities				
Municipality of Annone Veneto	398	378	0	116	92	8	1	
Municipality of Campagna Lupia	8	14	3	3	5	3	1	3
Municipality of Campolongo Maggiore	33	39	21	21	13	13	210	233
Municipality of Camponogara	21	24	7	7	9	9	1	4
Municipality of Caorle	6,604	6,347	178	154	2,553	2,310	1,786	356
Municipality of Cavallino-Treporti	4,418	4,452	4	5	39	21	2,496	1,769
Municipality of Cavarzere	1,561	1,551			1	1		
Municipality of Ceggia	598	602	24	87	151	202	1,712	1,100
Municipality of Cessalto	8	6	2	27	3	1	50	75
Municipality of Chioggia	16,898	14,265	70	68	116	50	5,630	5,691
Municipality of Cinto Caomaggiore	297	266			90	69	4	6
Municipality of Cona	362	352			37	217		
Municipality of Concordia Sagittaria	1,189	1,109	0		957	1,103	0	
Municipality of Dolo	71	2,252	28	21	157	372	10	
Municipality of Eraclea	2,162	2,108	41	112	157	322	1,486	529
Municipality of Fiesso d'Artico	128	134	5	5	29	35	96	97
Municipality of Fossalta di Piave	16	20	3	8	3	2	58	13
Municipality of Fossalta di Portogruaro	986	897	0		345	516	4	
Municipality of Fossò	18	17	16	16	4	4	215	227
Municipality of Guaro	293	279			87	80	4	1
Municipality of Jesolo	11,196	10,043	626	313	49	2,390	4,782	2,521
Municipality of Marcon	42	41	1	21	34	21	14	21
Municipality of Martellago	2,782	2,688	34	30	371	480	1,160	125
Municipality of Meolo	130	125	3	7	338	900	407	888
Municipality of Mira	71	77	23	23	103	96	111	219
Municipality of Mirano	3,764	3,549	103	123	432	452	1,423	1,293
Municipality of Mogliano Veneto	3,760	3,717	14	14	316	617	2,421	2,301
Municipality of Morgano	5	5			1	1		
Municipality of Musile di Piave	1,370	1,302	22	94	385	797	1,067	318
Municipality of Noale	2,051	1,954	10	14	349	315	736	529
Municipality of Noventa di Piave	861	835	11	40	72	208	482	105
Municipality of Pianiga	1,458	1,372	17	6	177	284	924	423
Municipality of Portogruaro	3,582	3,001	34		1,257	868	60	30
Municipality of Pramaggiore	440	408			138	203	7	4
Municipality of Preganziol	129	122			35	29		
Municipality of Quarto d'Altino	19	13			202	383	72	125
Municipality of Quinto di Treviso	12	16			2	4		
Municipality of Salzano	33	34	72	72	12	9	62	62
Municipality of San Donà di Piave	531	1,614	91	259	425		1,674	310
Municipality of San Michele al Tagliamento	6,249	5,859	7		1,578	1,391	35	
Municipality of San Stino di Livenza	1,491	1,355	77		454	395	160	163
Municipality of Santa Maria di Sala	81	34	173	172	10	8	1	5
Municipality of Scorzè	2,020	1,976	16	16	216	368	842	939
Municipality of Spinea	3,432	3,342	67	115	368	645	2,419	2,469
Municipality of Stra	10	21	40	40	7	12		
Municipality of Teglio Veneto	192	176			65	45		
Municipality of Torre di Mosto	533	526	11	69	170	93	544	288
Municipality of Venice	101,438	96,907	1,413	1,773	12,657	12,377	61,270	55,348
Municipality of Vigonovo	37	35	14	4	11	11	1	92
Municipality of Zenson di Piave	3	3	4	29	1	1	86	28
Municipality of Zero Branco	6	5			1	2		
total nominal amounts	183,797	176,267	3,285	3,768	25,108	28,827	94,531	78,711
provision for doubtful debts	0	0	0	0	-81	-91	0	0
discounting of receivables/payables	0	0	0	0	0	0	-80	-95
total	183,797	176,267	3,285	3,768	25,027	28,736	94,451	78,616



The Group presents receivables due from partner entities net of a provision for doubtful debts of EUR 81 thousand, booked with extreme prudence, regarding the request for the recognition of some relations attributable for the company shareholding structure to the so-called “off-balance sheet payables”, i.e. receivables for services duly performed by the company, but for which the partner Municipality did not make provision, for various reasons, for a spending commitment.

Payables due to partner entities are indicated net of the discounting value of EUR 80 thousand.

Service contracts with partner entities primarily concern environmental hygiene 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 and Dolo 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 environmental hygiene services:

- cemetery;
- markets;
- high-tide footbridges;

Cemetery services are also managed for other Municipalities (Spinea, Mirano, Martellago, Portogruaro and from 2019 S. 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. Public green area maintenance services were also assigned by the Municipality of Portogruaro in 2019.

Terms and conditions of transactions with partner entities

Service contracts between the parent company and the Municipality of Venice for the aforesaid services are regularly invoiced every two months and paid on average within 60 days from invoicing.

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 761 thousand as at 31 December 2019.

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	31.12.2019 Group's shareholding	31.12.2018
associates				
Insula spa	Venice	3,706,000	24.73%	24.73%
Sifa scpa	Mestre (Ve)	30,000,000	33.17%	33.17%
Ecoplastiche Venezia srl	Venice	100,000	32.94%	32.94%
Veritas Conegliano srl	Venice	100,000	48.80%	48.80%
Rpm – Riconversione Porto Marghera scarl <i>in liquidation</i>	Salzano (Ve)	10,000	40.00%	40.00%

The following table shows the total values of transactions occurred during the year with associates:

(thousands of Euro)	2019 sales to related parties	2018	2019 purchases from related parties	2018	2019 receivables due from related parties	2018	2019 payables due to related parties	2018
Insula spa	982	986	764	898	1,111	571	654	331
Sifa scpa	12,579	8,975	6,599	4,982	14,066	15,612	3,702	869
Veritas Conegliano srl	117	160			29	61		
Rpm – Riconversione Porto Marghera scarl <i>in liquidation</i>	109	252	128	321	26	118	24	93
Depuracque servizi srl		126		430				
Lecher ric.analisi srl		15		256				
Steriladria srl		9						
total	13,787	10,523	7,491	6,201	15,232	16,362	4,380	1,293

Economic and equity relations with associates are governed at market conditions.

The relations with Insula spa and Veritas Conegliano srl 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.

Depuracque servizi srl and Lecher ricerche e analisi srl have been reclassified as subsidiaries since 2018. In 2018, Steriladria srl was considered under assets held for sale and no longer an investee from May 2019.

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)	2019	2018	2019	2018	2019	2018	2019	2018
	sales to related parties		purchases from related parties		receivables due from related parties		payables due to related parties	
Avm spa	108	67	119	87	7	28	102	73
Actv spa	167	309	4	105	55	123	1	30
Vela spa	120	103	1	1	9	20		
Pmv spa	10	12	6		8		90	18
Ames spa	74	69	6	9	14	21	10	7
Casinò di Venezia gioco spa	76	78	58	11	16	27	34	11
Consorzio Urban	43	51			91	97		
Ist. centri di soggiorno	4	8			1	1		
Ist. bosco e grandi parchi	39	42			9	21		
Ive srl	3							
Marco Polo System GEIE					91	92		
Venis spa	8	8	68	77	4	1	14	35
Vega scarl	141	115	58	10	123	98	5	10
Viveracqua scarl	87	50	103	80	136	50	116	78
Venezia spiagge spa	70	99			53	17		
Fondazione Musei civici di Venezia	26	26			4			
Fondazione Teatro La Fenice	13	10			2	5		
Fondazione La Biennale	77	126			61	110		
Basin council for the Venetian lagoon			597	596		160		597
Basin council of Venezia ambiente			133	124		3	285	152
Bioman spa	2	45	7,861	4,696	2	336	3,623	3,018
Sst spa	16	78			112	101	49	63
Ipab Felice Casson	23	70			4	23		
Ecopatè	2,326	2,398	1,058	418	657	937	346	782
Jesolo Patrimonio srl	7		18		3		508	
other related parties	62				21			
total	3,502	3,764	10,090	6,214	1,483	2,272	5,183	4,873

Economic and equity relations with other related parties are governed at market conditions.

As regards Bioman spa, the commercial relations refer to Ecoprogetto srl, Eco-ricicli Veritas srl and the parent company.

As regards Ecopatè, the commercial relations refer to Eco-ricicli Veritas srl.

It should be noted that payables due to related parties also include operating lease payables of EUR 4 thousand due to Avm spa by the parent company, EUR 66 thousand due to Pmv spa from the parent company Vier and EUR 455 thousand due to Jesolo Patrimonio srl from the parent company.

Remuneration of the Board of Directors and the Board of Statutory Auditors

Pursuant to Art. 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 spa.

(thousands of Euro)	2019	2018
Board of Directors		
remuneration for office	243	252
other compensation		
other benefits		
total costs for services	243	252
Board of Statutory Auditors		
remuneration for office	89	133
other compensation		
other benefits		
total costs for services	89	133
independent auditing firm		
remuneration for office	114	110
total costs for services	114	110

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, from 2014, a bond issue, in addition to the Hydrobond contributed by Asi with the merger, again issued in 2014. 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 spa and Asvo spa) are, by nature, fragmented over a very high number of users, with limited individual amounts on average.

The insolvency percentage relating to the receivables from municipal waste management services is today around 5%, a percentage deemed to fall within the average percentage for the sector, given the clear difficulty in stopping the service in case of insolvency; with the move from Tia to Tares/Tari, the interpretation of this phenomenon changed, in fact, with the transfer to Tari (with the exclusion of Tarip), and the recent ruling of the Court of Cassation of 15 March 2016, which reiterated the tax nature of the expense for municipal waste management services, credit risk, both past and present (and therefore future), is borne by the municipal administrations, which must take account of it when formulating the final tariff.

By contrast, in the water sector, since it is possible to interrupt the supply, the insolvency percentages are lower, hovering at around 1% of the turnover.

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 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 2019, less than 20% of medium-long-term financial payables of the Group, including the bonds mentioned above, will accrue within one year.

As at 31 December 2019, the Group reported unused credit facilities amounting to around EUR 106.5 million, compared to roughly EUR 111.2 million as at 31 December 2018.

Liquidity risk implies that the available financial resources may not be sufficient to fulfil all obligations with a short-term maturity date, amounting to roughly EUR 45.8 million, and to tackle possible negative changes to 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.

With regard to municipal waste management services, tariff redefinition activities are continuing, which is leading the Group to change its operating models.

The Group obtained additional medium-term bank credit lines in 2019 amounting to EUR 41 million.

In 2019, short-term financial management instruments, mainly factoring contracts, both direct and indirect (reverse factoring), continued to be used less.

In this year, the subsidiaries Ecoprogetto Venezia srl and Eco-ricicli Veritas srl stipulated new finance lease contracts with a residual value of EUR 2,633 thousand as at 31 December 2019.

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 199,413 thousand as at 31 December 2019 (EUR 172,088 thousand as at 31 December 2018), was offset by a total shareholders' equity of EUR 292,044 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 0.68 as at 31 December 2019, compared with 0.60 as at 31 December 2018.

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 2019 the Group held the following financial instruments measured at fair value:

in thousands of Euro			31.12.2019		31.12.2018	
type	bank	notional residual amount	fair value assets	fair value liabilities	fair value assets	fair value liabilities
IRS	unicredit loan 2017	10,647		-153		-117
Interest rate	Bpm loan 2017	7,135	1		16	
Interest rate	Bpm loan 2019	4,522	2			
IRS	Ubi loan 2019	15,000		-31		
IRS	Bper loan 2019	10,000		-59		
IRS	Intesa San Paolo loan 2018	1,500		-16		-14
total derivative financial instruments		48,804	3	-259	16	-131

It is worth noting that all assets and liabilities that were measured at fair value as at 31 December 2019 can be classified under Level 2 in the fair value hierarchy.

47. Disclosure obligations pursuant to art. 1 paragraph 125, law 124/2017

As required by art. 1, paragraph 125 et seq. of law no. 124 of 4 August 2017, amended by art. 35 of Decree Law 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 lacking the consideration, remuneration or compensation nature” (art. 1, paragraph 125 law 124/2017).

disbursing party	beneficiary of the Group	type of grant	amounts in EUR	presence in the national register state aid
Fondimpresa	Veritas spa	Training plan to strengthen and further the skills of Veritas spa's employees - 2017	60,626	
Fondimpresa	Veritas spa	Training plan to strengthen and further the skills of Veritas spa's employees - 2018	138,776	
Municipality of Chioggia	Veritas spa	Capital grant for the construction and operating management of the Ca' Rossa landfill	464,758	
Basin council of Venezia ambiente	Veritas spa	Grant for the project <i>Scopri il tesoro che c'è nei rifiuti (Discover the treasure in waste)</i>	15,000	
Basin council of Venezia ambiente	Veritas spa	Grant for the project of education and environment awareness-raising regarding waste for citizens and primarily and level 1 secondary schools	13,084	
Basin council of Venezia ambiente	Veritas spa	Grants for waste education campaigns - 2015 project	3,243	
Basin council of Venezia ambiente	Veritas spa	Grants for waste education campaigns - 2017 project	6,995	
Basin council of Venezia ambiente	Veritas spa	Raee (Waste Electrical and Electronic Equipment) collection campaign in schools	1,736	
Ministry of Economic Development	Veritas spa	2015 Industry Programme - energy efficiency for sustainable development	14,792	
Veneto Region	Veritas spa	Project for the clean-up of the Venice Lagoon, sewerage redevelopment in the historic centre of Chioggia, Corso del popolo Sud streets	281,745	
Veneto Region	Veritas spa	Sewerage parasitic water - Municipality of Venice	327,502	
	Veritas spa	Bio-sun: advanced photosynthetic biotechnologies for the treatment of waste-water, production of bio-fuels	49,018	X
Veneto Region	Veritas spa	Separate sewerage network in the zone of Villaggio San Marco in Mestre - Venezia, lots 1 and 4 - section 1	898,383	
Veneto Region	Veritas spa	Construction of Noale-Scorzè 600 sewer	192,127	
Veneto Region	Veritas spa	Clear-up of former via Luneo landfill - Municipality of Spinea	153,129	
Municipality of Venice	Veritas spa	Agreement with the Ministry of the Environment for the implementation of projects targeted at energy efficiency activities and the use of renewable energies in the island of Certosa and in Porto Marghera	1,366,920	
Municipality of Venice	Veritas spa	Bio pif plant grid system	33,978	
Municipality of Venice	Veritas spa	Lido - Fusina purification plant connection	100,000	
Municipality of Venice	Veritas spa	Completion of water collection plant in via Torino	418,035	
Municipality of Venice	Veritas spa	Smarter Together Project	1,424	
Basin council of Veneto orientale	Veritas spa	Purification plant - Municipality of San Donà di Piave	266,700	
Basin council of Veneto orientale	Veritas spa	Chiesanuova sewer pipe for connection with Musile di Piave	80,000	
Basin council of Veneto orientale	Veritas spa	Foul sewer 8. outlet for connection to Caorle purification plan	80,000	
Basin council for the Venetian lagoon	Veritas spa	Adjustment and expansion of the Fossalta di Piave purification plant	523,000	
Basin council for the Venetian lagoon	Veritas spa	Adjustment and expansion of the Ceggia purification plant	520,000	
Csea - Cassa per i servizi energetici e ambientali (Fund for energy and environmental services)	Veritas spa	New pumping plant of the Venice and Chioggia aqueduct on isola nuova del tronchetto and connecting pipes	1,680,000	
Customs Agency	Veritas spa	Grant for road haulage diesel oil excise duty	402,705	
Customs Agency	Veritas spa	Grant for motive power diesel oil excise duty	45,639	
Gestore servizi energetici spa	Depuracque servizi srl	Grant for photovoltaic plants	42,832	
Customs Agency	Depuracque servizi srl	Grant for road haulage diesel oil excise duty	25,657	
Fondimpresa	Depuracque servizi srl	Training plan to strengthen and further employee skills	7,260	
INAIL (NATIONAL INSTITUTE FOR INSURANCE AGAINST ACCIDENTS AT WORK)	Ecoprogetto srl	Aid for companies code Rina 3168 - aid regime no. 350/97	11,208	X
Customs Agency	Ecoprogetto srl	Grant for motive power diesel oil excise duty	113,544	
Ministry of Economic Development	Ecoprogetto srl	Tariff concession to energy-intensive companies art. 3 of Ministerial decree of the Ministry of Economic Development of 21.12.2017	1,642,656	
Fondimpresa	Ecoprogetto srl	Training plan to strengthen and further employee skills	8,068	
Veneto Region	Ecoprogetto srl	Grant for installation of video-surveillance system	2,850	X
Gestore servizi elettrici spa	Vier srl	Grant for photovoltaic plants	318,132	
Veritas Group total			10,326,522	

The amounts are reported in Euros.

48. Subsequent events

Investments and acquisitions of business units

The share capital increase resolved by Ecoprogetto Venezia was subscribed on 28 April 2020 through the payment in the form of financing to the future share capital increase account of EUR 15 million already carried out in October 2019, which brought the total stake held by Veritas to 46.64%.

On 6 December 2019, the subsidiary Eco-ricicli Veritas signed a framework agreement with the company F.Ili Busato autotrasporti srl 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 effective from 1 January 2020.

Covid-19 health emergency

In the period in which these notes were drafted, the health emergency deriving from the Covid-19 emergency is ongoing, which is taking its toll on the health of citizens, Government organisations, companies and the whole global economy.

On 30 January 2020, the International health regulations emergency committee of the World Health Organisation declared an international emergency, with the WHO then declaring the Covid-19 epidemic to be pandemic on 11 March 2020.

From January 2020, the Italian Government has issued a number of decrees which have, in a nutshell, suspended economic activities for the March and April 2020 period, except essential activities, and imposed social distancing (so-called 'lockdown').

In May 2020, the Government eased the halting of economic activities, but not social distancing measures, also in terms of workplace safety and safety in public places in general (so-called phase 2).

In light of the chronology of events and the news made available after the date of the close of the financial statements, it is reasonable to believe that the event is generally classifiable under events occurred after the reporting date that do not entail an adjustment (non-adjusting event), but require a specific disclosure.

Therefore, as regards the impacts on the Group, the companies, operating in essential services, did not halt their activities, but had to implement social distancing measures for employees, like all other operators, the most important of which was the large-scale introduction of smart working.

The slowdown in economic and social activities is obviously generating an exceptional economic crisis, and it is reasonable to predict that the Group will suffer repercussions in terms of financial tension stemming from:

- lower revenues due to the considerable reduction in water consumption and waste production that this crisis is causing (also if we note that the full cost recovery principle applies in the water sector);
 - the increase in costs deriving from greater expected losses on receivables due from users and, nonetheless, the general delay in collections, with subsequent financial tension in terms of expected cash flows;
 - increase in costs for health and workplace safety.

These tensions stem, in particular, from users relating to the tourist chain.

Therefore, the company is studying forms of "organisational and economic repositioning" which fundamentally consist:

of the protection of employment levels through the halting or limiting of new hires and the use of social shock absorbers;

of the development and consolidation of smart working,

of the restructuring of general overheads;

of the greater use of forms of financing also with, if needs be, the negotiation or rescheduling of bank loans, and more use of factoring of receivables due from the Municipalities.

Water and waste regulations and tariffs

The Arera provisions of the first few months of 2020, both for the water and waste sections, focussed on mitigating the effects, for users, of the health emergency related to Covid-19.

Operations

In 2020, the move to the system for the quantity-based measurement of the waste service also commenced for the Municipality of Mirano, with the subsequent move to the quantity-based Tarip tariff.

Dispute regarding VAT on Tia

As a result of judgment numbers 8631/2020 and 8632/2020 of May 2020 of the Court of Cassation (joint sittings) regarding the application of VAT on Tia² pursuant to Italian Legislative Decree 152/2006, which confirmed the private-law nature of the tariff in question and that it is subject to VAT, it is reasonable to predict a reduction in ongoing disputes on the matter.

Dispute regarding Ici/Imu 2008-2019 tax - Ecoprogetto


On 2 March 2020, the judgment of the Court of Cassation relating to the classification of property assets located in the Integrated Hub of Fusina was made public. The negative judgment against the subsidiary Ecoprogetto Venezia and, conversely, in favour of the Italian Revenue Agency, involved the need for a major review of the values booked to the business plan adopted in 2018, both in economic and equity terms. As a result of the new judgment, 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.

AIA (integrated environmental authorisation) - project for the technological upgrading of the Ecoprogetto Fusina plant hub

In February 2019, Ecoprogetto Venezia srl presented the Veneto Region with a request for an environmental impact assessment for the issuing of a new AIA (Integrated Environmental Authorisation) for the project of technological upgrading of the Plant Hub of Fusina for waste management, which makes provision, among other things, for the request for co-incineration, in the two lines already authorised, also of C_{ss} (secondary solid fuel) obtained from the industrial process of waste treatment, secondary solid fuel currently channelled to the Enel Palladio plant in Fusina or, for the quantity not received by the plant, sent for disposal at Italian and foreign sites with significant negative impacts on the income statement.

The works, commenced in July 2019, will be completed in the middle of 2020 with testing planned for the first half of 2020; production is expected to start in 2020, after the requested authorisation is issued.

Public regulations



As regards the prevention of corruption, in January 2020, the parent company's Board of Directors adopted a document of guidelines regarding the policy for preventing corruption and a regulation for the management system for the prevention of corruption compliant with standard Uni Iso 37001:2016.

This is all incorporated in the current internal control system and is coordinated with the current model 231 regarding the Group's criminal liability.

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 2019 (Art. 2429, paragraph 2 of the Italian Civil Code)

To the shareholders of Veritas spa
(Veneziana energia risorse idriche territorio ambiente servizi)

by means of this report - drafted in accordance with Art. 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 2019.

Monitoring activities

In the year ended as at 31 December 2019, 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 of September 2015 (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 duties, the Board of Statutory Auditors periodically obtained information from the directors, also by participating in meetings of the Board of Directors, needed to carry out its monitoring and audit activities, i.e. the information on the activities carried out and the most significant economic, financial and equity transactions resolved and performed by Veritas and its subsidiaries.

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.

The 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 2019 that were not in keeping with the company's interests.

In 2019, 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 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 should point out that Veritas, regarding the issuer of two bonds:

1. the Bond of EUR 100 million issued in 2014, maturing in 2021 (*bullet*);
2. the Viveracqua Hydrobond of EUR 15 million issued in 2014, maturing in 2034 (*amortising*);

is subject to European and national market abuse financial regulations.

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.

Monitoring of the administrative-accounting system and the financial information process and non-financial data

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 suggested guidelines of rule 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 spa, 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.

In light of the above, 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.

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 Art. 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 Art. 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 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 Art. 19 of Italian Legislative Decree 39/2010.

As already highlighted, the Board of Statutory Auditors - pursuant to Art. 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 spa 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 Art. 14 of Italian Legislative Decree 39/2010 and Art. 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 2019 are drafted with clarity and present a true and fair view of the financial position, economic result and cash flows of Veritas spa 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 2019.

The independent auditing firm presented us with the Additional Report, required by Art. 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 Art. 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 Art. 18 of Italian Legislative Decree 39/2010.

Lastly, the Board examined, as already stated, the contents of the report of EY spa on the Declaration of non-financial data issued in accordance with Art. 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 2019, 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 spa, with the approval of this Board:

- certification of the values certifying the requirement of the financial suitability of transporters required by Art. 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 spa as at 31 December 2018, pursuant to Art. 14.4 of the Consolidated Law approved by Arera by means of resolution no. 137 of 24 March 2016, amounting to EUR 22,000;
- audit of the table of credit and debit balances with the partner municipalities, as at 31.12.2019, for the purposes set out in Art. 11, paragraph 6, of Italian Legislative Decree 118 of 23 June 2011, amounting to EUR 12,500.

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 Art. 6, paragraph 1, letter b) of Italian Legislative Decree 231/2001

The Board of Statutory Auditors acquired, through the annual report issued on 20 March 2020, 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 2019, 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 art. 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 and subsequent clarifications provided during the course of the meeting of the Board of Directors on 16 April 2020.

During the course of our monitoring activities, no complaints were submitted pursuant to Art. 2408 of the Italian Civil Code, and no omissions, censurable events, limitations, exceptions, irregularities or significant events emerged that need to be mentioned in this report.

No opinions were issued in 2019.

Financial statements for the year

The Board points out that the draft financial statements for the year ended as at 31 December

2019, which the Board of Directors are submitting for your 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, in November 2014, 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 extinguishment as part of the normal company operating cycle within 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 clarifies the transactions involved in company operations during the year.

This set of documents was made available to the Board of Statutory Auditors at the Board meeting held on 29 May 2020.

As regards 2019, 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 nos. 3.7 and Q.3.7., we 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 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.

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 2019, which were audited by the independent auditing firm EY spa. The scope of consolidation, clearly outlined in the introductory section of the report on operations, is the same as the previous year.

As regards the consolidated financial statements, as set forth in rules of conduct 3.8 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 art. 2359 of the Italian Civil Code and art. 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 12 June 2020, the independent auditing firm - pursuant to Art. 14 of Italian Legislative Decree 39/2010 - issued the certification report, which shows that the consolidated financial statements for the year ended as at 31 December 2019, 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 2019.

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 2019, 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 2019, 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, the Board of Statutory Auditors acknowledges that Board of Directors has carefully evaluated the inevitable impacts that may have also for Veritas, and 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 analysis of the current and potential future impacts the epidemiological emergency may have on the company's economic results and financial position, ascertaining the existence of the going concern assumption.

The Board therefore verified - in light of this analysis and the provisions of art. 7 of Decree Law no. 23 of 8 April 2020 - 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 which, therefore, did not halt its activities - has, from the outset, implemented the following.

- I. continuous monitoring;
- II. social distancing measures;
- III. where possible, smart working methods for , employees;

in order to counteract and contain the spread of the virus.

Venice, 12 June 2020

The Board of Statutory Auditors

Giovanna Ciriotto

Roberto Giordani

Maurizio Interdonato



Veritas S.p.A.

Consolidated financial statements as at December 31, 2019

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

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, 2019, and the consolidated statement of income, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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, 2019, 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:

Key Audit Matter	Audit Response
<p>Recoverability of goodwill</p> <p>The goodwill as at December 31, 2019 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. 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. 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"> ▶ assessment of the processes and key controls implemented by the Company related to the goodwill impairment test; ▶ assessment of the adequacy of the process adopted in determining the CGU, and allocating assets and liabilities to the carrying amount of each CGU; ▶ assessment of the report produced by the directors' third-party specialists, as well as the assessment of their competence, capability and objectivity; ▶ assessment of the reasonableness of future cash flow assumptions, including comparison analysis between the historical forecasts and the actual figures subsequently reported; ▶ assessment of the long-term growth rates and discount rates. <p>In performing our procedures, we engaged our EY valuation specialists who performed an independent calculation and sensitivity analysis on key assumptions, in order to determine any changes that could significantly impact the valuation of recoverable amount. Lastly, we reviewed the adequacy of the disclosures included in the notes to the consolidated financial statements</p>
<p>Revenue from tariffs for integrated water service</p> <p>Revenues related to the integrated water service are determined on the basis of the national tariff regulation of the integrated water service defined by the Regulatory Authority for Energy Networks and the Environment (Autorità di Regolazione per Energia Reti e Ambiente) through the tariff mechanism called Mti-2. The policy for recognizing revenues pertaining to the Group (so-called guaranteed revenue restriction - VRG Vincolo dei ricavi garantito) 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</p>	<p>Our audit procedures in response to the key matter included, among others:</p> <ul style="list-style-type: none"> ▶ assessment of the processes and key controls implemented by the Company related to the estimate of revenues for gas and electricity sales, including those related to Information Technology (IT); ▶ testing of the design and operating effectiveness of key controls; ▶ assessment of the key assumptions used by the directors; ▶ testing on a sample basis the application of

basis of the volumes distributed. Considering the judgment required and the complexity of the assumptions used in the estimation of the revenues from the integrated water service, we identified this area as a key audit matter. 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".

- ▶ the correct reference rates;
assessment of the correct determination of the VRG according to the tariff regulation.

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.

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, 2019, 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, 2019 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, 2019 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 12, 2020

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 29 June 2020 in Mestre, via Forte Marghera 191 at the auditorium of Metropolitan city of Venice, resolved to:

- approve the separate financial statements of Veritas spa as at 31 December 2019, which closed with a profit for the year of EUR 7,093,607, 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 29 May 2020;
- allocate the profit for the year to the legal reserve to the extent of 5% (EUR 354,680), to the non-distributable reserve on the basis of the New Investments Fund (FONI) constraint (EUR 6,738,927);
- allocate a part of the other available reserves to the non-distributable reserve on the basis of FONI constraint for EUR 2,253,364;
- to release the non-distributable reserve recognised previously subject to the FONI constraint (EUR 9,229,534), as the investments in water services planned for 2018 were made;
- acknowledge the report of the Board of Statutory Auditors on the separate financial statements of Veritas spa as at 31 December 2019, 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 2019, 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 2019, 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 29 May 2020;
- the report of the independent auditing firm on the consolidated financial statements of Veritas spa as at 31 December 2019, drafted pursuant to Art. 14 of Italian Legislative Decree 39/2010 and Art. 10 of Regulation (EU) no. 537/2014.