



**Consolidated Financial
Statements
Abbreviated Interim 2019**

Report on Operations

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ACEA Organisational Model

ACEA is one of the major Italian multiutilities, and has been quoted on the stock exchange since 1999.

ACEA adopts an operational model based on an organisational layout in line with the Strategic Business Plan consolidating its role to govern, guide and control the Holding not only with the current business portfolio focused on areas of greater value, but also on the strategic development of the Group in new business segments and territories. ACEA's macrostructure is based around the corporate functions and six industrial areas - Environment, Commercial and Trading, Water, Energy Infrastructures, Engineering and Services and Overseas. The activities of each business segment are described below.

Environment

The Acea Group is one of the leading national players with more than 1 million tonnes of waste processed each year. It manages the main waste-to-energy plant and the largest composting plant in Lazio. In particular, the Group develops investments in the waste to energy business, considered high potential, in accordance with the strategic goal of producing energy from waste and protecting the environment.

Commercial and Trading

The Acea Group is a major operator in Italy in the sale of electrical energy and offers innovative and flexible solutions for the supply of electricity and natural gas to consolidate its position as a dual fuel operator. Acea operates in the market segments of medium-sized businesses and families, striving to improve the quality of its services in particular as far as web and social channels are concerned. It supervises the Group's energy management policies.

Water

The Acea Group is the top Italian operator in the water sector serving 9 million people. The Group manages the integrated water service in Rome and Frosinone and in the respective provinces, as well as in other parts of Lazio, in Tuscany, Umbria and Campania.

Energy Infrastructure

The Acea Group is a major operator in Italy with about 10 TWh of electricity distributed in Rome. The Group also manages the public and artistic lighting of the capital for a total of 224,000 light bulbs. The Acea Group is committed to energy efficiency projects and the development of new technologies, such as smart grids and electric mobility, through particularly innovative pilot projects.

Engineering and Services

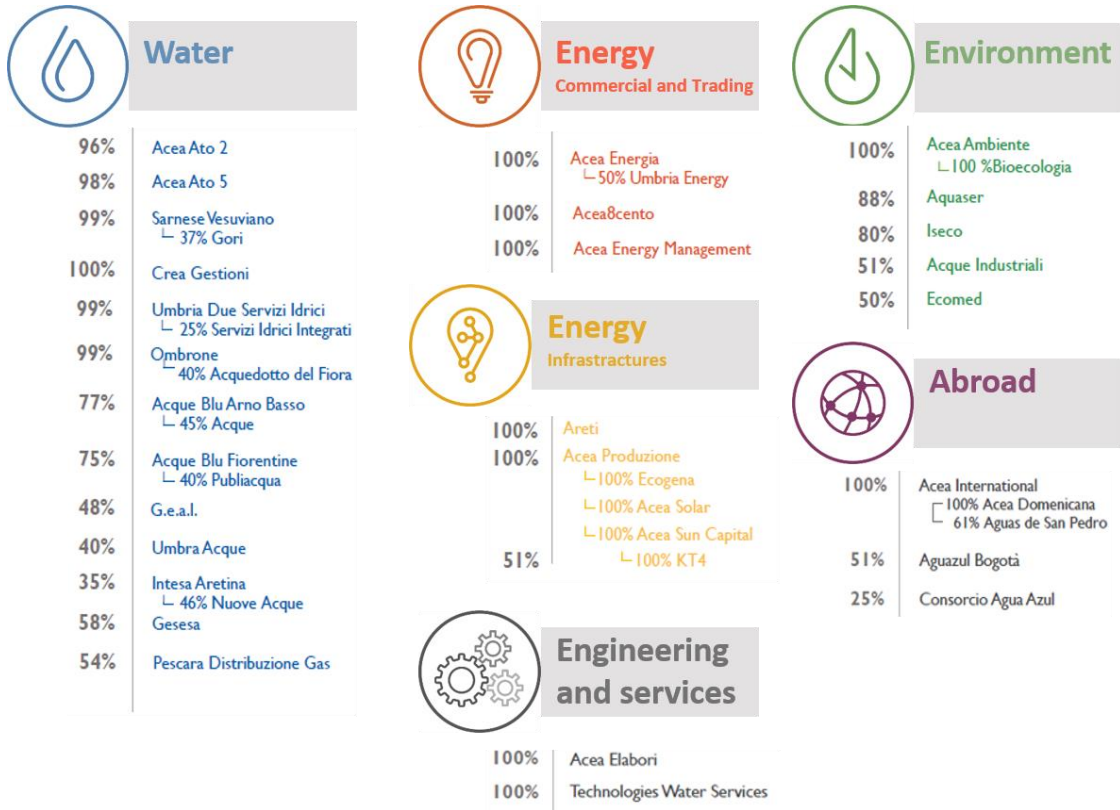
The Group has developed know how at the forefront in the design, construction and management of integrated water systems: from the source to the aqueducts, from distribution to the sewer network, and treatment. It develops applied research projects aimed at technological innovation in the water, environmental and energy sectors. Laboratory services are of particular importance.

Overseas

Through this Area, the Acea Group manages water activities in Latin America and its objective is to make the most of development opportunities in other businesses related to those already held in Italy.

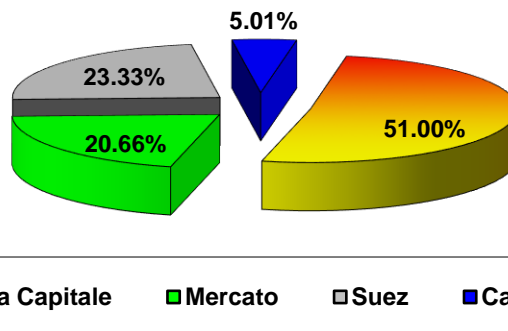
It is present in Honduras, Dominican Republic, Colombia and Peru, serving approximately 4 million people. The activities are carried out in partnership with local and international partners, including through staff training and the transfer of know-how to local entrepreneurs.

The Group structure, in the various business segments, comprises the following main companies.



No change compared to the end of 2018

The share capital of Acea S.p.A. at 30 June 2019 is broken down as follows:



*The above chart only shows equity investments of more than 3%, as confirmed by CONSOB data.

Corporate bodies

Board of Directors

Michaela Castelli	Chairwoman
Stefano Antonio Donnarumma	CEO
Alessandro Caltagirone	Director
Massimiliano Capece Minutolo del Sasso	Director
Gabriella Chiellino	Director
Giovanni Giani	Director
Liliana Godino	Director
Maria Verbena Sterpetti ¹	Director
Fabrice Rossignol	Director

Board of Statutory Auditors ¹

Maurizio Lauri	Chairman
Pina Murè	Standing Auditor
Maria Francesca Talamonti	Standing Auditor
Maria Federica Izzo	Alternate Auditor
Mario Venezia	Alternate Auditor

Executive responsible

Giuseppe Gola

Auditing Firm

PricewaterhouseCoopers S.p.A.

¹ Appointed by the Shareholders' Meeting on 17 April 2019

Summary of Results

Income Statement Data (€ million)	30/06/2019	30/06/2018	Change	% Change
Consolidated revenues	1,553.1	1,454.3	98.8	6.8 %
Consolidated operating costs	1,070.1	1,022.9	47.2	4.6 %
Income/(Costs) from equity investments of a non-financial nature	19.4	18.5	0.9	4.9 %
Net income/(costs) from commodity risk management	0.1	0	0.1	n.s.
EBITDA	502.6	449.9	52.7	11.7 %
EBIT	260.2	250.7	9.5	3.8 %
Net result	154.7	150.7	4.0	2.7 %
Profit/(loss) attributable to minority interests	11.7	8.0	3.7	46.6 %
Net Group result	143.0	142.7	0.3	0.2 %

EBITDA per operating segment (€ million)	30/06/19	30/06/2018	Change	% Change
ENVIRONMENT	33.5	31.8	1.7	5.4 %
COMMERCIAL AND TRADING	31.2	43.9	(12.7)	(29.0%)
OVERSEAS	7.9	7.3	0.6	7.7 %
WATER	244.0	192.3	51.7	26.9 %
<i>Integrated water service</i>	<i>243.0</i>	<i>192.0</i>	<i>51.0</i>	<i>26.6 %</i>
Lazio - Campania	225.7	178.1	47.6	26.7 %
Tuscany - Umbria	17.3	13.9	3.4	24.7 %
Others	1.0	0.3	0.7	n.s.
ENERGY INFRASTRUCTURE	193.3	178.7	14.5	8.1 %
Distribution	168.2	155.1	13.1	8.5 %
Generation	25.3	25.4	0.0	(0.1%)
Public Lighting	(0.3)	(1.7)	1.4	(82.7%)
ENGINEERING AND SERVICES	6.5	7.5	(1.0)	(13.9%)
ACEA (Corporate)	(13.8)	(11.7)	(2.1)	17.7 %
Total EBITDA	502.6	449.9	52.7	11.7 %

Consolidated balance sheet data (€ million)	30/06/19	31/12/2018	Change	% Change	30/06/2018	Change	% Change
Net Invested Capital	4,738.4	4,471.5	266.8	6.0%	4,236.6	501.8	11.8%
Net Debt	(2,842.5)	(2,568.1)	(274.4)	10.7%	(2,570.3)	(272.2)	10.6%
Consolidated Shareholders' Equity	(1,895.9)	(1,903.5)	7.6	(0.4%)	(1,666.3)	(229.6)	13.8%

Net debt per Operating Segment (€ million)	30/06/19	31/12/2018	Change	% Change	30/06/2018	Change	% Change
ENVIRONMENT	206.6	203.6	3.0	1.5%	204.8	1.8	0.9%
COMMERCIAL AND TRADING	(15.1)	(23.7)	8.6	(36.3%)	1.5	(16.6)	n.s.
OVERSEAS	5.9	4.1	1.7	41.6%	6.5	(0.6)	(9.4%)
WATER	1,179.0	1,039.0	139.9	13.5%	986.4	192.5	19.5%
Integrated water service	1,182.1	1,048.4	133.8	12.8%	994.9	187.2	18.8%
Lazio - Campania	1,200.9	1,058.7	142.2	13.4%	1,003.6	197.3	19.7%
Tuscany - Umbria	(18.7)	(10.3)	(8.4)	81.8%	(8.7)	(10.1)	116.2%
Others	(3.1)	(9.3)	6.2	(66.2%)	(8.5)	5.3	(62.8%)
ENERGY INFRASTRUCTURE	1,228.1	1,121.9	106.2	9.5%	1,105.2	122.9	11.1%
Distribution	1,104.6	1,010.3	94.3	9.3%	968.0	136.6	14.1%
Generation	123.5	112.4	11.1	9.9%	131.1	(7.5)	(5.8%)
Public Lighting	0.0	(0.8)	0.8	(100.0%)	6.2	(6.2)	(100.0%)
ENGINEERING AND SERVICES	11.7	(13.3)	25.0	(188.3%)	14.6	(2.8)	(19.5%)
ACEA (Corporate)	226.4	236.4	(10.0)	(4.2%)	251.3	(25.0)	(9.9%)
TOTAL	2,842.5	2,568.0	274.5	10.7%	2,570.3	272.2	10.6%

*Debt at 30 June 2019: (i) is shown gross of € 20.9 million relating to the advance payment following the sale of receivables from Cassa Conguaglio at the end of the period; (ii) is shown gross of € 20.9 million of Acea S.p.A. related to IFRIC 12 receivables; (iii) and contains € 79.5 million in payables for dividends declared but not yet distributed to Roma Capitale.

Investments per operating segment (€ million)	30/06/19	30/06/2018	Change	% Change
ENVIRONMENT	10.6	8.6	2.0	23.4%
COMMERCIAL AND TRADING	18.5	5.5	13.0	n.s.
OVERSEAS	3.6	2.2	1.4	63.1%
WATER	168.3	156.4	11.9	7.6%
Integrated water service	168.1	156.4	11.6	7.4%
Lazio - Campania	168.1	156.4	11.6	7.4%
Tuscany - Umbria	0.0	0.0	0.0	n.s.
Others	0.3	0.0	0.2	n.s.
ENERGY INFRASTRUCTURE	133.4	105.6	27.9	26.4%
Distribution	126.3	100.5	25.8	25.7%
Generation	5.5	4.9	0.6	11.9%
Public Lighting	1.6	0.1	1.4	n.s.
ENGINEERING AND SERVICES	0.8	0.5	0.4	77.7%
ACEA (Corporate)	6.6	3.1	3.5	110.3%
TOTAL	342.0	282.0	60.0	21.3%

Summary of operations and income, equity and financial performance of the Group

Definition of alternative performance indicators

On 5 October 2015, ESMA (European Securities and Markets Authority) published its guidelines (ESMA/2015/1415) on criteria for the presentation of alternative performance indicators which replace, as of 3 July 2016, CESR/05-178b recommendations. This orientation was acknowledged in our system in CONSOB Communication no. 0092543 dated 3 December 2015. The content and meaning of the non-GAAP measures of performance and other alternative performance indicators used in these financial statements are illustrated below:

1. for the Acea Group, the gross operating profit (or EBITDA) is an operating performance indicator and from 1 January 2014 also includes the condensed result of equity investments in jointly controlled entities for which the consolidation method changed when international accounting standards for financial reporting IFRS10 and IFRS11 came into force. EBITDA is determined by adding the Operative Result to “Amortisation, depreciation, provisions and impairment”, insofar as these are the main *non-cash items*;
2. the net financial position is an indicator of the Acea Group’s financial structure, the sum of Non-current borrowings and Financial liabilities net of Non-current financial assets (financial receivables excluding a part of receivables related to Acea S.p.A.’s IFRIC12 and securities other than equity investments), Current borrowings and Other current financial liabilities (excluding an advance resulting from the sale of receivables due from Cassa Conguaglio) net of current financial assets, cash and cash equivalents;
3. net invested capital is the sum of “Current assets”, “Non-current assets” and Assets and Liabilities held for sale, less “Current liabilities” and “Non-current liabilities”, excluding items taken into account when calculating the net financial position;
4. net working capital is the sum of current receivables, inventories, the net balance of other current assets and liabilities and current payables, excluding the items considered in determining the net financial position.

Summary of Results: performance of economic results

Income Statement Data (€ million)	30/06/19	30/06/2018	Change	% Change
Revenue from sales and services	1,499.7	1,390.0	109.6	7.9 %
Other revenue and proceeds	53.4	64.2	(10.8)	(16.8%)
Costs of materials and overheads	945.8	913.0	32.8	3.6 %
Personnel costs	124.3	109.9	14.4	13.1 %
Net income/(costs) from commodity risk management	0.1	0.0	0.1	n.s.
Income/(Costs) from equity investments of a non-financial nature	19.4	18.5	0.9	4.9 %
EBITDA	502.6	449.9	52.7	11.7 %
Amortisation, depreciation, provisions and impairment charges	242.4	199.2	43.2	21.7 %
Operating profit/(loss)	260.2	250.7	9.5	3.8 %
Financial items	(42.7)	(42.4)	(0.4)	0.9 %
Equity investments	3.6	9.4	(5.8)	(62.1%)
Profit/(loss) before tax	221.0	217.8	3.3	1.5 %
Taxes	66.4	67.1	(0.7)	(1.1%)
Net result	154.7	150.7	4.0	2.7 %
Profit/(loss) attributable to minority interests	11.7	8.0	3.7	46.6 %
Net Group result	143.0	142.7	0.3	0.2 %

At 30 June 2019, changes in the scope of consolidation took place compared to 30 June 2018. Specifically:

- ✓ with effect from 8 November 2018, GORI is fully consolidated following the amendment of the agreements with the Area Authority/Campania Region that allowed ACEA to exercise control over the company in accordance with IFRS 10;
- ✓ on 29 November 2018 Acea Ambiente acquired 100% of Bioecologia S.r.l., a company operating in Tuscany;
- ✓ on 18 March 2019 ACEA acquired 51% of the company Pescara Distribuzione Gas;
- ✓ on 30 April 2019, ACEA Sun Capital and ACEA Solar were established to take over the acquisition of photovoltaic systems, the first acquisition of which took place on 27 June 2019 through the acquisition of 100% of KT4.

For more details, see the paragraph “Criteria, procedures and area of consolidation”.

The table below shows the impact of the change in the scope of consolidation at 30 June 2019.

€ million	GORI	Pescara Distribuzione Gas Srl	Consorcio Servicio Sur	Newco Fotovoltaico	BIO ECOLOGIA srl	ACEA PERU
Revenues	96.8	2.9	2.5	0.0	1.8	0.0
EBITDA	34.2	0.5	(0.1)	0.0	0.0	0.0
EBIT	15.8	0.3	(0.4)	0.0	(0.2)	0.0
EBT	14.0	0.3	(0.5)	0.0	(0.3)	0.0
NP	9.2	0.2	(0.5)	0.0	(0.2)	0.0
NFP	3.4	0.1	(0.2)	0.0	(0.2)	0.0

Revenue from sales and services amounted to € 1.5 billion, an increase of € 109.6 million

As at 30 June 2019, revenues from sales and services come to € 1,499.7 million, up € 109.6 million (+ 7.9%) on those of H1 2018, mainly due to the increase in revenues from the increase in revenues from the integrated water service (+ € 118.3 million). This change is mainly due to: **i)** the full consolidation of Gori for € 91.7 million (in the first half of 2018 the Company was consolidated using the equity method), **ii)** ACEA Ato2 (+ € 23.9 million, of which € 1.1 million for an increase in the contractual quality bonus) as a result of the growth in the VRG approved in the meeting of 13 November 2018 compared to the previous half and the higher adjustments deriving from pass-through items (electricity, system change costs) for a total of € 8.6 million.

The following also contributed to the change: **i)** the increase in revenues from waste disposal and landfill management (+ € 10.3 million) mainly due to the price effect; **ii)** the increase in revenues from gas sales for € 10.6 million attributable to Acea Energia; **iii)** the revenues of foreign companies due to the acquisition of Consorcio CSUR for € 2.5 million and the better performance of Aguas de san Pedro, which recorded higher revenues for € 2.2 million.

These increases were partially offset by the reduction in revenues from the sale of electricity of € 35.2 million, as a result of the RCV review and the value recognised for the mechanism for compensating for arrears, provided for in Resolution 706/2018 ARERA and in part by the smaller number of customers served.

Other revenues amounting to € 53.4 million

Other revenues show a decrease of € 10.8 million (- 16.8%) compared to the same period of the previous year. The change is mainly due to the reduction of € 22.0 million in the contributions accrued on white certificates (TEE) in portfolio. Revenues from TEEs are offset by the costs incurred to purchase them.

This change was partially offset by the increase in the IFRIC 12 margin (+ € 5.7 million compared to 30 June 2018) and the contingent assets from energy items relating to previous financial years (+ € 3.8 million).

Finally, Gori's other revenues contributed to an increase of € 3.2 million.

External costs for €945.8 million, up € 32.8 million on 30 June 2018

This item shows an overall increase of € 32.8 million (+ 3.6 %) compared to 30 June 2018. The change is due for € 46.2 million from the full consolidation of GORI and for the remaining part mainly from the following opposite effects:

- ✓ lower purchase costs of the white certificates by areti (- € 21.7 million) for the fulfilment of the regulatory obligation concerning energy efficiency;
- ✓ lower costs for use of leased assets (- € 5.7 million), due to the application of IFRS 16 (see the section on "Effects deriving from the introduction of new accounting standards");
- ✓ higher costs for services, in particular for companies in the environment segment (+ € 10.0 million) for disposal and transport of sludge following the increase in volumes;
- ✓ higher material costs, mainly attributable to ACEA Ato2 (+ € 3.2 million);

Personnel costs, net of the change in the scope of consolidation, decreased by € 1.5 million

Labour costs increased by € 14.4 million compared to the same period of the previous year. The change in the scope of consolidation (+ € 15.9 million overall) with the addition of GORI, which contributed an increase of € 14.4 million. The increase in capitalised costs is attributable to GORI for € 8.0 million.

The average number of employees was 6,611 and increased by 1,065 compared to the previous year, mainly due to the effect of the change in the scope of consolidation.

€ million	30/06/19	30/06/2018	Change	% Change
Staff costs including capitalised costs	199.2	173.7	25.5	14.7 %
Costs capitalised	(74.9)	(63.8)	(11.1)	17.4 %
Personnel costs	124.3	109.9	14.4	13.1 %

Non-financial investment income increased by € 0.9 million

The income from non-financial equity investments represent the consolidated result according to the equity method included among the components forming the consolidated EBITDA of the strategic companies. The following table also includes the results of GORI until 7 November 2018 equal to € 2.6 million.

€ million	30/06/19	30/06/2018	Change	% Change
EBITDA	75.1	80.9	(5.8)	(7.2%)
Amortisation, depreciation, impairment charges and provisions	(41.8)	(50.7)	8.9	(17.6%)
Total profit/(loss) on equity investments	(0.0)	(0.0)	0.0	(96.8%)
Financial items	(6.6)	(2.6)	(3.9)	148.3%
Taxes	(7.2)	(9.0)	1.7	(19.4%)
Income from equity investments of a non-financial nature	19.4	18.5	0.9	4.9%

EBITDA at € 502.6 million up by 11.7%

EBITDA rose from € 449.9 million in 2018 to € 502.6 million at 30 June 2019, recording an increase of € 52.7 million or 11.7 %. The increase is mainly due to the tariff dynamics of the water sector (+ € 51.7 million), of which € 31.7 million deriving from the change in the scope of consolidation, followed, as regards the significant increase in margins, by the distribution and generation sectors (+ € 14.5 million) deriving from the positive effect of the energy balance (including accounting), mainly as a result of the equalisation effects. The Commercial and Trading Segment decreased by € 12.7 million due mainly to the lower energy margin, mainly due to the reduction in tariffs and the revision of the mechanism for offsetting arrears. The Engineering and Services Segment and the Parent Company also recorded an overall decrease of € 3.1 million.

EBIT of € 260.2 million (+3.8%)

EBIT grew by € 9.5 million compared to last year. The increase in EBIT was mitigated by the growth in amortisation and depreciation (+ € 38.2 million compared to the first half of 2018), which mainly concerned the Water Segment (+ € 28.6 million compared to 30 June 2018). The consolidation of GORI contributed to the increase by € 15.8 million. Below are details of the items influencing EBIT.

€ million	30/06/19	30/06/2018	Change	% Change
Amortisation / depreciation of intangible and tangible assets and write-downs	200.1	161.8	38.2	23.6 %
Provision for doubtful accounts	36.0	31.9	4.2	13.1 %
Provision for risks and charges	6.3	5.5	0.8	14.3 %
Amortisation, depreciation, impairment charges and provisions	242.4	199.2	43.2	21.7 %

Net of changes in scope, the increase change in depreciation is mainly linked to investments during the period in all areas of business and also takes account of technological developments related to the technological platform common to the Acea Group. It should also be noted that following the first-time adoption of the new IFRS16 international standard, an amortisation charge of € 5.6 million for the rights of use on assets belonging to others (*Right of use*) was recorded, which as from 1 January 2019 are recorded as fixed assets under lease and amortised over the expected duration of the related contracts (for further details on this see the section "Effects deriving from the introduction of new accounting standards").

The increase in the item write-down of receivables is mainly due to the change in the scope of consolidation of € 5.3 million.

Provisions net of the release of € 6.2 million relating to GORI in the previous six months decreased by € 5.4 million mainly due to: **i)** lower tax and regulatory provisions for a total of € 1.4 million; **ii)** lower provisions for other risks and charges for € 1.5 million concerning in particular the energy items of Acea Energia; **iii)** lower provisions for € 1.7 million to cover the personnel reduction programme through the adoption of voluntary redundancy programmes for Group personnel.

Financial items increased by € 0.4 million

The result of financial operations shows net charges of € 42.7 million and an increase of € 0.4 million compared to the same period in 2018. It should be noted that the impact of discounting charges resulting from the application of IFRS 16 amounts to € 1.1 million. Moreover, at 30 June 2019 the overall average all-in cost of the Acea Group's debt stood at 2.18% compared to 2.22% in the same period of the previous year.

Tax rate of 30.0%, a reduction of 0.8 percentage points

The estimate of the fiscal charges amounted to € 66.4 million, compared to € 67.1 million for last year. The overall decrease of - € 0.7 million recorded in 2019 is mainly due to the effects of the recalculation of deferred taxes. The tax rate for 2019 was 30.0% (30.8% at 30 June 2018)

The net result is in line with the previous year

The Group's net income amounted to € 143.0 million, marking an increase of € 0.3 million compared to the same period of financial year.

Summary of results: trends in financial position and cash flows

Consolidated balance sheet data (€ million)	30/06/19	31/12/2018	Change	% Change	30/06/2018	Change	% Change
NON-CURRENT ASSETS AND LIABILITIES	5,289.5	5,114.2	175.3	3.4 %	4,652.8	636.8	13.7 %
NET WORKING CAPITAL	(551.2)	(642.7)	91.5	(14.2%)	(416.2)	(135.0)	32.4 %
INVESTED CAPITAL	4,738.4	4,471.5	266.9	6.0 %	4,236.6	501.8	11.8 %
NET DEBT	(2,842.5)	(2,568.0)	(274.5)	10.7 %	(2,570.3)	(272.2)	10.6 %
SHAREHOLDERS' EQUITY	(1,895.9)	(1,903.5)	7.6	(0.4%)	(1,666.3)	(229.6)	13.8 %
Total sources of financing	4,738.4	4,471.5	266.9	6.0 %	4,236.6	501.8	11.8 %

The non-current assets and liabilities increased by € 175.3 million (+ 3.4 %) compared to 31 December 2018, mainly due to the increase in intangible fixed assets (+ € 215.9 million).

€ million	30/06/19	31/12/2018	Change	% Change	30/06/2018	Change	% Change
Tangible/intangible fixed assets	5,006.7	4,790.7	215.9	4.5 %	4,459.4	547.3	12.3 %
Equity investments	289.5	281.7	7.8	2.8 %	251.8	37.7	15.0 %
Other non-current assets	638.7	630.6	8.1	1.3 %	458.1	180.6	39.4 %
Employee severance indemnity and other defined benefit plans	(104.8)	(103.9)	(0.9)	0.8 %	(106.7)	2.0	(1.8%)
Provisions for risks and charges	(194.3)	(136.7)	(57.6)	42.2 %	(197.3)	3.0	(1.5%)
Other non-current liabilities	(346.2)	(348.2)	1.9	(0.6%)	(212.5)	(133.7)	62.9 %
Non-current assets and liabilities	5,289.5	5,114.2	175.3	3.4 %	4,652.8	636.8	13.7 %

The change in intangible fixed assets is due to the investments, which reached € 342.0 million, and amortisations and value reductions, totalling € 200.1 million. The application of IFRS 16 (application of the new standard from 1 January 2019) contributed to the change in the period. This resulted in the recognition of fixed assets with a net book value at 30 June 2019 of € 56.1 million (for further details, see the section entitled "Effects deriving from the introduction of new accounting standards").

See the following table as regards the investments made in each Operating Segment.

EBIT of € 260.2 million (+3.8%)

Investments per operating segment (€ million)	30/06/19	30/06/2018	Change	% Change
ENVIRONMENT	10.6	8.6	2.0	23.4 %
COMMERCIAL AND TRADING	18.5	5.5	13.0	n.s.
OVERSEAS	3.6	2.2	1.4	63.1 %
WATER	168.3	156.4	11.9	7.6 %
<i>Integrated water service</i>	<i>168.1</i>	<i>156.4</i>	<i>11.6</i>	<i>7.4 %</i>
Lazio - Campania	168.1	156.4	11.6	7.4 %
Tuscany - Umbria	0.0	0.0	0.0	n.s.
Others	0.3	0.0	0.2	n.s.
ENERGY INFRASTRUCTURE	133.4	105.6	27.9	26.4 %
Distribution	126.3	100.5	25.8	25.7 %
Generation	5.5	4.9	0.6	11.9 %
Public Lighting	1.6	0.1	1.4	n.s.
ENGINEERING AND SERVICES	0.8	0.5	0.4	77.7 %
ACEA (Corporate)	6.6	3.1	3.5	110.3 %
TOTAL	342.0	282.0	60.0	21.3 %

The investments in the **Environment Segment** increased € 2.0 million compared to 30 June 2018 and refer mainly to the investments made by Acea Ambiente for: **(i)** the revamping works of the Monterotondo Marittimo plant, **(ii)** the works carried out at the WTE plants in Terni and San Vittore, **(iii)** the works for the extension of the landfill located in Orvieto.

The **Commercial and Trading Segment** recorded an increase of € 13.0 million to be attributed to Acea Energia for investments in IT systems.

The **Overseas Segment** recorded an increase of € 1.4 million compared to the same period of last year, mainly due to the investments made by Aguas de San Pedro for the expansion and extraordinary maintenance of the water and sewerage network in the areas managed.

The **Water Segment** invested a total of € 168.3 million, an increase of € 11.9 million, mainly due to the consolidation of Gori (+ € 21.0 million), partly offset by lower investments by ACEA Ato2 (- € 5.9 million) and Acea Ato5 (- € 3.5 million). The investments in the segment mainly refer to the reclamation and expansion of the water and sewer pipes of the various municipalities, the extraordinary maintenance of the water centres, the work on the purifiers and the transport systems (connectors and feeders).

The **Energy Infrastructure Segment** recorded an increase in investments of € 27.9 million, mainly relating to areti (+ € 25.8 million). The investments of areti refer mainly to renewal and enhancement of the HV, MV and LV network, work on the primary and secondary substations and meters; intangible investments refer to projects for the re-engineering of information and commercial systems. This year the so-called "Resilience Plan" was implemented, which consists of interventions on substations and on the MV and LV networks. Investments made by Acea Produzione mainly concern plant revamping works for the Mandela and Tor di Valle and Montemartini hydroelectric power plants, static and functional upgrades of the tunnels deriving from the San Cosimato dam reservoir and the extension of the district heating network in the Mezzocammino district in the south of Rome.

Investments in the **Engineering and Services Segment** mainly refer to the purchase of equipment for the Grottarossa laboratory by ACEA Elabori and investments in IT systems.

The **Corporate Segment** made investments in hardware and software as part of the various IT projects and maintenance work on the sites used for business activities.

Group investments concerning shared IT infrastructure totalled € 16.7 million.

Equity **investments** increased by € 7.8 million compared to 31 December 2018. The change is due to negative values. Among these we note:

- ✓ the valuation of consolidated companies using the equity method for a total of € 23.0 million;
- ✓ the effect of the distribution of dividends for € 15.7 million.

The stock of the **employee severance indemnity and other defined benefit plans** recorded an increase of € 0.9 million, mainly due to the drop of the rate used (from 1.57% at 31 December 2018 to 1.0% in 30 June 2019).

Provisions for risks and charges increased by 42.2% compared to the previous year mainly as a result of the provision for interim taxes.

€ million	31/12/2018	Uses	Provisions	Payment of Redundancy Funds	Reclassifications/Other changes	30/06/19
Legal	13.2	(0.6)	1.4	(0.2)	0.0	13.8
Tax Office	10.7	(0.8)	0.1	0.0	0.0	9.9
Regulatory risks	26.6	(0.5)	0.9	0.0	0.0	26.9
Investees	7.7	0.0	0.0	0.0	(0.3)	7.5
Contributory risks	1.1	0.0	0.0	0.0	0.0	1.1
Insurance excess	9.6	(1.1)	1.3	0.0	0.0	9.8
Other risks and charges	23.5	(0.9)	1.1	(0.4)	(1.6)	21.6
Total Provision for Risks	92.3	(4.0)	4.8	(0.6)	(1.9)	90.6
Early retirements and redundancies	25.7	(11.7)	0.4	0.0	1.5	15.9
VAT Variation Notes	0.0	0.0	0.0	0.0	0.0	0.0
Post mortem	16.7	0.0	0.0	0.0	(0.1)	16.6
Provision for Settlement Charges	0.3	(0.2)	0.0	0.0	0.0	0.1
Provision for Charges of others	1.7	(0.9)	1.7	0.0	0.3	2.8
Provision for interim taxes	0.0	0.0	68.3	0.0	0.0	68.3
Total Provision for Charges	44.3	(12.7)	70.3	0.0	1.7	103.6
Total Provisions for Risks and Charges	136.7	(16.7)	75.2	(0.6)	(0.2)	194.3

The net working capital is negative for € 551.2 million and decreased € 91.5 million compared to the end of 2018.

The change in net working capital compared to 31 December 2018 is mainly due to opposing factors like the increase in receivables from users and customers for € 95.7 million and current payables for € 62.8 million and the decrease in other current assets (- € 63.3 million) and other current liabilities (- € 31.3 million).

€ million	30/06/19	31/12/2018	Change	30/06/2018	Change
Current receivables	1,046.8	927.8	118.9	848.3	198.5
- due from end users/customers	958.9	863.2	95.7	750.9	208.0
- due to Roma Capitale	72.9	52.5	20.4	55.1	17.8
Inventories	53.2	48.8	4.4	49.2	4.0
Other current assets	199.3	262.6	(63.3)	188.7	10.6
Current payables	(1,462.0)	(1,524.9)	62.8	(1,155.2)	(306.8)
- due to Suppliers	(1,338.8)	(1,413.9)	75.1	(1,033.4)	(305.5)
- due to Roma Capitale	(118.8)	(107.6)	(11.2)	(118.2)	(0.6)
Other current liabilities	(388.4)	(357.1)	(31.3)	(347.1)	(41.3)
Net working capital	(551.2)	(642.7)	91.5	(416.2)	(135.0)

Receivables from users and customers gross of the Provision for impairment of receivables increased by € 79.0 million compared to the end of 2018. More specifically, we note: **(i)** an increase of € 74.9 million in receivables in the Water Segment, mainly due to ACEA Ato2, Gori and ACEA Ato5; **(ii)** an increase of € 9.7 million in receivables in the Energy Infrastructure Segment, mainly due to the recognition of the income deriving from the elimination of regulatory lag, whose amount at the end of the period in question was € 83.3 million (+ € 7.9 million) while the non-current portion relating to regulatory accounting, equal to € 103.6 million, is included in fixed assets; **(iii)** the increase in receivables from the Environment Segment for € 8.3 million; **(iv)** the decrease in receivables from the Commercial and Trading Segment for € 16.3 million, resulting from the improvement in collection performance; Receivables from customers are shown net of the Provision for impairment of receivables, amounted to € 677.5 million compared to € 694.2 million at the end of 2018.

In the first half of 2019, receivables totalling € 602.9 million were transferred “pro-soluto”, € 127.6 million to Public Administrations.

Roma Capitale: net balance is positive for € 1.8 million

As regards the **relations with Roma Capitale**, the net balance at 30 June 2019 was € 1.8 million receivable by the Group, a reduction compared to 31 December 2018. The change in receivables and payables results from items accrued in the period, there not having been any payments/collections or offsets, except for COSAP of areti. In H1 2019, the stock of trade receivables recorded growth of € 20.4 million compared to the previous year, mainly due to the increase in receivables for water accounts.

Financial receivables (recorded in accordance with IFRIC 12) increased by € 23.8 million compared to the previous year, to be attributed to the accrual during the period of receivables relative to the public lighting service agreement, to the modernisation of security, to extraordinary maintenance, to the LED plan agreement and to the works relating to the public lighting service.

Payables increased by a total of € 90.3 million. The main changes are listed below:

- ✓ recognition of the payable for Acea's share dividends accrued in 2018 of € 77.1 million, as resolved by the Shareholders in April 2019;
- ✓ registration of the portion accrued for the concession fee of ACEA Ato2 for HI of € 13.1 million;
- ✓ inclusion of the debt for ACEA Ato2 security dividends accrued in 2018 equal to € 2.4 million;
- ✓ reduction in payables relating to authorisations for excavations defined as new road cables regulations for € 2.0 million.

Note that in April areti paid the Cosap for the current year worth € 1.4 million.

As better explained in the notes to the consolidated financial statements as at 31 December 2018, following a number of disputes raised by Roma Capitale for the period 2008-2018 with regard to public lighting and integrated water services, and as part of the preparatory activities for the 1st Consolidated Financial Statements of Roma Capitale, a technical panel composed of representatives from Roma Capitale and ACEA was set up in April 2019 to define the reciprocal receivable and payable positions. At present, the parties are continuing to reconcile their respective items.

The following table presents an analysis of receivables and payables, including those of a financial nature, between Acea Group and Roma Capitale, as regards both net credit exposure and debt exposure, including financial items. Trade receivables due from Roma Capitale totalled € 72.8 million at 30 June 2019 net of allowances for write-downs (€ 52.5 million at 31 December 2018).

The total amount of receivables net of allowances for write-downs (including short-term and medium/long term financial receivables resulting from the public lighting contract) was € 200.1 million compared to € 156.0 million at the end of the previous year.

Amounts due from Roma Capitale	30/06/19	31/12/2018	Change
Utility receivables	75.5	55.6	19.9
Provisions for write-downs	(9.3)	(9.3)	0.0
Total receivables from users	66.2	46.3	19.9
Receivables for water works and services	3.8	3.3	0.5
Receivables for water works and services to be invoiced	1.2	1.5	(0.3)
Contributions	0.0	0.0	0.0
Provisions for write-downs	(1.9)	(1.9)	0.0
Receivables for electrical works and services	3.9	3.6	0.3
Provisions for write-downs	(0.3)	(0.3)	(0.0)
Total receivables for works	6.7	6.2	0.5
Total trade receivables	72.9	52.5	20.4
Financial receivables for Public lighting services billed	117.9	99.1	18.8
Provisions for write-downs	(30.2)	(30.2)	0.0
Financial receivables for Public lighting services to be billed	34.5	25.7	8.8
Provisions for write-downs	(11.9)	(9.8)	(2.0)
M/L term financial receivables for Public lighting services	17.0	18.7	(1.7)
Total public lighting receivables	127.3	103.5	23.8
Total Receivables	200.2	156.0	44.2
Payables due to Roma Capitale			
Electricity surtax payable	(15.3)	(15.3)	0.0
Concession fees payable	(92.9)	(79.8)	(13.1)
Other payables	(10.8)	(13.0)	2.2
Dividend payables	(79.5)	0.0	(79.5)
Total payables	(198.4)	(108.1)	(90.3)
Net balance receivables payables	1.8	47.9	(46.1)

Current payables decreased by € 62.8 million

Current payables decreased by € 62.8 million compared to the end of 2018 due to the decrease in the stock of trade payables (- € 75.1 million), particularly in the Commercial and Trading Segment.

The **Other Current Assets and Liabilities** recorded a decrease of € 63.3 million and an increase of € 31.3 million respectively compared to 30 June 2018. More specifically, other assets decreased as a result of the reduction in receivables from the energy equalisation compensation fund (- € 53.4 million) and other tax receivables (- € 16.4 million). As regards the increase in other current liabilities, there was an increase in payables to municipalities (+ € 15.1 million), deferred income (+ € 4.7 million) and payables to social security institutions (+ € 1.1 million).

Shareholders' equity amounted to € 1.9 billion

The **net shareholders' equity** amounted to € 1,895.9 million. The changes, amounting to € 7.6 million, are analytically described in the relevant table and are basically due to the distribution of dividends, the accrual of period profits, the change in the area of consolidation and the change in the cash flow hedge reserves and those formed by actuarial profits and losses.

Net debt increased by € 274.5 million compared to the end of 2018

Group **debt** recorded an overall increase of € 274.5 million, going from € 2,568.0 million at the end of 2018 to € 2,842.5 million at 30 June 2019. This change is a direct consequence of the investments made during the period, including those of a technological nature, and of the dynamics of the operating cash flow, which generated requirements of € 60.0 million. The increase in debt is due to the recognition of the financial liability relating to the application of IFRS 16 (application of the new standard is from 1 January 2019) for € 56.8 million, the new consolidation of Pescara Distribuzione Gas for a total of € 13.2 million and finally the net balance of dividends for 2018 (€ 140 million).

€ million	30/06/19	31/12/2018	Change	% Change	30/06/2018	Change	% Change
Non-current financial assets/(liabilities)	1.7	1.8	(0.1)	(5.1%)	2.4	(0.6)	(27.0%)
Parent company, subsidiaries and associates current financial assets/(liabilities)	29.1	30.9	(1.7)	(5.6%)	33.8	(4.7)	(13.8%)
Non-current borrowings and financial liabilities	(3,462.0)	(3,374.1)	(87.8)	2.6 %	(3,395.9)	(66.1)	1.9 %
Net medium/long-term debt	(3,431.1)	(3,341.4)	(89.7)	2.7 %	(3,359.7)	(71.4)	2.1 %
Cash and cash equivalents and securities	981.0	1,068.1	(87.2)	(8.2%)	1,200.5	(219.6)	(18.3%)
Short-term debt	(528.1)	(351.8)	(176.3)	50.1 %	(782.9)	254.8	(32.5%)
Current financial assets/(liabilities)	91.7	(29.0)	120.7	n.s.	309.4	(217.8)	(70.4%)
Parent company and associates current financial assets/(liabilities)	44.1	86.1	(42.0)	(48.8%)	62.4	(18.3)	(29.3%)
Net short-term debt	588.6	773.4	(184.8)	(23.9%)	789.4	(200.8)	(25.4%)
Total net financial position	(2,842.5)	(2,568.0)	(274.5)	10.7 %	(2,570.3)	(272.2)	10.6 %

As regards the **medium/long-term component**, the increase of € 89.7 million compared to the end of 2018 refers almost exclusively to € 87.8 million for the increase in non-current payables and financial liabilities. This change derives from the increase in bonds for € 74.9 million and in the increase in non-current financial payables and liabilities for € 12.9 million, as shown in the following table:

€ million	30/06/19	31/12/2018	Change	Change %	30/06/2018	Change	Change %
Bonds	2,753.3	2,678.4	74.9	2.8 %	2,679.0	74.4	2.8 %
Medium/long-term borrowings	708.6	695.7	12.9	1.9 %	716.9	(8.3)	(1.2%)
Medium/long-term debt	3,462.0	3,374.1	87.8	2.6 %	3,395.9	66.1	1.9 %

Bonds of € 2,753.3 million increased by a total of € 74.9 million mainly due to the combined effect of the placement of the bond issued in May 2019 by the Parent Company ACEA under the Euro Medium Term Notes (EMTN) programme (€ 492.9 million including the long-term portion of the underwriting costs) and the reclassification of the bond issued by the Parent Company and maturing on 16 March 2020 as a short-term position (€ 422.7 million including the residual portion of the underwriting costs).

Medium/long-term loans of € 708.6 million recorded an overall increase of € 12.9 million due to the combined effect of the recognition of the medium/long-term portion of the financial liability relating to the application of IFRS 16 of € 51.4 million offset by the reclassification of the portions falling due in the following year for existing loans. The following table shows medium/long-term and short-term borrowings by term to maturity and type of interest rate:

Bank Loans:	Total Residual Debt	By 30.06.2020	from 30.06.2020 to 30.06.2024	After 30.06.2024
fixed rate	235.0	23.9	104.8	106.4
floating rate	475.3	43.3	227.7	204.3
floating rate to fixed rate	22.4	8.3	14.0	(0.0)
Total	732.7	75.5	346.5	310.7

The fair value of ACEA hedging derivatives was a negative € 1.6 million, decreasing by € 0.5 million compared to 31 December 2018 (was a negative € 2.1 million).

The **short-term** component was positive for € 588.7 million and, compared to the end of 2018, showed a reduction of € 184.7 million due for € 168.3 million to the Parent ACEA due to the combined effect of the reclassification of the bond issue maturing on 16 March 2020 offset by the repayment of the two lines of credit of Intesa San Paolo and UBI Banca, respectively maturing on 21 June and 2 January 2019 for a total of € 250 million offset by two short-term deposit lines for a total of € 100 million.

At 30 June 2019 the Parent Company held unused uncommitted credit lines totalling € 654 million. No guarantees were granted in obtaining these lines.

It must be noted that the long-term Ratings assigned to ACEA by the International Ratings Agencies were:

- Fitch “BBB+”;
- Moody’s “Baa2”

The short-term component is a positive € 588.7 million and dropped by € 168.3 million

The ACEA rating

Reference context

The Acea Group monitors the scenario of reference – internal and external – intercepting and analysing the factors assuming relevance for the company and which can affect the pursuit of strategic goals.

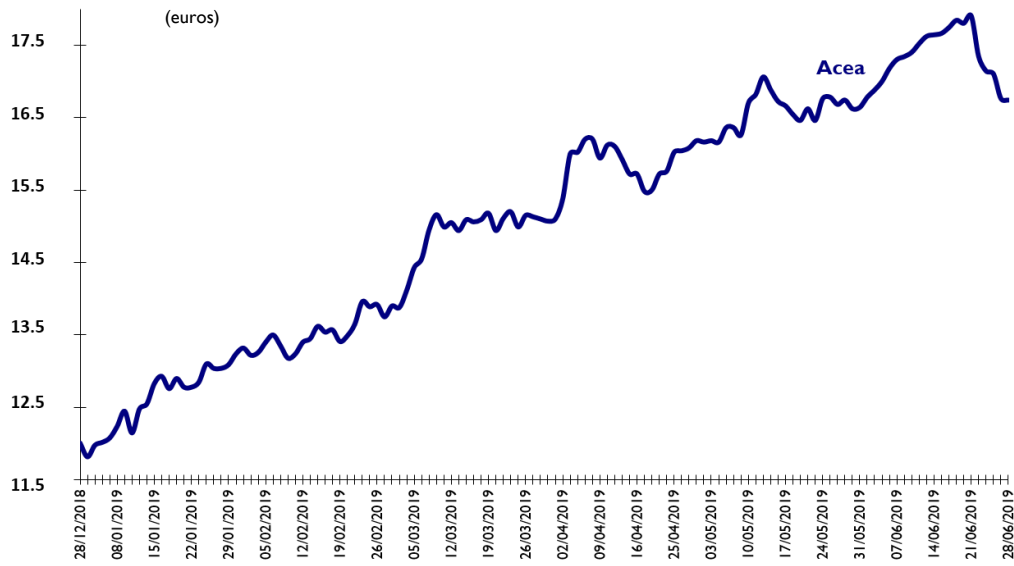
In particular, the corporate sustainability, normative, regulatory, technological, competitive, market and environmental settings represent different aspects integrated into an overall framework, which outlines the context within which management activities and the outlook of the organisation are to be included. These are supplemented by the context within the Group – in terms of energy and environmental impacts, development of human capital, protection of workers' health and safety – and management of the supply chain.

Performance of the equity markets and the ACEA share

In the period from 1 January to 30 June 2019, international equity markets showed positive trends. The main issues that characterised the period under review were: Brexit and in particular the postponement of the date of Great Britain's exit from the European Union to 31 October; the evolution of trade tensions between the U.S. and China, focused primarily on duties; concerns about a possible action taken against Italy for excessive debt that in the final days of the period the European Commission decided not to initiate.

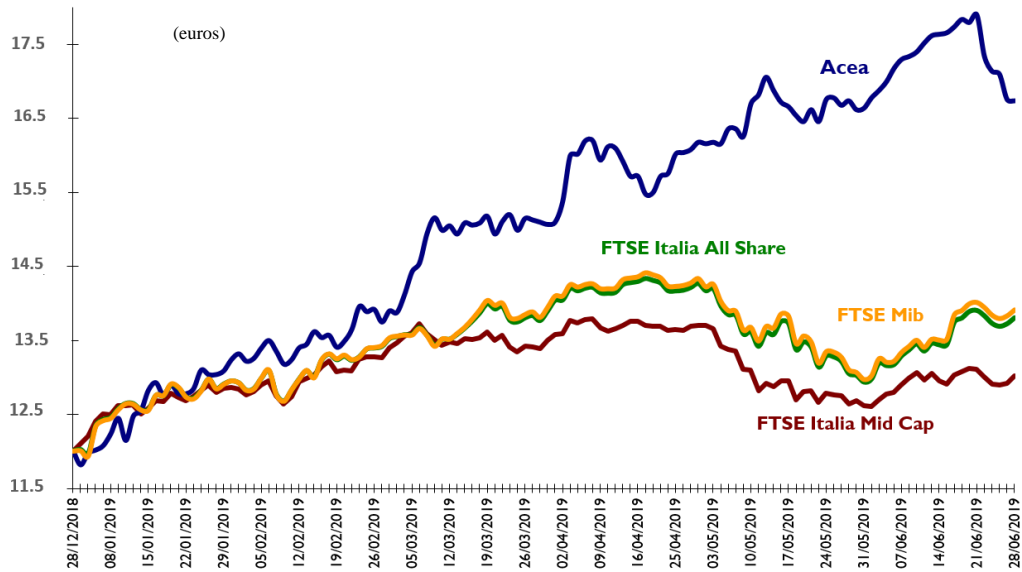
The main indices of the Italian Stock Exchange have shown the following changes: FTSE MIB +15.9%; FTSE Italia All Share +14.9%; FTSE Italia Mid Cap +8.4%.

During the period under review, Acea's share price increased by 39.4%, easily outperforming the market in general. At 28 June 2019 (last session of the stock exchange during the first half), the share had a closing price of € 16.74 (capitalisation: € 3,565 million). The maximum value of € 17.90 was reached on 21 June, while the minimum value of € 11.82 was reached on 2 January. During H1 2019, average daily volumes were around 175,000 shares, higher than the 141,000 in the same period of 2018.



(Source: Bloomberg)

The following graph shows re-based figures for Acea’s share price, compared to Stock Market indices.



(Chart normalised to Acea values - Source: Bloomberg)

	% Change at 30/06/19 (compared to 31/12/18)
Acea	+39.4%
FTSE Italia All Share	+15.9%
FTSE Mib	+14.9%
FTSE Italia Mid Cap	+8.4%

70 reports/notes were published on Acea shares in HI 2019.

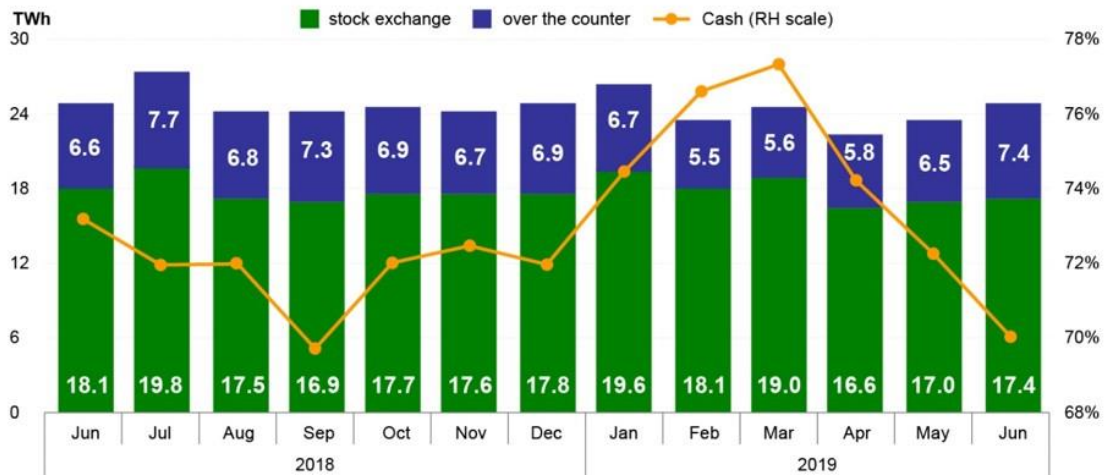
Energy market

In H1 2019, electricity demand in Italy (equal to 157,320 GWh)² decreased by 0.6% compared to the same period of the previous year. 87.7% of electricity requirements were covered by national (Italian) production and the remaining share, amounting to 12.3%, was covered by imports from abroad (balance of imports down by 18.7% compared to the same period of the last year). The net national production (139,193 GWh) increased by 2.6% compared to the same period in 2018. Specifically, electricity produced from thermal production sources increased by 6.1%, as did electricity produced from wind systems (- 16.1%) and solar systems (+ 9.8%), while energy produced by water (- 17.1%) and geothermal sources (- 0.4%) dropped.

With regard to the results of the Italian electric power market, volumes traded in Italy grew only slightly on an annual basis (+0.7%) to 24.9 TWh.

Volumes traded on the power exchange decreased by 3.5% to 17.4 TWh, while volumes traded over the counter, recorded on the PCE and named on the MGP, increased sharply to 7.4 TWh (+ 12.2%). As a result, market liquidity stood at 70.1%, down by more than 3% compared to 2018, and by 2% on a monthly basis.

LIQUIDITY ON THE DAM³

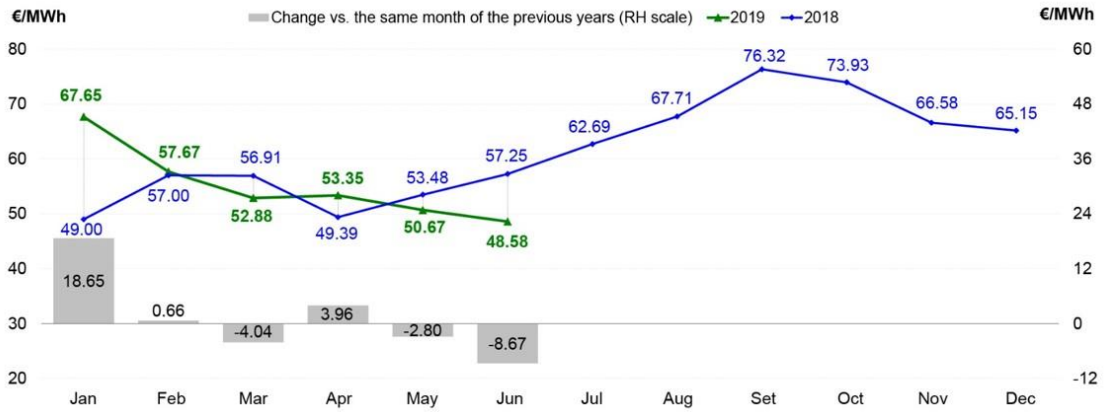


During 2018, the average energy purchase price (PUN) recorded an average value of € 61.31/MWh, up by € 7.36/MWh compared to 2017 (+ 13.6%). The analysis by groups of hours during 2018 showed more intense increases in off-peak hours, where an increase of + 7.93 €/MWh (+ 16.0%) was observed in off-peak hours and an increase of 6.13 €/MWh (9.8%) during peak hours, with prices standing at 57.52 and 68.46 €/MWh respectively. The price peak/baseload ratio is equal to 1.12, a historical low, and slightly down compared to last year (- 0.04).

² Source: Terna - June 2019, monthly report on the electrical system

³ Source: GME Newsletter, June 2019

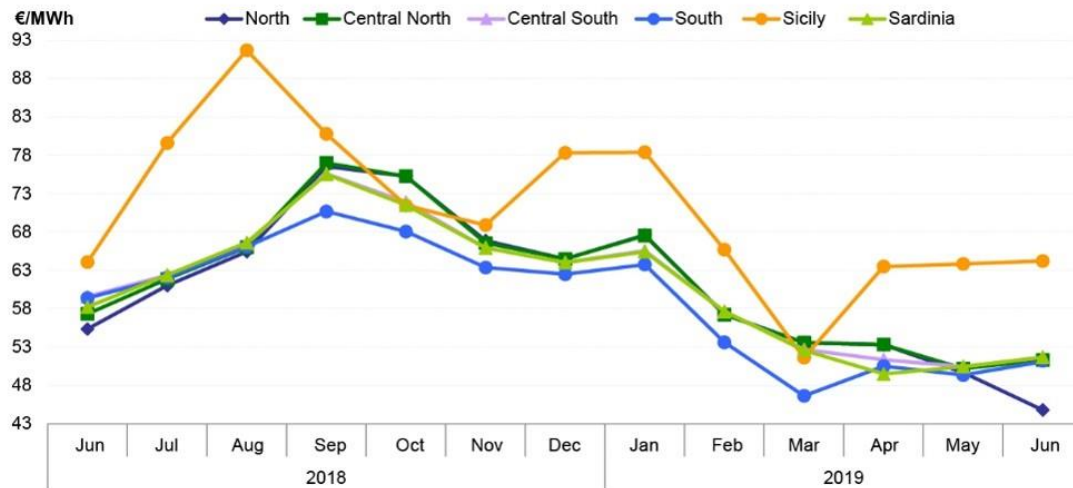
DAM: NATIONAL SINGLE PRICE (PUN) ³



During June, the average energy purchase price (PUN) recorded an average value of € 48.58/MWh, down by € 8.67/MWh compared to 2018 (- 15.1%). An analysis of hourly segments showed a downward trend both in off-peak hours, where there was a decrease of 8.78 €/MWh (- 16.2%) and in peak hours, where there was a decrease of 8.03 €/MWh (- 12.8%). Prices stood at 45.49 €/MWh and 54.78 €/MWh respectively. The peak/baseload price ratio was 1.13 (+0.03).

Zone sales prices range from 44.81 €/MWh in the North to 64.22 €/MWh in Sicily. The price in the North fell annually and monthly, falling below 45 €/MWh, while the South was in line with the other continental areas at 51 -52 €/MWh, also down from 2018 (-6 to -8 €/MWh) but recovering slightly in May (+1 to +2 €/MWh).

DAM: Sale Prices³



Transport service tariffs

2019 was the fourth year of the new regulatory period, the term of which has been increased from four to eight years (2016-2023) divided into two sub-periods: the first four with method continuity, the method for the others to be subsequently implemented.

“Integrated Text of dispositions of the Authority for supplying electricity transmission and distribution services (TIT)”, Annex A to resolution 654/2015/R/eel, the “Integrated Text of dispositions of the Authority for the supply of the electricity metering service (TIME)”; Annex B to resolution 654/2015/R/eel, and the “Integrated Text on

dispositions of the Authority for the economic conditions for supplying connection services (TIC)", Annex C to resolution 654/2015/R/eel, published on 23 December 2015.

For the distribution service, ARERA confirmed unbundling of the tariff applied to end customers (the so-called compulsory tariff) from the reference tariff for determination of the restriction on revenue permitted to each company (the reference tariff). The compulsory tariffs for the year 2019 were published with resolution 671/2018/R/eel on 18 December 2018.

The rules in force in the new regulatory period include:

1. Regulatory lag and return on invested capital;
2. Extension of regulatory useful life;
3. Tariff adjustment criteria: cost coverage, measurement.

With regard to the first point, the ARERA has changed the manner for offsetting the regulatory lag, recognising new investments made both for Distribution and for measurement (no retroactivity).

The criterion based on the increase in the investment rate of return granted to new investments, equal to 1% (year t-2), has been replaced by recognition in the capital base (RAB) also of the investments made in year t-1, evaluated on the basis of pre-final data communicated to ARERA. These data will be used for the determination of the provisional tariffs of reference published by 31 March and then replaced by the final data for the determination of the definitive tariffs of reference published by February of the following year. On 05 March 2019, the ARERA published the definitive reference tariff for the electricity distribution service for the year 2018 with resolution 76/2019/R/eel.

On 02 April 2019, the ARERA published the provisional reference tariff for the electricity distribution service for the year 2019 with resolution 117/2019/R/eel. In the year t, the ARERA only recognises the remuneration of the invested capital concerning the assets which entered use in the year t-1, without recognising the relevant amortisation rates (which are still recognised in the year t-2).

With reference to depreciation recognised in the tariff, the new regulation increases the useful regulatory life of certain assets, such as HV electric lines (increased from 40 to 45 years), MV and LV lines and "end users' connection points" (from 30 to 35 years).

With resolution 639/2018/R/COM of 6 December 2018, ARERA updated the values of the parameters used to calculate the rate of return on net invested capital (WACC) for the three-year period 2019-2021, establishing a value of 5.9% for the distribution service.

In terms of operating costs, the new company-based tariff covers the specific costs by means of a national average cost adjustment coefficient, calculated by the ARERA on the basis of actual company costs and on the basis of scale variables.

These costs, when calculating the company-based tariff, according to the definitions of Resolution No. 654/2015, are supplemented by flat rate connection contributions acknowledged throughout Italy, and will be considered as other grants and no longer deducted from operating costs.

Furthermore, the flat rate connection contributions of each company are deducted directly from the invested capital considering them as equal to MV/LV assets.

Updating of the distribution reference tariff after the first year is individual and based on financial increases reported by the companies on the RAB databases. The updating criterion envisages that:

- the part of the tariff hedging the operating costs be updated using the price-cap mechanism (with the goal of a 1.9% recovery of productivity);
- the part hedging the costs concerning the remuneration of the invested capital be updated through the deflator of the fixed gross investments, the change in the volume of service provided, the gross investments that are operational and differentiated by level of voltage and rate of change connected to the increased remuneration recognised for incentivised investments;
- the part hedging the amortisations be updated through the deflator of the fixed gross investments, the change in volume of service provided, the rate of change connected to the reduction in the gross invested capital due to disposal, withdrawal and end of useful lifetime and the rate of change connected to the investments that are now operational.

The ARERA confirms for 2019 the mechanism, already introduced in the third regulatory period, for the higher remuneration of certain categories of investments made until 2015, not extending this mechanism also for the 2016-2023 cycle.

As regards marketing activities, the ARERA introduces a single reference tariff that reflects both the costs for managing the network service and marketing costs, with recognition of the specific capital costs also for investments in marketing activities (single all-inclusive company tariff for the distribution and marketing service).

With regard to the transmission tariff, the ARERA confirmed the introduction of a binomial tariff (capacity and consumption) for high voltage customers, and the cost tariff structure for the transmission service to Terna (CTR), also introducing a binomial price. Given the two tariffs, the equalisation mechanism has been confirmed.

The general equalisation mechanisms for distribution costs and revenue for the regulatory cycle in force are:

- equalisation of the revenues from the distribution service;
- equalisation of metering revenues;
- equalisation of the transmission costs;
- equalisation of the value of the difference between effective losses and standard losses.

The purpose of equalising the revenues of the distribution service is to equalise the revenues deriving from the comparison between the revenues billed to users through the compulsory tariff and the distributor's allowed revenues, calculated through the company's tariff of reference.

The equalisation of transmission costs is aimed at making the cost recognised to Terna for the transmission service (CTR) pass through the distributor, with the amount paid by end customers through the mandatory transmission tariff (TRAS).

With resolution 677/2018/R/eel of 18 December 2018, ARERA confirmed for the year 2019 the values of the agreed percentage loss factors to be applied to withdrawals, feed-in and interconnections between networks in Table 4 of the TIS, and initiated a procedure to finalise the regulation of losses with particular reference to the mechanism for equalisation of the same applied to distribution companies. This standard loss factor per company was divided between technical and commercial losses.

On 2 April 2019, with Circular no. 6/2019/ELT, CSEA published the application to participate in the mechanism for mitigating the process of increasing the efficiency of commercial losses, pursuant to art. 26 of annex A to Resolution 301/2012/R/eel (TIV).

On 30 April, areti presented the information requested in the application form, declaring that it had implemented targeted actions to identify and contain commercial losses during the three-year period under evaluation (starting with the equalisation for the year 2016).

According to art. 26.7 of the TIV, the outcome of the application to join the mitigation mechanism, which will be communicated by CSEA by 30 June, if approved, will result in the non-applicability of the amount established in paragraph 26.1 to be settled with CSEA because of the containment of commercial losses for each distribution company.

Equalisation of the purchase of electricity supplied for own use in transmission and distribution continues to be regulated in the new regulatory period.

In the new Transport Integrated Text, the ARERA has confirmed the mechanism of advance recognition on a two-monthly basis, of equalisation balances for revenue from the distribution service and transmission costs. With letter no. 8293 dated 27 May 2019, CSEA communicated the amount of these advance payments expected for the year 2019.

The Measurement Integrated Text (TIME) governs tariffs for the metering service, divided into meter installation and maintenance, taking meter readings, confirming and recording readings. The structure of the fees has been changed compared to the previous regulatory period only with regard to the fees for collection and validation of meter readings, previously broken down and now unified into a single fee.

The ARERA has introduced a new method of recognising the capital costs for low voltage electronic meters, for firms serving more than 100,000 grid points, based on criteria for determining the investments effectively realised by the single firms and retaining the criterion of calculating the measurement service tariffs on the basis of the national costs for the remote management systems and the electromechanical devices still being used (residual

cost), also retaining the measurement equalisation for the fifth regulatory cycle. The equalisation mechanism is intended to equalise the revenue from the comparison of the obligatory tariffs billed to end users and the revenue valorised in the reference tariff.

On 5 March 2019, the ARERA published the definitive reference tariff for the electricity metering service for the year 2018 with resolution 76/2019/R/eel.

On 2 April 2019, the ARERA published the provisional reference tariff for the electricity metering service for the year 2019 with resolution 117/2019/R/eel.

The tariffs hedging the measurement service are updated, as are those for the distribution service, using the price-cap mechanism for the part hedging the operating costs (with the goal of a 1% recovery of productivity) and with the deflator, variation in invested capital and rate of change of the volumes supplied for the part hedging the invested capital and amortisations. The rate of remuneration of the measurement capital is the same as that for the distribution service.

Note that with resolution No. 646/2016/R/eel of 10 November 2016, the ARERA has shown how the definition and recognition of costs related to second generation (2G) smart metering systems for measuring low voltage electricity. On 8 March 2017, it published a release in which it updated the evaluation of the plan for entry into service of the 2G smart metering system prepared by e-distribuzione S.p.A. In order to present ARERA with an illustrative report on the commissioning plan of the 2G smart meter system, the company defined a project for the development of this system with the aim of replacing the current system of electronic meters.

Starting in 2017, and only with regard to the investments that come into operation in 2017, the ARERA has established in the same resolution that for the annual updating of the return on invested capital and depreciations concerning metering points effectively in low voltage, for each distribution firm, the maximum gross investment value recognisable per meter installed in 105% of the corresponding gross investment value per meter for the investments that came into operation in 2015.

On 20 March 2019, with the consultation document 100/2019/R/eel, the Authority introduced an update for the three-year period 2020-2022 of the provisions on the determination and recognition of costs relating to second generation (2G) smart metering systems. In particular, the proposals set out in the consultation document include:

- the possibility of setting obligations on the timing of commissioning of 2G systems together with the modulation of the "conventional plan" in order to reduce the risk of a "two-speed country"; the updating and simplification of the provisions relating to admission to the shortened programme for companies that launch their plan for commissioning 2G smart metering systems in that three-year period;
- the assessment of the provisions of Decree 93/2017 of the Minister for Economic Development concerning the periodic verification of electricity meters and the extra costs that could result from them;
- the possibility of introducing provisions to quantify the penalties to be applied in the event of non-compliance with the expected levels of performance of 2G smart metering systems.

The "Integrated Text on dispositions of the Authority for the economic conditions for supplying connection services (TIC)", Annex C to Resolution 654/2015/R/eel, governs the economic terms for the provision of connection services and specific services (transfers of network equipment requested by end users, contract transfers, disconnections, etc.) to paying end users, essentially in line with the previous regulatory period.

The Italian Waste Management market

The current situation of production, disposal and treatment capacity for waste in the traditional operational areas of the Acea Group and in the neighbouring areas shows a high "potential demand" for waste management (disposal, waste-to-energy, composting and biogas, sludge and liquid waste treatment). This is supported by a national regulatory framework that provides incentives and the regulatory support of European directives on matter and energy recovery, as well as by the implementation of the European Union's policy guidelines on the circular economy (closing the loop).

Opportunities for developing the sector are therefore highlighted, also facilitated by the availability of new technologies (for example in composting) and by possible forms of industrial integration with other operators.

Finally, the expansion of the potential for disposal/recovery of sewerage sludge – in the context of value added environmental services (sludge treatment, compost) – could lead to the completion of the integration with the Water business, in view of a complete management in-house of the entire supply chain.

Water Regulation

The first half of 2019 saw the publication of various resolutions approving tariff measures pursuant to Determination 1/2018 - DSID.

A number of significant measures were then issued in terms of their impact on operators in the sector, which are summarised below. These include, in particular, the initiation of the procedure for the definition of the water tariff method for the third regulatory period (MTI-3), the initiation of the procedure relating to the necessary and urgent measures for the water sector for the definition of the "aqueducts" section of the national plan and the opening of a survey on how to manage and exploit treatment sludge.

In addition, it should be noted that with the issue in April of the latest consultation document on the containment of arrears in the integrated water service, the consultation phase with stakeholders began at the end of the year and the issuance of the final measure is now imminent.

Finally, at the beginning of April, ARERA presented and consulted on the Strategic Framework for the three-year period 2019-2021, outlining the strategic objectives and the main lines of action for the period in light of the evolution of the national and European sector of reference.

ARERA water services activities

Resolution 20/2019/R/IDR of 22 January 2019 – LAUNCH OF A FACT-FINDING STUDY OF THE METHODS FOR MANAGING AND EXPLOITING SEWERAGE SLUDGE

With this resolution, a fact-finding study was launched into the methods for recovering and disposing of sewage sludge, providing for specific in-depth actions aimed at encouraging the adoption of further measures to accompany the transition to a circular economy in the wastewater treatment sector. The purpose of the survey is to collect data and information on the technologies currently available for the containment/use of the total quantity of sludge and on its transport, recovery and disposal costs. In addition, further details are planned regarding the third parties involved in the management of the sludge until its final destination, as well as any extra-regional or international movements. The study will end on 31 December 2019.

From the data received by ARERA, including recent data collected to update the 2018-2019 tariff, including Technical Quality data, it appears that with regard to the RQTI macro indicator "M5 - Sludge disposal in landfills" in 2016 more than 60% of the management had already been placed in class A, about 2/3 of the sludge produced being sent for reuse/recovery in agriculture (direct spreading or composting and production of soil improvers), with a residual percentage destined for co-incineration. However, increasing difficulties have been reported in the use of direct spreading in agriculture, traditionally the main method of recovery, with a consequent resumption of dumping in landfills or an increase in extra-regional and international flows. Moreover, the current plans prepared for the tariff applications envisage a significant increase in the quantity of sewerage sludge produced in the coming years. In fact, numerous measures are planned to overcome the infringement procedures for non-compliance with Directive 91/271/EEC and to extend/complete the sewerage and purification services (both adaptation/upgrading of existing sections and construction of new plants). It should be noted that investments aimed at increasing the recovery of material and energy from sludge in current plans show an increasing trend over the four-year period 2016-2019 (going from 0.09 €/inhabitant in 2016 to 0.56 €/inhabitant in 2019, and with planned interventions after 2019 corresponding to 3.27 €/inhabitant in total).

Resolution 34/2019/R/idr - Launch of a procedure for the definition of the Water Tariff Method for the third regulatory period (MTI-3), with unification with the procedure in Authority Resolution 518/2018/R/idr

With this measure, ARERA launched the procedure for the definition of the Water Tariff Method for the third regulatory period (MTI-3) and, at the same time, arranged for its unification with the one launched with Resolution no. 518/2018/R/IDR for the control of the implementation of the planned investments in the integrated water service (expiring on 30 April 2019), providing for the closure of the procedure by 31 December 2019. The Authority's objectives for this procedure are:

- the maintenance of a stable, secure general framework of rules;
- promotion of management efficiency and incentive mechanisms for quality improvement;
- promotion of the effectiveness of investment spending;
- financial sustainability of management and a strong focus on the social sustainability of tariffs;
- encourage operators to make progressive improvements in the environmental sustainability of the activities managed, including through the use of innovative technologies;
- a progressive convergence between the different areas of the country given the extremely diversified situations.

Resolution 51/2019/R/IDR of 12 February 2019 - Initiation of the proceeding concerning the necessary and urgent interventions for the water sector for the definition of the "Aqueducts" section of the national plan, referred to in article 1, paragraph 516 of Italian Law 205/2017

The measure supplements and renews the procedure set out in Resolution no. 25/2018/R/IDR on the necessary and urgent measures for the water sector for the purposes of defining the "aqueducts" section of the National Plan (referred to in article 1, paragraph 516 of Italian Law no. 205/17), providing that it take due account of the recent provisions introduced by article 1, paragraph 153-155 of Italian Law no. 145/18 (Italian Budget Law 2019). In particular, ARERA considers it necessary to:

- without prejudice to the investigative activities already carried out, define the most suitable methods for identifying synergies between the interventions to be included in the various parts of the National Plan, in particular continuing the coordination between the administrations involved to adopt consistent selection criteria based on the guarantees regarding the effectiveness and speed of execution of the interventions to be financed (paragraph 153, art.1 of Italian Law 145/18);
- conduct further assessments in light of the renewed and strengthened focus that laws have placed on containing water loss (paragraph 153, art. 1 of Italian Law 145/18);
- supplement the activities aimed at defining the "aqueducts" section of the National Plan with sensitivity analyses regarding tariffs in light of the completion of operations for the planned financing instruments;
- taking into account the characteristics of the potential beneficiaries of public resources, assess the most suitable measures to ensure the management capacity of the operator to whom the management of the works financed by the National Plan will be entrusted, as a prerequisite for an effective use of the resources granted.

Bulletin dated 21 February 2019 - DATA COLLECTION: CONTRACTUAL QUALITY OF THE INTEGRATED WATER SERVICE - YEAR 2018

This bulletin launches the collection of data and information relating to the contractual quality of the integrated water service (IWS) for the period from 1 January 2018 to 31 December 2018, pursuant to article 77, paragraph 1 of the regulation of IWS contractual quality (RQSI). The deadlines for submitting data are respectively 1 April 2019 for operators (first phase of collection) and 29 April 2019 for EGAs (second phase of collection), which will be able to view the data provided by operators after the final submission made by the operators themselves and in any case from 2 April 2019. The principle new development compared to previous editions highlighted by the new User Manual for data collection (version 3.0 of 20 February 2019) is that operators and EGAs can access the system online and provide for the transmission of data and information required only after accreditation in the Operators' Register and the completion of the ATID (Territorial Register of the integrated water service, established by Resolution 320/2018/E/IDR). Acea Ato2 submitted the data on 1 April 2019.

Consultation 158/2019/R/idr of 16 April 2019 - DIRECTIVE ON THE CONTAINMENT OF ARREARS RELATED TO THE INTEGRATED WATER SERVICE. FINAL GUIDELINES

This last consultation document (DCO) launched the conclusion of the process begun in November 2016 with the opening of proceedings pursuant to Resolution no. 638/2016/R/idr. ARERA intends to adopt the final measure containing the text of "Regulation of Arrears pertaining to the Integrated Water Service (REMSI)" in June 2019, providing for its application from 1 September 2019. To date the final resolution has not yet been issued.

In addition to what was already proposed in the previous DCOs 603/2017/R/IDR and 80/2018/R/IDR, ARERA illustrated its guidelines, focusing particularly on: the conditions for limiting and suspending the supply to non-vulnerable residential users who are in arrears, the procedures for the management and containment of arrears in the case of condominium users, the forms of instalment payments and communication to users to be adopted even in the event of arrears. However, as this DCO is not accompanied by the new REMSI scheme (already present in the annex to the previous DCO 80/2018/R/IDR), it is difficult to make any assessment of the measures envisaged.

Acea ATO 2 submitted its observations and proposals by the established deadline (17 May 2019) through a joint document prepared by the water companies of the Acea group, and also contributed to the preparation of the document containing the observations of water operators submitted by Utilitalia.

Opinion 160/2019/I/idr of 16 April 2019 - OPINION TO THE MINISTER OF INFRASTRUCTURE AND TRANSPORT ON THE PROPOSED DECREE OF THE PRESIDENT OF THE COUNCIL OF MINISTERS FOR THE ADOPTION OF THE FIRST SECTION OF THE NATIONAL PLAN OF INTERVENTIONS IN THE WATER SECTOR, RELATING TO THE "RESERVOIRS" SECTION, REFERRED TO IN ARTICLE 1, PARAGRAPH 516, OF ITALIAN LAW 205/2017

With this measure, in accordance with art. 1 para. 516 of Italian Law 205/17, ARERA issued a favourable opinion with comments on the proposal of DPCM sent by the Ministry of Infrastructure and Transport for the adoption of the first part of the National Plan of Interventions in the Water Sector relating to the "reservoirs" section. The observations made first of all concern the draft measure's lack of reference to the provision of Italian Law 205/17,

which provides that within 60 days from the date of entry into force of the DPCM the governing bodies of the area and the other parties responsible for the implementation of the interventions of the Plan adapt their planning and programming tools in accordance with the measures envisaged in the Plan itself. This provision is particularly relevant to ensure the timely and consistent updating of existing plans. Second, it is stressed that for persistently critical aspects in the choices of planning and management of the IWS the conventional acts referred to in article 2 of the draft decree should also include specific conditions aimed at balancing the need to quickly start financing the interventions of the National Plan with an assurance of effective and sustainable implementation.

ARERA bulletin of 17 April 2019 regarding the accounting treatment of FONI

With regard to the bulletin published on 26 October 2018, ARERA has accepted the opinion of the Italian Accounting Body (OIC) regarding the accounting treatment of the FoNI revenue component. In this opinion, the OIC stressed that *"notwithstanding the fact that the absence of an accounting standard does not allow an opinion in favour of a specific accounting treatment among those adopted in practice, and taking into account that [the Authority's bulletin of 26 October 2018] specifies that the methodology indicated is mandatory in the CASs and not in the drafting of the financial statements, this Body considers it appropriate that starting from the financial statements as at 31 December 2018, regardless of the accounting policy used, operators adopt policies for the availability of reserves for the part related to the FoNI component, consistent with the regulatory techniques established in the aforementioned bulletin of October 2018"*.

Memorandum 179/2019/II/com of 7 May 2019 – HEARING OF THE REGULATION AUTHORITY FOR ENERGY NETWORKS AND THE ENVIRONMENT ON THE DRAFT LAW "DELEGATION OF POWERS TO THE GOVERNMENT FOR THE TRANSPOSITION OF EUROPEAN DIRECTIVES AND THE IMPLEMENTATION OF OTHER ACTS OF THE EUROPEAN UNION - EUROPEAN DELEGATION LAW 2018 (AS 944)"

This memorandum was presented on 8 May during the hearings at the 14th Permanent Commission of the Senate on the draft law delegating powers to the government for the transposition of European directives and the implementation of other acts of the European Union, which was being examined at a second reading during the 14th Permanent Commission of the Senate (Policies of the European Union). The draft law contains provisions for delegating powers to the government with respect to the transposition of 24 European directives and the adaptation of laws to 9 European regulations. In its assessments, ARERA focused on the provisions relating to the matters under its purview, specifically:

- Art. 14: on the implementation of EU Directive 2018/850 on landfills;
- Art. 15: on the implementation of EU Directives 2018/851 and 2018/851 on waste and packaging and packaging waste;
- Art. 22 on the adaptation of national laws to EU Regulation 2017/1938 concerning measures to safeguard security of the natural gas supply.

In particular, the first point is of interest for the water sector, the aforementioned art. 14 envisioning the revision of the criteria for the acceptance of waste in landfills and the adoption of a new organic regulation on the use of sludge, with the aim of updating Italian Legislative Decree 99/1992 on the use thereof in agriculture. In this regard, ARERA agrees with the indications provided by the draft law, specifying:

- that it recently launched a fact-finding exercise on the subject with Resolution 20/2019/R/idr, with a view to promoting the dissemination of innovative technologies and the transition to a circular economy in the wastewater treatment sector;
- with the introduction of Technical Quality regulations (Resolution 91772017/R/idr), to have introduced a specific indicator (M5 - Disposal of sludge in landfills) aimed at discouraging the disposal of sludge in landfills.

Based on these elements, ARERA suggests considering its involvement, both in the review of the system of criteria for the acceptance of waste at landfills and in the review of the rules set out in Italian Legislative Decree 99/1992.

Authority proceedings

Lombardy Regional Administrative Court judgements on actions brought by certain Operators

In 2013 ACEA Ato2 filed an appeal against Resolution 585/2012 (MTT) and subsequent resolutions that amended and supplemented the contents (Resolutions 88/2013, 73/2013 and 459/2013). The appeal was partially upheld by the regional administrative court of Lombardy 2528/2014, against which both Acea Ato2 and ARERA have appealed.

In the public hearing held on 29 September 2015, the suspension of the pending judgement and the postponement of the decision to a later date following the outcome of the technical office consultancy arranged for the appeals proposed in 2014 by Codacons and the associations Acqua Bene Comune and Federconsumatori, considering the existence of a relationship of dependence-consequentiality between the decision of the appeal by ARERA and the decision on appeals promoted by the Consumer Associations, focusing in particular on the tariff component relating to the financial charges of the IWS manager, i.e. on the formulas and parameters implemented in art. 18 of Annex A of Resolution ARERA no. 585/2012/R/idr of 28 December 2012 (MTT), considered as a reintroduction of the criterion of "adequacy of invested capital" that had been eliminated by the outcome of the 2011 referendum.

The expert committee, appointed in October 2015, filed the report on 15 June 2016, concluding that the formulas and parameters aimed at calculating the interest rate of reference are considered reliable and reasonable in terms of national and international regulations and the component of risk coverage considered in the Resolution.

The final hearing in the case was held on 15 December 2016 and sentence no. 2481/2017 was published on 26 May 2017, in which the Council of State accepted the conclusions of the panel of experts and reiterated the full legitimacy of the tariff method adopted by the ARERA, as the definition of the single parameters on the basis of the criterion of efficient cost coverage only and also the different calculation of the tax cost in the water sector compared to the electricity and gas sectors tends to eliminate any performance guarantee, leading to the strict coverage of the cost of invested capital and minimising the user costs, in line with the law and the principle of full cost recovery. This ruling therefore rejected the Codacons and Acqua Bene Comune/Federconsumatori appeals noted above, consequently confirming the original sentences. Following this, the subsequent hearing before the Council of State was set for 20 September 2018. In view of the hearing, ACEA Ato2 presented a Memorandum with which, after presenting an overview of the issues that are the subject of the dispute, requested that the Council of State "*reject the appeal proposed by ARERA as completely unfounded and confirm the decision of the Regional Administrative Court of Lombardy - Milan, section II, no. 2528/14*".

Following the hearing, held as planned on the scheduled date, the Council postponed the discussion of the judgement, inviting the parties to file some briefs (to be presented by 19 December 2018) to make sure that there were no delays in resuming the appeal proceedings. At the hearing in question, however, the judge did not set the date for the postponement, which was set only in the first few days of 2019: the hearing, set for 13 June 2019, was regularly held on the date scheduled and the judgement will likely be issued by the end of the year.

At the date of this report, in addition to the appeal to the Council of State cited above, the other appeals filed by ACEA Ato2 to the Lombardy Regional Administrative Court against Resolution no. 643/2013/R/Idr (MTI) and Resolution 664/2015/R/Idr ARERA (MTI-2) are still pending. With regard to the latter, in February 2018 ACEA Ato2 extended its original appeal, presenting additional reasons against resolution ARERA 918/2017/R/Idr (biennial update of the tariffs for integrated water service) and against Annex A of resolution 664/2015/R/Idr, as amended by the aforementioned resolution 918/2017/R/Idr.

Antitrust Authority - AGCM

In April 2015, the Antitrust Authority (AGCM) initiated an investigation against Acea ATO 2 in order to ascertain the possible violation of the Consumer Code with reference to certain activities relating to its relationship with customers, which the same Authority attributed to two types of unfair commercial practices involving (i) the phase of recording and invoicing consumption and (ii) the methods and timing for handling complaints, claims and reimbursements (PS9916).

During the course of the proceedings, the Company demonstrated to the Authority that prior to the start of the investigation it had already undertaken a process to improve its management processes, which the Authority noted, acknowledging the existence of mitigating circumstances for the purposes of determining the fine.

The proceedings were concluded with AGCM ruling no. 25789 - served on 25 January 2016 - with which the Authority imposed on Acea ATO 2 administrative fines totalling € 1,500,000.00.

During the compliance phase, following the fine, Acea ATO 2 periodically reported to the Authority on the implementation of the measures aimed at overcoming the censures contained in the measure and the Authority formally acknowledged them.

The fine was promptly challenged before the Lazio Regional Administrative Court and the related judgement (docket no. 4029/2016) is still pending (awaiting a hearing on the merits).

Antitrust Authority - Proceeding PS9918 - Updates

On 10 January 2019 a hearing was held at the AGCM – in response to a formal request formulated at the same time as the requests for information referred to in the provision of objective extension of the proceeding. During the aforementioned hearing, the lawyer in charge of representing and defending the Company, referring to what has already been represented in the answers to the requests for information made by the authority at the time of the start-up and objective extension of the proceeding, highlighted the constant attention shown by the Company towards its consumers, implementing for this purpose a series of measures and improvements in the procedures concerning the management of the activities disputed by the Authority.

Reaffirming what has already been fully explained in the feedback sent to the Authority, at the hearing the president and the lawyer of the Company provided further information and documentation regarding the activities implemented by the Company (collaboration with the OTUC, opening of the consumer counter, activities aimed at solving historical arrears) in a perspective of constant attention to consumer issues.

On 20 February 2019, the Antitrust Authority announced that it had extended the deadline for the conclusion of proceeding PS/9918 to 23 May 2019.

Furthermore, on 28 February 2019 the AGCM announced that it had extended the deadline for the conclusion of the preliminary phase of procedure PS/9918 – set at 20 March 2019 – with the simultaneous clarification of the high charges against the Company.

In particular, the Authority abandoned some of the initial disputes, confirming instead that it had detected some critical issues concerning: (i) initiation of collection procedures pending complaint for the period prior to the corporate procedure of 2018; (ii) consumption limitations, for the period prior to the change made in January 2019 to the procedure implemented by the Company with regard to the limitation period; (iii) management of hidden water losses.

On 20 March 2019 the Company filed a defence brief and supporting documentation, which will be remitted to the Board together with the other instructing documents for the adoption of the final order.

ARERA fine proceeding as per Determination no. DSAI/42/2018/IDE of 21.05.2018

With Determination no. DSAI/42/2018/IDE of 21.05.2018 ARERA initiated a fine proceeding against Acea Ato 5 with respect to a series of findings regarding tariff regulation. Acea Ato 5 submitted its counterclaims in Note no. 154062 of 18.07.2018. For its part, ARERA communicated the preliminary results in Note no. 5825 of 7 March 2019, in which it substantially rejected the counterclaims made by Acea Ato 5 S.p.A.

In any case, the Company has also made the appropriate provisions in the financial statements.

ARERA electricity services activities Energy Infrastructures Operating Segment

General system charges

The issue of general system charges is constantly evolving and the recent ruling of the Milan Regional Administrative Court in July 2019 calls into question the issue of payment of charges not collected by Sellers. The courts considered admissible the action against the obligation on sellers to pay to distributors the full amount of the general charges invoiced to them even if not collected from final customers. However, ARERA has appealed with the recent resolution **315/2019/C/eel**.

In the meantime, with resolution **300/2019/R/eel** ARERA considered it urgent to exclude default interest from the recoverable amounts, replacing it with legal interest

Update of Distribution and Measurement, Connection and Transport Tariffs.

With Resolution **76/2019/R/eel**, ARERA set the final fees for the year 2018, which were in line with what was provisionally applied. With Resolution **117/2019/R/eel** – Determination of provisional tariffs of reference for the distribution service and for the electricity metering service for the year 2019 – ARERA established the provisional tariffs to be applied during the period.

Smart Meter 2G

With Consultation Document **100/2019/R/eel**, ARERA sets out its guidelines regarding the updating of the procedures for the recognition of costs relating to second generation (2G) smart metering systems for the measurement of low voltage electricity for the period 2020-2022, with the aim of avoiding the creation of a two-speed Italy by proposing an incentive mechanism for distributors who will shortly present the Installation Plans, and in general:

- the possibility of introducing obligations regarding the timing of the start and end of the mass phase of the installation plans for 2G smart metering systems;
- for major DSOs, the mass installation phase may be started no later than 2022 and must be completed by 2025;
- the possibility of introducing a new method of calculating the conventional plan for the nine distribution companies with more than 100,000 customers who have yet to submit a commissioning plan;
- for the three-year period 2020-22, the possibility of updating and simplifying the provisions relating to the "counterfactual" hypothesis used by providing for a single and simplified threshold for admission to the fast track between € 120 and € 130 per 2G meter, so as to ensure substantial tariff invariance in the metering service;
- the possibility of introducing provisions for quantifying the penalties to be applied in the event of non-compliance with the expected performance levels set by Resolution **87/2016/R/eel**;
- the simplification of certain other provisions relating to the content of the commissioning plans and the detailed timetable for starting operations.

In addition, with subsequent resolution **126/2109/R/eel** it established that, as an exception to the provisions of paragraph 5.3 of Annex A to **646/2016/R/eel**, for companies that intend to launch the plan to commission 2G smart metering systems in 2020, the deadline for submitting applications for recognition of investments under is extended from 15 May to 15 September 2019.

Sanctioning procedures concluded

By resolution **126/2019/R/eel** ARERA initiated the procedure for the infra-period update (regulatory half-period 2020 - 2023) of the regulation of tariffs and the quality of services for the transmission, distribution and measurement of electricity.

The procedure in question must be completed by 20 December 2019, with the exception of issues relating to the allocation of network costs among different types of users and the unification and simplification of the regulation of incoming and outgoing connections, for which – due to the complexity and the need for gradual implementation – the deadline for completion will be specified with the measures to be adopted by 20 December 2019.

Other Deliberations of the Authority

By means of resolution **58/2019/E/eel**, ARERA initiated a fact-finding investigation into the regulation of the balance sheet entries relating to electricity destined for the states included in the Italian state. The investigation should be completed by 1 August 2019.

Simplification Decree (Italian decree law no. 135 dated 14 December 2018 converted in Italian Law no. 12 of 11 February 2019)

With the entry into force of the so-called Simplification Decree (Italian decree law no. 135 dated 14 December 2018 converted in Italian Law no. 12 of 11 February 2019) an attempt was made to reorganise the sector of concessions for large hydroelectric derivations, i.e. reassigning the ownership of hydroelectric works to the Regions upon expiry of the concessions or in the event of forfeiture or renunciation thereof.

The Regions are called upon to assign hydroelectric concessions, with the exception of those for which there is a public interest that is different and incompatible with hydroelectric use. A reconnaissance of the works annexed to the concessions is imposed on the regional administrations. Only the so-called "wet works" in a state of regular operation (forced pipelines, adjustments, collection, drainage channels, as per regional decree no. 1175, art. 25, para. 1 of 11 December 1933) fall back to the ownership of the Regions without any compensation, and only the investments made in accordance with the provisions of the concession and authorised by the grantor will be compensated to the licensee for the part of the asset that is not depreciated at the time of reassignment.

For the so-called "dry works" (any other building, machinery, processing or distribution plant, regional decree no. 1175/1933 cit., art. 25, para. 2) will be paid a price to be quantified net of depreciated assets according to the common rules of private property.

ARERA electricity services activities

Three-year strategic framework 2019-2021

With resolution **242/2019/A**, after specific consultation, ARERA confirmed the strategic objectives of the three-year period and outlined for each of these the possible lines of action for their achievement. The primary objectives are to guarantee all citizens energy and environmental services that are accessible (even in financial terms), efficient and distributed with levels of increasing quality in the various areas of the country. At the same time, they must be environmentally sustainable, integrated at a European level, aligned with the principles of the circular economy and contribute to the competitiveness of the national system. The "consumer", "innovation", "accountability" and "simplification" are the cross-cutting themes underlying the whole document. The recognition of the costs incurred by the operators will be gradually shifted towards an output-based method superseding the current methods of the various sectors.

Electronic invoicing

ARERA intervened on the matter on several occasions and with resolution **246/2019/R/com** it harmonised the regulation of the Authority with the legislative provisions on electronic invoicing and established rules defining a direct correspondence between regulatory invoicing and tax invoicing.

Finally, with Resolution **712/2018/R/com**, the Authority dictated the first provisions to coordinate the regulation regarding the bill for end customers and electricity and natural gas bills issued by distributors with legislative changes in force since 1 January 2019 on the subject of electronic invoicing as required by the 2018 budget law.

The new provisions require sellers and distributors to include an annex in the cases envisaged in the regulation.

Reform of the settlement gas regime

Resolution no. **132/2019/R/gas** approved transitional provisions concerning IIS distribution companies'

transmission of information for the simplified calculation of the annual withdrawal parameter (CApdr) for the 2019-2020 thermal year, used to apply the settlement gas regime. The implementation of these transitional provisions became necessary because, despite the fact that Resolution 72/2018/R/gas had established that from July 2019 the determination of annual consumption was assigned exclusively to the IIS, it emerged that the IIS itself, not having a sufficient history of measurements, was not able to independently quantify the parameter.

With Resolution no. **148/2019/R/gas** the Authority therefore deemed it appropriate to approve a new Integrated Text on Settlement Gas (TISG), replacing the text already approved by Resolution no. 72/2018 but not yet in force, in implementation of the new regulations on provisional financial statements and management of the commercial relations value chain within the IIS, confirming its entry into force on 1 January 2020.

The TISG was also amended to incorporate the provisions for the new process for updating the correspondence between the balancing user and the redelivery point of the distribution network within the IWS as per Resolution **155/2019/R/gas**. Lastly, with Resolution **147/2019/R/gas**, effective from 1 October 2020 the Authority reformed the process of capacity allocation at the outlets of the gas transmission network that feed the distribution networks (city-gate).

Gas settlement adjustment sessions for the years starting in 2013

Following the publication of the results of the first annual adjustment session for the year 2017 carried out in December 2018, with resolution **91/2019/R/gas** the Authority mandated CSEA to pay Snam the resulting amounts by 31 March 2019. The total amount that Snam will have to distribute among all the impacted operators is € 38 million. With reference to this adjustment session, the RdB is required to notify CSEA of the amount not paid for the bills issued, together with the amount paid in instalments, for a total amount of 5.5 million. CSEA will pay the amounts by the end of the month following the month of the notification. With regard to adjustments relating to the variance fees determined at the end of the 2017 adjustment session pursuant to Resolution **223/2018/R/gas** totalling 2.6 million, the resolution establishes that the transport companies will pay the users the adjustments in the same timeframes envisaged for the payment of the variance fees by users.

ARERA electricity services activities Commercial and Trading Segment

Budget Law 2018 (Maxibills and limitation of two years)

The **2018 Italian budget law no. 205** of 27 December 2017 approved the so-called amendment on “maxibollette” (maximum bills), reducing the period of limitation of the right to remuneration for electricity and gas supply contracts to two years, in relations between customers (domestic, professionals and micro-enterprises) and the seller, and in relations between the distributor and the seller, and in those with the transport operator and with other subjects in the supply chain. These rules apply with reference to bills whose due date is later than 1 March 2018 for the electricity sector and 1 January 2019 for the gas sector.

With subsequent resolutions, the Authority fully harmonised the regulation with the primary standard, but has yet to define relevant issues like:

- the procedures for requesting Terna or Snam Rete Gas to review the values relating to the dispatching or balancing service in the event of a limitation applied due to the fault of the distributor;
- the definition of the methods for attributing sums deriving from missed collections due to limitations objections to the parties responsible.

Compliance with the judgements of the Lombardy Regional Administrative Court and the Council of State regarding guarantees for the collection of the general charges of the Electricity Grid Code

On 30 November 2017 the State Council rejected the appeals filed by E-Distribuzione and the Authority against the **regional administrative court's rulings of January 2017**, thus confirming the annulment of the provisions of the Electricity Grid Code that provide for the inclusion of general system charges in the calculation of guarantees that sellers must offer to distributors for the conclusion of the transport contract, but stated that the guarantees can be requested for the sums collected by the sellers from end customers. Thereafter, with a press release on 29 December 2017 the Authority reiterated that the transitional provisions regarding the reduction of the distributor guarantee amounts defined by resolution 109, taking into account the highest unpaid ratio declared by the sellers to the Authority, had been fully applied in all its parts.

In order to settle the whole matter, with the consultation document **52/2018/R/eel** the Authority gathered operator comments to establish a mechanism that from 2019 would allow sellers to recover general system charges (incurred in 2016) from those paid to the distribution companies but not collected by the final customer and any transfer costs and legal costs related to these charges. The document also envisaged that in cases of particular difficulty of the seller it can submit an early application for recovery, in 2018. With its own document the Acea Group proposed clarifications and improvements to the mechanism in question. On 2 February the Authority asked the company to quantify as precisely as possible the amounts recoverable through the mechanism proposed in the

consultation document for the two-year period 2016-2017. Acea Energia therefore estimated these amounts to be around € 8.5 million.

Given the outcome of the consultation, which highlighted the impossibility of reconciling the various interests involved, and given the absence of primary legislation defining the issue, with resolution **430/2018/R/eel** the Authority suspended the definition of the specific recovery mechanism, considering it more appropriate to implement a reform of the entire sector regulation by 30 June 2019.

Restoration of financial compensation for arrears related to fraudulent withdrawals

With resolution **568/2018/R/eel** the Authority initiated a process to modify the mechanism in question in order to better incentivise the collection of receivables and to better manage some timing, and therefore suspended the regulation governing the collections mechanism for all arrears deriving from fraudulent withdrawals (16bis of the TIV).

Following DCO 49/2019, with subsequent resolution **119/2019/R/eel** the Authority reinstated the rule governing the mechanism, introducing new provisions.

Among the primary developments, with regard to sales:

- the introduction of a reduction in the amounts compensated through the mechanism if bills containing fraudulent withdrawals are issued more than 45 days (90 days for applications submitted in 2019 on issued in 2016 and in 2020 on issued in 2017) from the date of receipt of the measurement data reconstructed by the distributing company (-10% for each month of delay, up to a maximum of -50%);
- the obligation to issue a separate bill in almost full compliance with the provisions of Bill 2.0 regarding the availability of details and methods of issue.

With the same measure, the Authority has therefore specified the timing related to the application to be submitted in 2019 (by September 30, 2019) and regulated the case of fraudulent withdrawals in the absence of a contract, providing that:

- within 3 working days prior to the provision of fraudulent consumption data, the distributor transmits to the IIS the update flow of the RCU for activation following fraudulent withdrawals that contains the identification data of the person to whom fraudulent withdrawals are billed (for this flow, which will come into force from 1 October 2019, the IIS operator has adapted the technical specifications of the RCU update "on condition");
- within one working day from the transmission referred to in the previous point, the IIS will provide the main utility provider with this flow.

Finally, the Authority postponed to a subsequent provision the adoption of measures to improve the efficiency of the management of fraudulent withdrawals by distribution companies and the regulation relating to the disconnection of withdrawal points subject to fraudulent withdrawals.

On 3 June 2019, Acea Energia filed an appeal requesting the annulment of Resolution **119/2019/R/eel** contesting the retroactive application of the mechanism linking the amount to be offset to the delay in issuing the bill for fraudulent withdrawals also for the years prior to the entry into force of the resolution itself, i.e. for the years 2016-2019 in which there were no specific billing timeframes that would affect the amount granted to the main utility provider.

Annual report on the management of complaints and the resolution of disputes

With resolution **54/2019/II/com** the Authority published its first annual report on the handling of complaints and the resolution of disputes for the year 2017 with the new methods introduced by resolution **623/2018/R/com** for articles 38 and 39 of the TIQV. In particular, it should be noted that:

- the Customer Satisfaction Index for complaint responses (the weighted average of customer satisfaction indices surveyed on seven quality factors), which was represented in aggregate national form, was 67.5 out of 100 in 2017, lower than what was recorded in the same year for the other national CSI, the one on call centre quality, which was 92.5 out of 100. More specifically, 46.8% of respondents who were dissatisfied complained about the lack of clarity about when the problem was or would be solved and about the reasons provided by the seller to consider the complaint as well-founded or unfounded.

Starting with the next report, a ranking of non-anonymous clusters will be published for this index;

- As required by Resolution no. **623/2018/R/com**, the rankings for the following indices were published, again with reference to 2017 but for the deregulated market (low voltage and low pressure customers): the Claims Indicator (ICR), the Information Request Indicator (IINFO), the Complaint Response Capacity (ICRC) and the Information Request Response Capacity (ICINFO). For each indicator, these rankings represent ten levels of performance on the basis of which all the companies covered by the report have been categorised. For 2017 the companies are only represented anonymously within clusters identified for similar performance and company size.

For the years 2018-2020, in the specific section of the report where the ICS satisfaction indicators are reported, the companies will be specified within the individual clusters in alphabetical order, while from 2021 the comparative ICS ranking will be carried out by individual operator.

In general, it should be noted that the customers with the greatest theoretical capacity are those most likely to

complain. In fact, the unregulated market accounts for 53% of total complaints in the electricity sector and 58% in the gas sector, despite the fact that the free market represents only 43.7% of the 53.4 million end customers served by the 590 sellers under analysis. Moreover, in the unregulated market it is the non-domestic customers with low and medium voltage supply and those with more complex contracts (multisite or dual fuel) who tend to report more critical issues.

Imbalance fees for non-programmable renewable sources

With resolution **80/2017/C/eel**, the Authority decided to appeal against the rulings of the Lombardy administrative court for partial cancellation of Resolution **522/2014/R/eel**. This Resolution, in part cancelled, provided that for the validity period of Resolution **281/2012/R/efr** (cancelled by the Administrative Court), i.e. from 01/01/2013 to 31/12/2014, relating to the imbalances for renewable energy sources that cannot be planned, the original framework contained in Resolution No. 111 of 2006 would apply. According to this framework, for production units supplied by sources that cannot be planned, an exemption from the imbalance costs was arranged, except for the case in which the aforesaid units had participated in the intra-day market. With the judgement no. 7317 of 31 December 2018, the Council of State overturned the sentences of the TAR and declared the provisions of Resolution **522/2014/R/EEL** legitimate for the past, i.e. "for the period between 1 January 2013 (date of entry into force of Resolution **281/2012/R/efr**) and 31 December 2014, Terna will apply the imbalance fees as initially defined by Resolution no. 111/06, i.e. in their version prior to resolution **281/2012/R/efr**, subsequently voided". Following this pronouncement of legitimacy, the proceeding started with Resolution **593/2018/R/eel**, aimed at executing the judgements of the Lombardy Tar, was filed with Resolution **15/2019/R/eel**.

Indicators and comparative publication of the annual report on the management of complaints and the resolution of disputes

Following **DCO 493/2018/R/com**, the Authority published Resolution **623/2018/R/com** with which it modified the TIQV relating to the annual satisfaction survey dealing with the handling of complaints (art. 38) and the Report on the processing of complaints and the resolution of disputes (art. 39). In particular, the Authority confirmed the 4 quantitative indicators already subject to consultation, namely:

- complaint indicator (ICR);
- complaint response capability indicator (ICRC);
- information request indicator (IINFO);
- response to information request indicator (ICINFO).

The Authority therefore established that the Report to be published in May 2019 relating to 2017 will not contain the comparative publication of individual indicators, but only an analysis by homogeneous groups of unnamed companies, while starting with the data for 2018 it will contain the comparative publication of the individual indicators, each of which will contain a ranking, not individual, but in the form of non-anonymous clusters that bring together operators with similar performance levels.

The ICS satisfaction indicators will be reported in a specific section of the report, i.e. the indicators related to the customer satisfaction survey, for which the publication of responses to complaints is expected starting from the interviews carried out in 2018 with publication for the years 2018-2020 through non-anonymous clusters that group operators with similar performance and characteristics. Starting in 2021 the comparative ranking of the ICSs will be carried out by single operator.

Update of RCV and DISPbt components

With resolution **706/2018/R/eel**, the Authority established the RCV values for 2019. In particular, the central and southern RCVsm was increased by 4.33% to € 42.53 and decreased by 20.47% to € 116.30 for non-domestics on the basis of a central and southern unpaid ratio that had decreased for other uses compared to the previous year. In the same resolution, the Authority also substantially halved the value recognised for the mechanism for compensating for arrears. In particular, the value for domestics decreased by 53.51% from € 8.25 to € 3.84 and the value for non-domestics decreased by 47.01% from € 80.83 to € 42.83.

Following the reduction of the aforesaid values relating to the RCVsm and Comp, on 25 February 2019 Acea Energia appealed against resolution 706/2018/R/eel, arguing that this measure was not suitable to guarantee the financial equilibrium of the company, contesting in particular the overall reduction in the values of RCVsm, the disproportionality of the reduction in the compensation component of arrears compared to the reduction in the values of unpaid (decreased by 21.02% for domestic and 26.81% for non-domestic in the central and southern area) and the failure to revise the method for calculating the WACC for the sales sector.

Gas measurements through the IIS

With Resolution no. **271/2019/R/gas**, ARERA improved the process of making available technical data and information on redelivery points to the IIS and measurement data and changes to communication standards for the

gas sector.

In particular, in the resolution the Authority mandated the IIS Manager to publish the new ad hoc layouts that, from February 2020, will be used for:

- the provision of technical data, information and measurement data collected during the replacement of the meter and other technical service
- the provision of the periodic measurement data collected in accordance with the TIVG, the self-readings made by end customers, the measurement data collected during switching, as well as other technical services requiring the collection of measurement data
- making available the corrections to the measurement data submitted with the two previous flows.

At the same time, the Authority has defined the procedures and timing that, given the specified starting date, allow the distribution companies to transfer the largest number of measurements to the IIS to be used for their Settlements.

Authority proceedings

ARERA inspection on sanctioning procedure for failure to or late payment of automatic indemnities

On 20 February 2019, the Authority carried out an inspection at Acea Energia's headquarters to verify (i) the cessation of the conduct contested in 2015 by resolution **111/2015/S/eel** concerning the failure to pay compensation to protected customers within eight months of the date of receipt of the written complaint, (ii) as well as the implementation of the commitments made therein.

On that occasion, Acea Energia provided all the documentation requested by the Authority (mainly relating to demonstrating the correct payment of compensation in the event of responses to complaints sent late) and now awaits feedback from the Authority.

In particular, with resolution **111/2015/S/eel** served on 23 March 2015, ARERA initiated a sanctioning and prescriptive procedure against Acea Energia, accusing the Company of failing to pay compensation to protected customers within eight months from the date on which Acea Energia received the written complaint (deadline set pursuant to art. 20, paragraph 2 of the TIQV).

On 22 April 2015 and 7 August 2015, Acea Energia submitted to ARERA commitments, approved by ARERA with resolution **529/2016/S/eel** of 29 September 2016, which provide for the payment of an additional indemnity of € 15, compared to what was provided for by the TIQV, to: i) protected customers who in the second half of 2012 and throughout 2013 were indemnified after the eight-month period provided for by the TIQV; and ii) protected customers who have already accrued the right to indemnification provided for by the TIQV from 2014 until the date of submission of the commitments of 7 August 2015 and did not receive it within the eight-month period.

ARERA unbundling checks

With Resolution **561/2018/E/eel**, the Authority approved a programme of controls on the separation of the brand and communications policies for companies operating in the sale of electricity to free customers and protected customers.

Acea Energia was also involved in these checks and on 14 January 2019 responded to requests for information made by the Authority regarding compliance with brand unbundling obligations. The resolution also envisages that, after this first phase of documentary checks, a second phase of checks would commence by accessing the physical spaces dedicated to sales. In fact, with the subsequent resolution **96/2019/E/eel** the Authority started the second phase of the controls and on 21 and 22 May 2019 it carried out an inspection at the branches of Piazzale Ostiense and Ostia and at the Company's headquarters. Acea Energia also provided the additional information requested regarding the separation of the brand and communication policies.

Sanctioning procedure for charging the postal costs for the paper bill: With decree **66/2018/com** dated 15 November 2018, the Authority ordered the initiation of a sanctioning and prescriptive procedure against Acea Energia for charging final domestic customers for the receipt of the paper bill for free market offers called "Acea Viva" and "Acea Rapida" in violation of the provisions of Italian Legislative Decree 102/14 and Annex A to Resolution **555/2017/R/com**.

On 14 December Acea Energia notified the Authority of the termination of the conduct, updating the economic conditions of the offers in question and presenting the following commitments:

Examination of the financial items relating to electricity destined for the states included in the Italian state

Pursuant to resolution **58/2019/E/eel**, on 20 March the Authority initiated a fact-finding investigation against Acea Energia with the aim of acquiring information and useful data concerning the management of the financial items relating to electricity destined for the Vatican. The Company responded to the request for information on 21 May.

In accordance with this resolution and pending the conclusion of the aforementioned investigation, the Authority has specified to the Italian Energy and Environmental Services Fund that it should proceed on a transitional basis and subject to adjustment with the equalisation of the costs incurred by Acea Energia for 2017 for the purchase and dispatching of electricity intended for protected customers.

With Resolution **180/2019/C/EEL**, the Authority decided to challenge the extraordinary appeal brought by the

Azienda Autonoma di Stato per i Servizi Pubblici della Repubblica di San Marino for the annulment of Resolution 670/2018/R/eel (which updated the transmission tariffs for the year 2019) and Resolution 58/2019/R/eel.

Other topics

The electricity and gas "Consumption Portal": With Resolution no. **270/2019/R/com**, the Authority announced the availability of the "Consumption Portal" as of 1 July 2019 (www.consumienergia.it), an instrument integrated with the IIS and managed by the Single Buyer in order to "empower" the final customer with respect to its electricity and gas consumption (regardless of the level of consumption) and to comply with the provisions of Italian Legislative Decree 102/2014 on the right of the final customer to access its use data.

Deferral of payments to the Single Buyer

With Resolution no. **236/2019/R/eel**, the Authority amended article 7 of the sale contract with AU, permanently allowing the main utility providers to request a deferment of the monthly payments of invoices due in March, June, September and December.

Extension of the division of the relevant network into zones and revision provisions: By resolution **103/2019/R/eel**, ARERA sanctioned the creation of the Calabria zone, which will entail an increase from six to seven physical zones with an impact on the operation of the cross-border mechanism of "price coupling of regions". This creation will be subject to a positive assessment by the operators of the relevant power exchanges given the request to increase the "Pun Order" function of the "Price Coupling" algorithm, necessary to meet the growing number of purchase offers for the introduction of the new zone. The resolution therefore ordered the Gme to take action to be in time for the launch which is scheduled for 1 January 2021 with the completion of the review of the zones of the Terna network, the shift of Umbria from the Central North to the Central South and the introduction of a new Calabria zone with the elimination of the limited production pole of Rossano and the subsequent zeroing of the virtual zones. The decision to make the change in 2021 was influenced not only by the time needed for the operation, but also by the significant impact of Umbria's planned shift on the provision of the safeguard service for the Tuscany, Marche and Umbria area, which is expected in 2020.

Imbalance fees for non-programmable renewable sources: With resolution **80/2017/C/eel**, the Authority decided to appeal against the rulings of the Lombardy administrative court for partial cancellation of Resolution **522/2014/R/eel**. This Resolution, in part cancelled, provided that for the validity period of Resolution **281/2012/R/efr** (cancelled by the Administrative Court), i.e. from 01/01/2013 to 31/12/2014, relating to the imbalances for renewable energy sources that cannot be planned, the original framework contained in Resolution No. 111 of 2006 would apply. According to this framework, for production units supplied by sources that cannot be planned, an exemption from the imbalance costs was arranged, except for the case in which the aforesaid units had participated in the intra-day market. With the judgement no. 7317 of 31 December 2018, the Council of State overturned the sentences of the TAR and declared the provisions of Resolution **522/2014/R/eel** legitimate for the past, i.e. "for the period between 1 January 2013 (date of entry into force of Resolution **281/2012/R/efr**) and 31 December 2014, Terna will apply the imbalance fees as initially defined by Resolution no. 111/06, i.e. in their version prior to resolution **281/2012/R/efr**, subsequently voided". Following this pronouncement of legitimacy, the proceeding started with Resolution **593/2018/R/eel**, aimed at executing the judgements of the Lombardy Tar, was filed with Resolution **15/2019/R/EEL**.

Extension of the social bonus to receivers of citizenship income and possible future interventions: With Resolution **165/2019/R/com**, the Authority adapted the TIBEG – the integrated text of reference on the subject of social bonuses – to the provisions of Italian Legislative Decree no. 4/19, providing that the recipients of Citizenship Income (CI) and Citizenship Pension (CP), introduced by that Decree, be immediately allowed on a transitional basis to access the electricity and gas bonus for financial hardship because they meet the qualifications for applying for it. At the same time, the references to Inclusion Income (II) in the TIBEG have been removed as they were superseded by CI and CP

Integration of the grid code type for the transport service in terms of guarantee updating: Approval was given to the proposals made by Terna to amend the Grid Code with respect to the system of guarantees to be provided to Terna by withdrawal dispatching users (Annex A.61 to the Grid Code) in order to strengthen the guarantee system and limit the system's exposure to counterparty risk.

With resolution **655/2018/R/eel**, the Authority supplemented the Electricity Grid Code (Annex B of resolution 268/2015) with regard to the regulation of guarantees. In particular, it was established that the transport contract will be terminated even in cases where the seller – despite a reminder and warning from the distribution company – does not adjust the guarantee (due to an increase in withdrawal points of more than 20% compared to what was estimated) or increase it (due to late payment). The termination shall take effect after a further seven working days from the payment deadline noted in the reminder. During these seven days the prohibition to make new switching requests remains unaffected.

This integration is aimed at mitigating the risk of insolvency on the part of distributors, which could ultimately affect end customers in general. The provisions of Resolution no. **655/2018** were confirmed following a brief "posthumous" consultation by Resolution no. **39/2019/R/eel**.

Prior verification of the annual average power value with reference to switching requests: With Resolution no. **272/2019/R/eel**, the Authority published the functional provisions for the extension of the prior verification of the Annual Average Power (AAP) value with reference to the switching requests submitted by each dispatching user. In particular, the resolution provides that from April 2020 the AAP limit will be calculated after which each dispatching user will have to adjust the financial guarantees in relation to a greater number of points served.

Scenario of reference for ESG aspects (environmental, social, governance)

Sustainable development

The first few months of 2019 saw a sharp increase in the production of scenario analyses and institutional policies all focused on the strategic vision of sustainability. Particularly of note among these is the position paper "Towards a sustainable Europe by 2030", produced by the European Commission, which reflects on the contribution made by the European Union and on the next strategic decisions to be taken to achieve Agenda 2030's 17 sustainable development objectives. The document presents three scenarios of increasing engagement for EU bodies, from the promotion of sustainability in partnership agreements with non-EU countries to the centrality of sustainable development objectives, established as reference criteria of the European strategic framework with the definition of timed targets for all Member States. Equally important is the aggressive implementation path that the European Union continues to follow in response to the Action Plan to finance sustainable growth. In this context, some important actions have already been carried out, like the publication of new guidelines on non-financial reporting, where particular attention was paid to the issue of climate change, integrating the guidelines of the task force on climate-related financial disclosure (TCFD) and the publication of the first reports on: classification system - taxonomy - for environmentally sustainable economic activities; European green bond standard; European indices on climate and on the disclosure of ESG indices.

At a national level, worthy of note is Italian Legislative Decree 49/19 which, again in accordance with European guidelines, promotes long-term shareholder commitment and thus an improvement in the governance of listed companies. The law envisages new dynamics of stakeholder engagement between issuers, partners, proxy advisors and asset managers. In particular, renewed importance is attributed to the issue of remuneration policy as a tool to "contribute to the company's strategy, to the pursuit of long-term interests and to the sustainability of the company" in an increasingly broad and integrated approach between company objectives and collective interests. The changes brought about by the initiatives described above are rapidly developing and clearly illuminate a path towards the future. In order to deal with these pressures, Acea continues its development by integrating sustainability in its strategies and organisation. In this regard, it should be noted that the 2019-2022 Industrial Plan has been updated, where investments for sustainability have increased by a further € 400 million or half of the entire amount of new investments, bringing the total value of sustainability objectives over the plan period to € 1.7 billion. Consequently, the operational update of the Sustainability Plan was launched in line with the Industrial Plan and with the external and internal scenario elements. Lastly, at an organisational level, Risk & Compliance offices have been set up in all the operating companies of the Acea Group, staffed by employees focused on sustainability issues. The task of these offices is to support the dissemination of the principles of corporate social responsibility and supervise all operational activities aimed at achieving the objectives of the Sustainability Plan and in any other relevant project in place at the companies they belong to, as well as the collection and validation of the data necessary for the preparation of the non-financial Statement.

Environmental and energy impacts

The natural environment is the scenario where the activities of the Group are performed and is to be preserved with a responsible and efficient use of resources, protecting sources, safeguarding the natural areas where the plants and service networks encroach, mitigating the physical and the external impacts generated in the ecological context of the operating processes.

Consider for example energy generation where the repowering initiatives constantly act to modernise plants also by pursuing the lowest environmental impacts in terms of emissions, or the integrated water service where Acea's responsible management in resources starts from the provisioning stage, to make it available to people and ends with the commitment to restore the runoff to the receptacle body in the best condition possible.

Finally, the environmental services linked to waste management cannot be overlooked, where the commitment to the ecosystem regards both operating processes, just think about the environmental efficiencies brought in the innovative project of the Ecobelt® VVA belts in the waste to energy plant of San Vittore del Lazio, or the transformation of waste with a view to circular economy, as occurs with sludge treatment for water purification.

In keeping with the desire to operate while respecting and protecting the surrounding environment, Acea has already implemented a series of initiatives aimed at better managing the aspects of its activities that have a general impact on the environment and specifically on energy, also thanks to the use of advanced systems and technologies.

- management systems: the widespread adoption of environmental and energy management systems is a concrete response on the importance of environmental dynamics for Acea and a managerial tool for continuous improvement in performance.
- mobility management: a focus on the environmental impacts of corporate activities also concerns the effects produced by the movements of employees. In this context, the Acea Group has undertaken initiatives to reduce employee travel and to encourage less polluting means of transport.
- carbon disclosure project (CDP): Acea publishes its initiatives, for over ten years communicating them to the international CDP organisation, which produces various annual online reports aimed at informing analysts and lenders about the levels achieved by companies in managing risks and opportunities related to the topic of climate change.
- green purchases: Acea has set itself the goal of increasingly developing Green Procurement for the relevant product categories included in the PAN (National Action Plan for Green Procurement).
- environmental conduct of the supply chain: Acea has committed to assessing its suppliers on an annual basis with regard to the environmental performance of the products/services supplied, and to inform/train contractors and subcontractors regarding the environment.

Acea has included actions to combat climate change in its 2018-2022 Sustainability Plan, which includes both mitigation and adaptation actions and monitors the matter and related EU and international developments (the COP - Conference of the parties and European legislation). Environmental issues related to the array of services provided by the Group are included in the Organisation and Management Model pursuant to Italian Legislative Decree no. 231/01.

Development and technological innovation

Working with the "Open Innovation" organisational unit dedicated to innovation, the Innovation, Technology & Solutions function reports directly to the CEO and has the task of ensuring a model of innovation "as a service" for the Group through the adoption of processes and approaches typical of open innovation, with the involvement of internal and external stakeholders as defined by the Industrial Plan.

In this context, national and international partnerships have been established with the aim of strengthening Acea's position in the innovation ecosystem and identifying new business opportunities for the Group. Various innovative solutions from innovative start-ups and SMEs are being analysed and proof of concept experiments have been launched in collaboration with the Group's Industrial Areas to test valuable solutions for the Group, for example in the fields of artificial intelligence, virtual reality, social inclusion and image recognition.

To facilitate and speed up the sourcing of innovation, an ad hoc procurement process has also been formalised to allow easier collaboration with innovative start-ups and SMEs.

In order to foster a culture of innovation and entrepreneurship, the first internal entrepreneurship programme was launched, involving all the people of the Acea Group, to search for ideas and develop innovative solutions capable of responding to the innovation challenges identified by the Industrial Segments.

In order to define the Group's positioning in the value-added market of "Smart Services", the Industrial Segments were involved in setting up three working groups in the areas of Energy Efficiency, E-mobility and Smart Health with the aim of defining the strategy and executive roadmap for market entry in each of the three areas. The "Smart Services" lab has already launched important experiments and partnerships to test innovative solutions and speed up implementation. For example, on the e-mobility side, an experiment is under way to test a management platform for the electric mobility service that provides car sharing services (currently only for internal use) and recharging, and a strategy for entering the electric mobility market has been defined, starting with the installation of recharging points. Lato Smart Health has signed a memorandum of understanding between Acea, Policlinico Gemelli and CdP for the development of innovative smart health services, with the aim of improving health services like prevention, diagnosis, monitoring of chronic diseases and the phase of de-hospitalisation with remote controls through telemedicine services and wearable devices. In the field of energy efficiency, the first offers dedicated to condominiums and consumer users were studied and the first commercial partnerships were stipulated.

Development of human capital

In Acea people are the most important resource. For this reason, they are constantly provided with the tools and skills necessary to respond effectively to the challenges of the business during the main stages of corporate life: selection, welcoming, training, rewarding and development.

Entrepreneurship, teamwork and action are the three driving values of our Leadership Model upon which the Group's initiatives are built to achieve the goals of the 2018-2022 strategic plan and the sustainability plan.

The Leadership model, values and behaviours guide and contribute to defining an organisational setting that seeks to promote a constant development of human capital, recognised as a fundamental asset for remaining competitive in a changing economic and social context.

The Human Capital Development Department is working on the skills and improvement of management processes and development of people in order to support the entire organisation in achieving its objectives and to enable everyone to achieve their potential.

The goal of enhancing people for the growth of the Group is broken down and carried out through three areas of activity:

- professional development, management growth, training and development of skills through a process that, starting from hiring, uses onboarding, training and a performance assessment system to align behaviour with the Leadership model and the values of the Acea Group in a constant development of human capital;
- involvement of people in the Group's identity through specific initiatives designed to promote employer branding, making Acea increasingly attractive for new talent;
- inclusion and organisational well-being, with the launch of initiatives aimed at making work increasingly "smart" and boosting motivation, potential and satisfaction of personnel, as well as the well-being of employees, recognising the strategic value of Diversity, Health and the Safety of workers.

Sustainable management of the supply chain

Aware of the positive contribution that sustainable supply chain management can offer to protecting the environment, Acea is committed to defining purchasing methods that include intrinsic characteristics of the products and aspects of the process that limit environmental impact and foster initiatives aimed at minimising waste, reusing resources and protecting the social aspects involved in the procurement of goods, services and works defined and used to meet its needs.

Indeed, for several years Acea has been using the Minimum Environmental Criteria, in its calls for tenders including even rewarding aspects that are not mandatory but often decisive in ensuring the maximum achievement of the objectives set. Furthermore, it engages in the education of its own resources so that the purchasing choices tend toward goods or services with sustainable characteristics, thus stimulating the development of a specific sensitivity towards these aspects, with the aim of having them always present in supplier selection processes.

Health and safety in the workplace

Acea carries out constant awareness campaigns on the subject, with the aim of profoundly affecting the widespread dissemination of a culture of safety involving all its employees. It has also implemented an advanced risk assessment model, not to mention control and mitigation measures. Acea has also launched a number of initiatives to raise awareness of and involvement in the issues discussed above with its contractors and sub-contractors, key business partners throughout the entire value chain.

Indeed, a health and safety at work initiative called "ACEA GROUP TAKES CARE OF YOU" was launched to offer a strong tool for preventing accidents.

More specifically, workshops were organised with Acea's Top Management during which the "Company Vision" on safety at work and the theoretical and practical tools to implement it were defined. Subsequently, internal "Ambassadors" were identified who, after participating in workshops specifically organised to frame their fundamental role for the effective achievement of the objectives, worked to disseminate the strategy and the "key messages" of the Vision through cascading sessions with all of the Group's operating personnel.

The occupational safety unit of Acea S.p.A. will organise a workshop in mid-July with the contractors working on behalf of the Assets Unit and Facility Management in order to raise awareness and involve companies more closely in the prevention of accidents.

Particularly significant is the film "The Safer The Better", made as a tool for reflection on and study of the typical dynamics of a working environment. The film is preceded and concluded with key messages from the Chief Executive Officer, who communicates the Company's vision, strategy and commitments for the protection of the health and safety of Group employees and the personnel of contractors.

Trend of Operating segments

Economic results by segment

The results by segment are shown on the basis of the approach used by the management to monitor Group performance in the financial years compared in observance of IFRS 8 accounting standards. Note that the results of the “Other” segment include those deriving from Acea corporate activities as well as inter-sectoral adjustments.

€ Million 30.06.2019	Environme nt	Commerci al and Trading	Overse as	Wate r	Energy Infrastructure					Engineeri ng and Services	Other		Consolidat ed Total
					Generati on	Distributi on	IP	Adjustmen ts	Tot al		Corpora te	Consolidati on adjustment s	
Revenues	98	788	23	503	44	271	23	0	337	33	58	(269)	1,571
Costs	65	757	15	259	18	102	23	0	144	27	72	(269)	1,069
EBITDA	34	31	8	244	25	168	0	0	193	6	(14)	0	502
Depreciation/amortisa tion and impairment	14	27	5	116	10	59	1	0	69	1	8	0	242
Operating profit/loss	19	4	3	127	16	109	(1)	0	124	6	(22)	0	260
Capex	11	19	4	168	6	126	2	0	133	1	7	0	342

The revenues in the above table include the condensed result of equity investments (of a non-financial nature) consolidated using the equity method.

€ Million 30.06.2018	Environme nt	Commerci al and Trading	Overse as	Wate r	Energy Infrastructure					Engineeri ng and Services	Other		Consolidat ed Total
					Generati on	Distributi on	IP	Adjustmen ts	Tot al		Corpora te	Consolidati on adjustment s	
Revenues	84	821	18	382	41	284	23	(1)	347	34	60	(274)	1,473
Costs	52	778	10	190	15	129	25	(1)	168	27	72	(274)	1,023
EBITDA	32	44	7	192	25	155	(2)	0	179	8	(12)	0	450
Depreciation/amortisa tion and impairment	15	25	4	85	9	55	0	0	64	1	5	0	199
Operating profit/loss	16	18	4	107	16	101	(2)	0	114	7	(16)	0	251
Capex	9	6	2	156	5	100	0	0	106	0	3	0	282

Industrial Segments

Acea's macro structure is organised in corporate functions and six operating segments: Water, Energy Infrastructure, Commercial and Trading, Overseas and Engineering and Services.



Environment Operating Segment

Operating figures, equity and financial results for the period

Operating data	U.M.	30/06/19	30/06/2018	Change	Change %
WTE conferment	kTon	225	237	(12)	(5.0)%
Net Electrical Energy transferred	GWh	170	178	(8)	(4.6)%
Waste coming into Orvieto plants	kTon	48	46	2	4.8 %
Waste Recovered/Disposed of	kTon	331	269	62	23.2 %
of which					
<i>Incoming waste composting plants, sludge and liquids disposed of</i>	kt	293	227	66	29.2 %
<i>Slag and Ash produced by WTE</i>	kt	38	42	(4)	(9.4)%

Operating results and financial position (€ million)	30/06/19	30/06/2018	Change	% Change
Revenues	98.3	83.9	14.4	17.2 %
Costs	64.8	52.1	12.7	24.4 %
EBITDA	33.5	31.8	1.7	5.4 %
Operating profit/(loss) (EBIT)	19.1	16.4	2.6	16.1 %
Average headcount	374	360	13	3.7 %

Operating results and financial position (€ million)	30/06/19	31/12/2018	Change	Change %	30/06/2018	Change	Change %
Investments	10.6	20.0	(9.3)	(46.8)%	8.6	2.0	23.4 %
Net financial debt	206.6	203.6	3.0	1.5 %	204.8	1.8	0.9 %

EBITDA	30/06/19	30/06/2018	Change	% Change
EBITDA ENVIRONMENT Segment	33.5	31.8	1.7	5.4 %
EBITDA GROUP	502.6	449.9	52.7	11.7 %
Percentage weight	6.7 %	7.1 %	(0.4 p.p.)	

The Segment closed the first half of 2019 with an EBITDA of € 33.5 million (5.4%). This trend was mainly due to the improved performance of **Acea Ambiente** (+ € 2.0 million), primarily for the higher quantities of compost input, partly offset by **Acque Industriali** (- € 0.3 million).

The average number of staff at 30 June 2019 was 374, an increase of 13 compared to the same period in the previous year. The growth is mainly due to the consolidation of **Bioecologia** (+ 9 units), **Acea Ambiente** (+ 6 units) and **Iseco** (+ 3 units), offset by **Aquaser** (- 5 units).

Investments in the area amounted to € 10.6 million, up by € 2.0 compared to the same period of the previous year, and mainly refer to (i) revamping works at the Monterotondo Marittimo and Aprilia plants and (ii) works for the expansion of the landfill located in Orvieto.

The financial indebtedness of the Segment stood at € 206.6 million, having worsened by € 1.8 million compared to 30 June 2018 and by € 3.0 million compared to 31 December 2018. This trend is mainly due to the dynamics of the operating cash flow, while the first application of IFRS 16 contributed to the worsening of the financial debt by € 2.9 million.

Significant events in H1 2019 and later

As regards the single local units, it should be noted that:

Terni (UL1): the conferment of the pulper waste has ensured the fuel requirements for the entire period and the expected performance was confirmed in terms of both the pre-treatment of waste and the production of electrical energy. In the first half of the year, however, the marginal reduction in contributions compared with expectations was offset by an increase in the production of electric power. Following **Acea Ambiente's** presentation of a new application for authorisation aimed at obtaining an extension of the category of non-hazardous waste to be sent for energy recovery, on 7 March 2019 the first meeting of the Services Conference was held in relation to the V.I.A. procedure. As a result, further information was requested from the Company, which were already presented on 24 June 2019.

Paliano (UL2): the characterisation plan was presented to the Ministry of the Environment which, with Decree no. 557 of 11 December 2017, approved the Plan for the characterisation of the entire Paliano site, included in the Site of National Interest (SIN) "Sacco River Basin". The Company has planned to implement what is specified in the

aforementioned Characterisation Plan by means of functional sections, starting operations from the area where the decommissioned purifier is located.

On 30 January 2019, a meeting was held at the Ministry of the Environment attended by representatives of the company and ISPRA to define the details of the characterisation plan, and in April 2019 characterisation activities were carried out on the area of the disused purifier.

On 18 June 2019 the Ministry of the Environment was sent the results of characterisation activities in the area of the former purifier with a request for the issuance of clearance to demolish said treatment plant.

Once the authorisation from the Ministry of the Environment has been obtained, the aforementioned purifier will be demolished in order to guarantee a progressive redevelopment of the property.

At this stage, the companies that will carry out the demolition have already been identified.

San Vittore del Lazio (UL3): the waste-to-energy plant is destined for the production of electricity from renewable sources, and in particular from RDF produced by the treatment of urban waste exclusively from the territory of the Lazio Region. During the period of reference, the three lines of the plant guaranteed regular operation in terms of operating hours, which were higher than expected. Although production was lower, revenues from electricity benefited from CIP 6 tariffs for the entire period. Moreover, with regard to the operation of Lines 2 and 3 of the Plant, with a communication dated 25 March 2019 the GSE extended the expiry date of the CIP6/92 convention from 19 April 2019 to 3 July 2019.

Finally, it should be remembered that the San Vittore plant is now the only waste-to-energy plant on a regional scale and represents a strategic terminal for the waste chain.

In order to allow the correct planning of flows on a regional scale, during a critical period in the Lazio Region involving the entire waste management chain, and in particular the city of Rome, which already suffers major problems related to collection, on 18 June 2019 competent authorities and suppliers were notified of the maintenance of the three lines scheduled for the month of July after the expiration of CIP 6, which will result in a reduction of deliveries in that period. These maintenance operations had initially been scheduled for May 2019 but were postponed to July 2019 in order to optimise the recovery period of the CIP 6 incentive granted by the GSE.

Orvieto (UL4): during the period, the supply of non-hazardous urban and special waste continued, implementing the recovery and disposal activities according to the terms provided for therein. As for the project presented in 2014 relating to the morphological adaptation of the site and optimisation of the volumes and top capping of the landfill, in 2017, following a long institutional discussion, the most appropriate solutions were sought to overcome the dissent expressed by some institutions regarding the project in question. In this sense, the Company presented a design change that has allowed the continuation of environmental compatibility verification during the Environmental Impact Assessment, and subsequently the Integrated Environmental Authorisation.

The Umbria Region has expressed a positive opinion on the Environmental Impact Assessment of the project under discussion by issuing Determination. no. 5559 on 1 June 2018, and, as part of the AIA procedure, with Determination no. 7019 of 5 July 2018, issued the new Integrated Environmental Authorisation on 13 June 2018.

These authorisations allowed the start of the landfill expansion works on 16 July 2018, with the preparation of the 9-bis tier. The work was completed last April and has been successfully tested.

Monterotondo Marittimo (UL5): with reference to the activities of the plant, on 31 December 2017 the delivery of waste was interrupted in order to proceed with revamping and expansion. The suspension is part of the current authorisation provisions and has become necessary also in relation to the operational needs that do not allow for coexistence with the construction of the new plant.

During the month of May 2018, construction activities began for the construction of the new plant by the entity that won the tender, and during June 2018 the works were handed over definitively.

The expansion and construction works of the anaerobic digestion section are at a very advanced stage, as are the complementary works on the pre-existing structures, and it is plausible to believe that the completion of the works, subject to any deferrals and possible unforeseen events, will be substantially on schedule.

Sabaudia (UL6): with reference to the composting section of the Sabaudia plant, with Determination no G06449 of 21 May 2018, the Lazio Region issued an update of the previous AIA that will take effect until the competent authority has ruled on the procedure for reviewing AIA no. A4099 of 1 December 2008.

The plant was reactivated – initially with limitations – on 16 August 2018, and following the positive outcome of the inspection carried out on 17 September 2018 by the Lazio Region it is now fully operational.

In parallel with the review/renewal of the plant's original AIA, the EIA/AIA procedure for the retrofitting project is also under way.

The EIA procedure was completed in 2017 and it is therefore expected that the environmental compatibility assessment will be issued, after which the process for the issue of the IEP for the new plant configuration will take place.

Aprilia (UL7): The plant is authorised for operation with an Integrated Environmental Authorisation issued by the Lazio Region with DD no. G08408 of 7 July 2015 and subsequent amendments.

Works are currently ongoing for the realisation of the new plant configuration, which will enable the current treatment capacity to be increased with the introduction of an energy recovery section.

The construction of the second-stage civil works will probably be completed by the end of 2019. In the meantime, the areas and works for the construction contract for electromechanical projects have already been delivered (third and last part).

Again in relation to the Aprilia site, note that the Lazio Region has initiated the review procedure of the current authorisation. The first meeting of the service conference was held on 16 January 2019, while the second meeting of the service conference on the AIA review of the Aprilia composting plant was held on 28 June 2019. The company has communicated that it will verify the requests received during the meeting as quickly as possible, subject to technical constraints.

During the period of reference, without prejudice to the seizure and under the supervision of a Judicial Custodian, the plant operated with periodic permits issued directly by the Public Prosecutor's Office. The permits have allowed the deliveries to increase, until on 15 February 2019 the plant's full capacity was reached making it possible to verify the operation and compliance of the safeguards to protect against the impacts of the management cycle.

Bioecologia: the company carries out purification, treatment and intermediation of liquid waste in the plants located in Le Biffe, Pianino and ex Comova. During the period, the services provided for in the contracts entered into with the operators of the integrated water service for the purification of urban wastewater in the municipalities of Chiusi, Buonconvento and Colle di Val d'Elsa were regularly carried out, performing the treatment of special non-hazardous waste at the Chiusi Scalo and Buonconvento plants in compliance with AIA requirements. During the period under review, no non-conformities regarding tax, environmental and occupational safety issues emerged. The technical management of the plants and the performance of the purification and waste treatment services have been strongly conditioned by the good working order of the machines and equipment, and for this reason maintenance and modernisation works are under way and/or planned for the near future, aimed also at improving the efficiency of the current plant.

It should be noted that on 4 July Acea acquired 90% of Demap S.r.l., owner of a plastic treatment plant with an authorised capacity of 75,000 tonnes per year. The plant is located in the province of Turin, and since 2004 has been engaged in sorting and recycling plastic and plastic/metal packaging from separate urban waste collection, particularly in Valle d'Aosta and Piedmont.

Commercial and Trading Operating Segment

Operating figures, equity and financial results for the period

Operating data	U.M.	30/06/19	30/06/2018	Change	% Change
Electrical Energy sold - Free	GWh	1,998	1,852	146	7.9 %
Electrical Energy sold - Protected	GWh	1,136	1,234	(98)	(7.9)%
Electricity - Free market customers (P.O.D.)	N/000	347	325	22	6.9 %
Electrical Energy - No. Protected Market Customers (P.O.D.)	N/000	813	865	(51)	(5.9)%
Gas Sold	Msm ³	83	73	10	13.3 %
Gas - No. Free Market Customers	N/000	179	169	10	6.1 %

Operating results and financial position (€ million)	30/06/19	30/06/2018	Change	% Change
Revenues	788.4	821.5	(33.1)	(4.0)%
Costs	757.2	777.5	(20.3)	(2.6)%
EBITDA	31.2	43.9	(12.7)	(29.0)%
Operating profit/(loss) (EBIT)	3.8	18.5	(14.7)	(79.4)%
Average headcount	471	465	6	1.3 %

Operating results and financial position (€ million)	30/06/19	31/12/2018	Change	% Change	30/06/2018	Change	% Change
Investments	18.5	24.6	(6.1)	(24.8)%	5.5	13.0	n.s.
Net financial debt	(15.1)	(23.7)	8.6	(36.3)%	1.5	(16.6)	n.s.

EBITDA (€ million)	30/06/19	30/06/2018	Change	% Change
EBITDA Commercial and Trading Segment	31.2	43.9	(12.7)	(29.0)%
EBITDA GROUP	502.6	449.9	52.7	11.7 %
Percentage weight	6.2 %	9.8 %	(3.6 p.p.)	

The Segment, responsible for the management and development of electricity and gas sales and related customer relationship activities as well as the Group's energy management policies, closed H1 2019 with an EBITDA of € 31.2 million, down compared to 30 June 2018 by € 12.7 million. The reduction is mainly attributable to **Accea Energia** (- € 13.6 million), only partially mitigated by the improved margin of **Umbria Energy** (+ € 0.7 million) and **Accea8Cento** (+ € 0.4 million).

With regard to the effects on the primary gross margin, the reduction recorded by **Accea Energia** is mainly due to the effects relating to the primary gross margin as a result of the RCV review and the value recognised for the mechanism for offsetting arrears provided for in Resolution 706/2018 ARERA and in part by the smaller number of customers served. In detail, margins decreased both in the **free market** (- € 5.2 million) and in the **protected market** (- € 8.8 million). The energy margin relating to the **optimisation** of energy flows was also down by € 1.2 million, mainly due to the reduction in the customer portfolio. The margin relate to optimisation also includes the new activities of buying, selling, exchanging and trading electricity, heat, natural gas, methane and other fuels and energy carriers, from any source produced or acquired, for own use or for third parties. The reduction in the margin of the **free market** is mainly due to the lower margins in the mass market segment. The reduction in the margin of the **protected market** is mainly linked to the reduction in tariffs and the revision of the mechanism for offsetting arrears. The reduction in the margin of the **gas market** derives from higher sourcing costs.

Operating income fell by € 14.7 million, down by € 1.9 million compared to the EBITDA, mainly due to the higher amortisation and depreciation recorded by **Accea Energia** due to the entry into operation of evolutionary IT projects and the capitalisation of incremental costs for the acquisition of new customers amortised on the basis of the portfolio churn rate.

With reference to the workforce, the average number at 30 June 2019 stood at 471 employees; this number was up compared to the previous year by 6 employees. Primary contributors to this change are **Accea Energia** (+ 10 units) compensated by **Accea8cento** (- 3 units) and **Umbria Energy** (- 1 units).

Investments in the Segment amounted to € 18.5 million, an increase of € 13.0 million compared to 30 June 2018, mainly due, as mentioned above, to the capitalisation of costs relating to IT systems.

Net financial debt at 30 June 2019 stood at € 15.1million, improving by € 16.6million compared to 30 June 2018 and down € 8.6 million on 31 December 2018. The drop compared to 31 December 2018 derived from the dynamics of the operating cash flow influenced by the worsening of collections and by higher trade payables for the purchase of energy.

Significant events in HI 2019 and later

Energy Management

Acea Energia carries out the necessary “Energy Management” activities for the Group’s operations, with particular regard to sales and production activities. The Company also liaises with the Energy Market Operators (GME) and with TERNA. In relation to the institutional entity Terna, the Company is the input Dispatch User for Acea Produzione and other companies in the Group. It performed the following main activities in the period:

- the optimisation and assignment of electricity produced by the Tor di Valle and Montemartini thermoelectric plants and by the S. Angelo hydroelectric plant,
- the negotiation of fuel procurement contracts for the power generating plants,
- the procurement of natural gas and electricity for the sales company to sell to end customers,
- the optimisation of the supply portfolio for the procurement of electricity and management of the Energy segment companies’ risk profile.

In HI 2019 Acea Energia purchased electricity from the market for a total of 3,207 GWh, of which 3,204 GWh through bilateral contracts and 4 GWh through Borsa, for resale to end customers of the free market and for the optimisation of energy flows and the purchasing portfolio.

Electricity distribution

As regards the sales market, the refocusing of **Acea Energia's** sales strategy continued in the period with a more capillary and attentive selection of customers which tends to favour contracting small (residential and micro business) customers.

In the first half of 2019, Acea Energia sold a total of 1,136 GWh electricity on the Enhanced Protection market, a decrease of 7.9% on a trend basis. The number of withdrawal points totalled 801,401 (862,735 at 30 June 2018). The sale of electricity on the free market amounted to 1,800 GWh for Acea Energia and 198 GWh for Umbria Energy, for a total of 1,998 GWh, with an increase with regard to the same period last year of 7.9%, primarily related to the B2B segment.

In addition, Acea Energia and the other sales companies of the Group sold 82.6 million Sm³ of gas to end customers and wholesalers which involved 179,328 re-delivery points, while at 30 June 2018 they were 168,873.

With regard to the proceedings started by the Antitrust Authority, the main updates are described below:

Proceeding PS9815 of the AGCM antitrust authority for unsolicited activations: the Court of Justice suspended the discussion of the judgement in question, pending the definition of the preliminary questions raised by the Council of State in a different ruling, with reference to the application of the Directive on unfair commercial practices in the electronic communications sector.

The Court of Justice has not accepted the request of the Lazio Regional Administrative Court to implement an "accelerated" procedure for the settlement of the preliminary question.

On 15 May 2019 the EU Court of Justice ruled on the preliminary ruling of the Lazio Regional Administrative Court, stating that: **(i)** there is no conflict between the directives on unfair commercial practices and on remote contracts (29/2005 and 83/2011) and the sectoral directives (72/2009 and 73/2009); **(ii)** in the energy sector it is also possible to apply the general discipline for the protection of consumers (with consequent competence of the AGCM, pursuant to art. 27, paragraph 1 bis, of the Consumer Code). In accordance with Directives 2009/72 and 2009/73, it follows that ARERA is not competent to sanction such conduct.

AGCM proceeding PS9354 for unfair commercial practices: on 26 November 2018 the Authority sent a communication of compliance with the measure adopted on 13 June 2016, also requesting confirmation of the entry into operation of the function relating to the automatic blocking of the collection of consumption for which the five-year prescription had been reached for free-market customers.

On 17 December 2018, the Company verified the above communication, representing that the function went into operation on 11 December 2018.

AGCM proceeding A513 for abuse of a dominant position: on 8 January 2019 AGCM notified the company of the concluding provision of Proceeding A/513. In this order, the Authority ruled that Acea S.p.A., Acea Energia S.p.A. and areti S.p.A. had committed an abuse of a dominant position – qualified as very serious and of duration quantified in 3 years and 9 months – consisting in the adoption of a broad exclusionary strategy realised through the illegitimate use of a series of prerogatives possessed solely by virtue of its position as an integrated operator in

distribution, in order to compete with its competitors in the acquisition of electricity sales contracts in free market conditions.

In view of the gravity and duration of the infringement, the Authority ordered Acea S.p.A., Acea Energia S.p.A. and areti S.p.A. to pay an overall pecuniary administrative fine of € 16,199,879.09.

In consideration of the fact that in the Sanctioning Measure the Authority considered the contested conduct to be part of a strategic plan defined by the parent company Acea S.p.A. as well as the fact that Acea S.p.A. exercises management and coordination over both Acea Energia S.p.A. and areti S.p.A., and finally the fact that the Authority has jointly and severally imposed on Acea S.p.A., Acea Energia S.p.A. and areti S.p.A. said pecuniary administrative sanction without quantifying the amount thereof for each company, the entire amount of said sanction was recorded in the financial statements of the Parent Company Acea S.p.A., which has relieved the company by waiving recourse to shares or claims.

On 8 March Acea Energia filed an appeal with the Regional Administrative Court of Lazio and on 22 March it filed an expert's report with the court containing the consent reports it received concerning the customer base.

On 27 March 2019, the Council Chamber was held to discuss the application for interim measures, and at that meeting it was asked for the merits of the application for interim measures to be combined with those of the application for interim measures and, on 28 March 2019, filed a request for relief in order to ask the Regional Administrative Court to set up a hearing on the merits as soon as possible.

On 10 May 2019 the AGCM sent a request for information on compliance with measure no. 27496 of 20.12.2018, with particular reference to the issue relating to the collection of privacy consent for commercial purposes.

On 20 May 2019 Acea Energia verified the above communication, noting that the lists of SMT users who have directly given consent to Acea Energia for commercial purposes on the free market for the sale of electricity are not used and that the Company continues to collect the aforementioned consent when stipulating and managing the supply contract.

On 13 June 2019, the Authority expressed the need to set up a hearing with the Companies themselves in order to obtain clarifications regarding the decision to collect privacy consents separately (for the companies of the Acea Group and for third parties).

Finally, it should be noted that on 3 July 2019, a hearing was held at the offices of the Authority with representatives of Acea S.p.A. and Acea Energia S.p.A., during which the companies reiterated, as already represented in the compliance report and in the reply to the request for information of 10 May 2019, that the consent given by protected users are not used for marketing purposes.

AGCM proceeding PS9974 for unfair business practices: The authority decided to dismiss the requests for action because the activities put in place by the company, as represented in its reply sent to the authority on 2 July 2018, are considered sufficient to eliminate any commercial improprieties of the type under investigation.

Overseas Operating Segment

Operating figures, equity and financial results for the period

Operating data	U.M.	30/06/19	30/06/2018	Change	% Change
Water Volumes	Mm ³	22	28	(6)	(22.8)%

Operating results and financial position (€ million)	30/06/19	30/06/2018	Change	% Change
Revenues	23.0	17.8	5.2	29.1 %
Costs	15.1	10.5	4.6	44.1 %
EBITDA	7.9	7.3	0.6	7.7 %
Operating profit/(loss) (EBIT)	2.5	3.7	(1.1)	(31.3)%
Average headcount	795	606	189	31.2 %

Operating results and financial position (€ million)	30/06/19	31/12/2018	Change	% Change	30/06/2018	Change	% Change
Investments	3.6	6.6	(3.0)	(45.2)%	2.2	1.4	63.1 %
Net financial debt	5.9	4.1	1.7	41.6 %	6.5	(0.6)	(9.4)%

EBITDA (€ million)	30/06/19	30/06/2018	Change	% Change
EBITDA Overseas Segment	7.9	7.3	0.6	7.7 %
EBITDA GROUP	502.6	449.9	52.7	11.7 %
Percentage weight	1.6 %	1.6 %	(0.1 p.p.)	

The Area currently includes the water companies that manage the water service in Latin America. Specifically:

- Aguas de San Pedro (Honduras), 60.65% owned by the Group as of October 2016, when it was consolidated using the line-by-line method. The Company serves its customers in San Pedro Sula;
- Acea Dominicana (Dominican Republic) wholly owned by the Group, provides the service to the local municipality known as CAASD (Corporation Acueducto Alcantariado Santo Domingo);
- AguaAzul Bogotá (Colombia) of which the Group holds 51% is consolidated on the basis of the equity method with effect from the 2016 financial statements as a result of a change in the composition of the Board of Directors;
- Consortio Agua Azul (Peru) is controlled by the Group which owns 25.5% and provides the water and discharge service in the city of Lima.
- Acea Peru, wholly owned by Acea International (established on 28 June 2018), not yet operational. This company was established with the specific intent to manage the aqueduct service in the city of Lima.
- Consortio Servicio Sur controlled by Acea International (50%), ACEA Ato2 (1%) and by local partners Conhydra, Valio and India (total 49%). The Consortio was established on 5 July 2018 with the specific aim of managing the corrective maintenance service for the drinking water and sewerage systems of the Directorate of Services Sur of Lima (Peru).

This Segment closed the first half of 2019 with EBITDA of € 7.9 million, up slightly compared to the same period of the previous year by € 0.6 million, mainly for **Agua de San Pedro** (+ € 0.5 million).

The average headcount at 30 June 2019 stood at 795 units and was up by 189 compared to 30 June 2018, mainly due to the consolidation of **Consortio Servicios Sur** (+ 195 units).

Investments in the first half of 2019 amounted to € 3.6 million, up by € 1.4 million compared to 30 June 2018, and were mainly attributable to **Aguas de San Pedro** for the expansion and extraordinary maintenance of the water and sewerage network in the areas managed.

Net financial debt at 30 June 2019 was € 5.9 million, an improvement of € 0.6 million compared to 30 June 2018, and a deterioration of € 1.7 million compared to 31 December 2018. The changes are mainly attributable to **Aguas de San Pedro**, while the first application of IFRS 16 contributed to the increase in financial debt by € 0.6 million.

Significant events in H1 2019 and later

No significant events are reported during the period observed.

Water Operating Segment

Operating figures, equity and financial results for the period

Operating figures*	U.M.	30/06/19	30/06/2018	Change	% Change
Water Volumes	Mm ³	251	210	41	19.4%
Electrical Energy Consumed	GWh	259	198	61	30.6%
Sludge disposed of	kTon	47	52	(5)	(10.0%)

* The values refer to fully consolidated companies (including GORI).

Operating results and financial position (€ million)	30/06/19	30/06/2018	Change	% Change
Revenues	505.5	382.0	123.5	32.3 %
Costs	261.4	189.7	71.7	37.8 %
EBITDA	244.0	192.3	51.7	26.9 %
Operating profit/(loss) (EBIT)	127.3	107.3	20.0	18.6 %
Average headcount	2,672	1,794	878	48.9 %

Operating results and financial position (€ million)	30/06/19	31/12/2018	Change	% Change	30/06/2018	Change	% Change
Investments	168.3	329.7	(161.4)	(48.9)%	156.4	11.9	7.6 %
Net financial debt	1,178.9	1,039.0	139.9	13.5 %	986.4	192.5	19.5 %

EBITDA (€ million)	30/06/19	30/06/2018	Change	% Change
EBITDA Water Segment	244.0	192.3	51.7	26.9 %
EBITDA GROUP	502.6	449.9	52.7	11.7 %
Percentage weight	48.6 %	42.7 %	5.8 pp	

EBITDA for the Segment stood at € 244.0 million at 30 June 2019, an increase of € 51.7 million compared to 30 June 2018 (+ 26.9%).

The increase is mainly due to the tariff dynamics of the water sector. Specifically, performance in the Segment is influenced by: **(i) ACEA Ato2 and ACEA Ato5**, which respectively recorded increases of € 15.4 million and € 1.3 million, also as a result of the updating of the criteria for determining the recognition of revenues deriving from the IFRIC12 margin; **(ii)** an increase of € 31.7 million following the full consolidation of **GORI** as from 8 November 2018 (previously assessed using the equity method); **(iii)** lower costs for leases and rentals following the first application of IFRS 16 for € 1.4 million; **(iv)** an increase in the contribution to EBITDA by water companies measured using the equity method of € 0.6 million, as shown below:

(€ million)	30/06/19	30/06/2018	Change	% Change
Publicacqua	9.1	3.8	5.3	139.5%
Acque Group	3.6	7.5	(3.9)	(52.0%)
Acquedotto del Fiora	2.6	2.3	0.3	13.0%
Umbra Acque	1.5	0.2	1.3	n.s.
Gori	0.0	2.6	(2.6)	(100.0%)
Nuove Acque and Intesa Aretina	0.4	0.3	0.1	33.3%
GEAL	0.6	0.5	0.1	20.0%
Total	17.8	17.2	0.6	3.5%

The revenues for the year are measured on the basis of the calculations made by the EGA and/or the ARERA; as usual, these include the estimate of the adjustments concerning the passing costs. As is known, as of the second regulatory period, the tariffs may also include marketing and technical quality components; under specific conditions, the Managers may be recognised the Opex_{qc} component or alternatively the "contractual quality" award. The latter is recognised to the Manager if the indicators identified for metering and monitoring (as of 1 July 2016) exceed the thresholds established in ARERA resolution 655/2015. The **ACEA Ato2** revenue includes the amount of € 16.8 million, representing the best estimate of the commercial quality award due for 2018. In contrast, the penalties for

commercial and technical quality amount to € 0.6 million. Below is a table summarising the approval status of the tariff proposals.

The operating result was mainly affected by the growth in amortisation and depreciation (+€ 28.6 million), of which € 11.4 million was due to the line-by-line consolidation of **Gori** and the remainder to the higher amortisation and depreciation recorded by **ACEA Ato2**, in line with the trend in investments and the entry into operation of the new programmes relating to investments in technological infrastructure.

The average headcount at 30 June 2019 increased by 878 units, mainly attributable to the consolidation of **GORI** (+ 841 units) and **Pescara Distribuzione Gas** (+ 12).

Investments in the Segment were € 168.3 million and were mainly attributable to **ACEA Ato2** for over € 132.8 million and € 13.2 million to **ACEA Ato5**, while the consolidation of **Gori** contributed € 21 million. The main investments in the period include those relating to the work carried out for the reclamation and expansion of the water and sewage pipes of the various municipalities, the extraordinary maintenance of the water centres, the interventions on the treatment plants, works to reduce water leaks and improve relationships with users and the local region and on IT applications.

The financial indebtedness of the Area stood at € 1,178.9 million at 30 June 2019, having worsened by € 139.9 million compared to 31 December 2018 and by € 192.5 million compared to 30 June 2018, the latter figure mainly due to: **(i) ACEA Ato2** mainly due to the lower liquidity resulting from a reduction in the company's cash and cash equivalents, mostly destined to finance the investments made during the period; **(ii) the consolidation of GORI**, which contributed to an improvement in financial debt by € 20.1 million and of **Pescara Distribuzione Gas**, which contributed to the drop by € 5.5 million. The first application of IFRS 16 contributed to the worsening of financial debt of the Segment by € 17.7 million.

Significant events in H1 2019 and later

Lazio - Campania area

ACEA Ato2

The Integrated Water Service in ATO2 Central Lazio - Rome started on 1 January 2003. The management of the ATO Municipalities took place gradually and the Municipalities currently managed are 79 compared to 112 of the entire ATO. The overall situation of the managed area is shown below.

Acquisition situation	No. of municipalities
Municipalities that declared they do not wish to be part of the Integrated Water Service*	7
Municipalities with Protected Entity	1
Municipalities fully acquired into the Integrated Water Service:	79
Municipalities partially acquired, for which Acea ATO2 provides one or more services:	17
Municipalities to be acquired	8
* Municipalities with less than 1,000 inhabitants which had the right to express their will in accordance with paragraph 5 of Legislative Decree 152/06.	

The Company provides the full range of **drinking water distribution** services (collection, abstraction, retail and wholesale distribution). Water is drawn from springs on the basis of long-term concessions. Water sources supply approximately 3,900,000 residents in Rome and Fiumicino and in more than 60 Municipalities in the Lazio region, via five aqueducts and a system of pressurised pipes. Three further sources of supply provide non-drinking water used in the sprinkler system of Rome.

As at 30 June 2019, ACEA Ato2 manages a total of approximately 6,749 kilometres of sewerage network, 632 sewerage pumping stations - of which 195 in the Roma Capitale area - and a total of 167 waste treatment plants - 32 of which in the Roma Capitale area - for a total quantity of treated water equal to 293 Mmc (data referring to managed treatment plants only).

On 16 March 2018 the handover report the municipality of Civitavecchia IWS was signed (effective from 3 April 2018), only for the municipal drinking water service, while the management of the treatment and sewerage systems was acquired from 1 July 2018. The acquisition expanded the inventory of sewerage pumping stations by 35 and a treatment plant with a capacity of 86,400 inhab./eq.

The company manages the waste treatment system and pumping stations that serve the network and sewage trunk lines.

As of 30 June 2019, the six main purification plants had treated a volume of water equal to about 259 Mmc with a slight increase (4%) caused by the rainfall, compared to what was treated in the same period of the year 2018 (249 Mmc).

During the first half of 2019, following the regulatory changes that took place during 2019, the Company implemented and continued all the activities that began in 2018.

Specifically, taking into account that some solids produced by the managed plants do not comply with art. 41 of Italian Decree Law 109/2018 converted by Italian Law 130/2018, this company has continued with the transport of liquids within the authorised plants (as per art.110) and has started the disposal of solids through the stipulation of international contracts.

In February, with Determination R.U. 421 of 08/02/2019, the Metropolitan City of Rome, exceeding the ordinance issued in August 2018, authorised the treatment plant in East Rome to receive liquid waste (as per art.110).

With regard to analytical certificates for sludge and waste, in 2019 there was a slight increase in the number of analyses carried out by ACEA Elabori (external certified laboratory) compared to the average for the same period in previous years.

With reference to the problem of seizures of wastewater treatment plants, note that the plants in Roma Nord and Botticelli were released on 13 May 2019 (Roma Nord) and 20 May 2019 (Botticelli) respectively.

As far as the Colubro treatment plant is concerned, following a request made by the Company, the Judicial Authority granted temporary release from seizure of the aforementioned plant in order to get it up and running and to carry out the consequent verification of the purification process.

With regard to the Carchitti treatment plant, the temporary release from seizure granted by the Authority remains in effect.

ACEA Ato5

ACEA Ato5 provides integrated water services on the basis of a thirty-year agreement signed on 27 June 2003 by the company and the Frosinone Provincial Authority (representing the Authority for the ATO comprising 86 municipalities). In return for being awarded the concession, Acea Ato5 pays a fee to all the municipalities based on the date the related services are effectively acquired.

The management of the integrated water service in the Ato 5 region – Southern Lazio – Frosinone involves a total of 86 municipalities (the management of the Municipality of Paliano still remains to be acquired, while the Municipalities of Conca Casale and Rocca D'Evandro are “outside the scope”) for a total population of about 490,000 inhabitants, a population served of 474,071 inhabitants, with a service coverage equal to approximately 97% of the territory. The number of users is 200,479.

The drinking water system comprises supply, abstraction and distribution plants and networks that use 7 main sources from which an equal number of aqueduct systems originate.

The sewerage and treatment system comprised a network of sewers and collectors connected to waste water treatment terminals.

There are 215 sewerage pumping stations managed by the Company and 132 purification plants, of which 116 are biological plants, 14 are “Imhoff tanks” and 2 are percolators, including also the “inaccessible” and those outside ATO (Rocca d'Evandro and Conca Casale).

With regard to the acquisition of the plants relating to the management in the Municipality of Paliano, in November 2018 the Council of State finally decided on the appeal filed by the Municipality of Paliano against the decision of the Regional Administrative Court no. 6/2018 – which upheld the appeal filed by the Company against the Municipality of Paliano, in order to obtain the annulment of the measure by which the Municipality opposed its refusal to transfer the service – with decision no. 6635/2018 rejected the appeal filed by the Municipality of Paliano and consequently upheld the decision handed down by the Regional Administrative Court of Latina, reaffirming that the safeguard regime granted to AMEA was “limited to a period of three years from the date of signing of the Management Agreement between AATO 5 and ACEA Ato5; this deadline therefore expired in 2006, so that, after that date, AMEA's management was to be considered without title”.

Since ACEA Ato5 has so far failed to initiate compliance proceedings with a view to verifying the voluntary compliance of the Municipality, which is suitable for preventing the possible appointment of an acting commissioner as has already happened in similar cases, a series of meetings have taken place at the Operational Technical Secretariat of AATO 5 Lazio Meridionale - Frosinone aimed at seeking an amicable settlement of the dispute and at initiating the preparatory activities for the transfer to ACEA Ato5 of the management of the IWS in the Municipality of Paliano. In this perspective, the Parties – with minutes of 26 November 2018 and 29 November 2018 – performed the update of the previous survey of networks and existing plants in the Municipality of Paliano, necessary for the management of the IWS.

Also, following the meeting of 12 June 2019, having analysed the activities to be implemented in order to formalise the transition to ACEA Ato5 of the IWS of the Municipality of Paliano, the Parties scheduled a subsequent meeting for 25 June 2019 in order to arrive at the signing of the report of handover of the works and plants related to the management of the IWS.

With regard to the appeal filed by the Municipality of Paliano before the Lazio Regional Administrative Court - detached section of Latina (docket number 708/2018) against the provision of 27 April 2018 by which AATO 5 rejected the request for protection presented by the aforesaid Municipality – served to the Company, as the other party to the proceedings, on 2 July 2018 – it should be noted that although this is an issue related to the main appeal before the Council of State, which to date has been concluded with sentence no. 6635/2018, which rejected the appeal filed by the Municipality of Paliano against sentence no. 6/2018 of the Latina Regional Administrative Court, the Company deemed it appropriate to appear before the court. Today we are still awaiting scheduling of the hearing.

The following table shows the significant events that occurred during the period.

Lazio Administrative Court appeal on termination of the Management Agreement

Resolution no. 7 of the Conference of Mayors of 13 December 2016 resolved to terminate the Management Agreement. On 26 and 27 June 2018, appeal documents were served, proposed by the Area Authority and the Municipality of Ceccano and other municipalities by the ATO5, against sentence no. 638/2017 of the Lazio Regional Administrative Court - Latina branch, by which the Administrative Judge upheld the appeal filed by the Company against resolution no. 7 of 13 December 2016, by which the Conference of Mayors resolved to terminate the contractual relationship with ACEA Ato5, annulling the measure. Such appeals do not present any arguments of particular novelty or relevance with respect to what has already been submitted for the examination of the Court of First Instance, nor have the appellants proposed an application for interim relief. In any case, the Company filed the formal documents for both disputes.

Updates for the period:

To date, there is no information on the scheduling of the hearing and there are no further updates. **Lazio Administrative Court appeal against Resolution no. 6 of 13 December 2016 of the Conference of Mayors of AATO5**

On 9 February 2017, the Company filed an appeal at the Lazio Regional Administrative Court in Latina for the annulment of Resolution no. 6 dated 13 December 2016, in which the Conference of Mayors of AATO 5 approved the tariff proposal for the IVS for the regulatory period 2016-2019, envisaging period adjustments less than those envisaged in the Operator's proposal (€ 35 million instead of € 77 million), as a consequence of the different quantification by the Operational Technical Secretariat, essentially on four regulatory items: (i) the amount of the FNI (psi coefficient of 0.4 rather than 0.8 proposed by the Company); (ii) the recognition of arrearage costs (3.8% of the returns rather than 7.1%); (iii) the recognition of quality costs (opex qc), zeroed and not recognised by the Operational Technical Secretariat; (iv) fines for approximately € 11 million.

On 22 March 2018 sentence no. 135/2018 was published with which the Latina administrative court rejected the appeal brought by ACEA Ato5 against the aforementioned resolution of the Conference of the Mayors no. 6 of 13 December 2016. With this ruling, now final, the administrative court did not enter into the merits of the complaints raised by the Company, but confined itself to stating the inadmissibility of the appeal, on the assumption that the resolution of the Conference of Mayors would be a mere end-procedural act. The Company has decided not to lodge an appeal.

Furthermore, as regards the topic of penalties, which resulted in a tariff reduction of over € 10 million, the administrative court recalled the previous ruling no. 638/2017 which, it is worth remembering, already cancelled the imposition of penalties on ACEA Ato5. It should be noted that the effect of these penalties, considered by the EGA for tariff purposes, was not included in the financial statements of the Company in view of the valuations made also on the basis of the opinion of its lawyers regarding the probability of success of the aforementioned appeal to the Regional Administrative Court. Following the aforementioned ruling of the Regional Administrative Court, on the occasion of the 2018/2019 tariff update the EGA also cancelled these penalties.

Updates for the period:

The settlement of the dispute concerning these penalties has been referred to the Conciliation Board established between the Company and the Area Authority, for which reference should be made to the section "Conciliation Board with AATO5".

Injunction order for payment of € 10,700,000 and counterclaim by AATO5 for concession fees

With regard to the € 10,700,000 receivables for higher costs incurred in the 2003-2005 period, pursuant to the Settlement agreement of 27 February 2007, on 14 March 2012, ACEA Ato5 lodged an appeal for an injunction order concerning the receivables recognised by the AATO to the company.

Accepting the appeal, the Court of Frosinone issued Injunction Order no. 222/2012, enforceable immediately, notice of which was served to the Area Authority on 12 April 2012.

By notice dated 22 May 2012, the AATO sent notice of its opposition to the injunction order (Civil Judgement 1598/2012), requesting the cancellation of the order and, as a precautionary measure, the suspension of its provisional enforcement. Moreover, as a counter-claim, it submitted a claim for the payment of concession fees totalling € 28,699,699.48.

ACEA Ato5 appeared before the court in the proceedings against the injunction order, challenging the adversary's demands and in turn formulating a counter-claim for the payment of the entire amount of higher costs incurred by the Operator and originally requested, totalling € 21,481,000.00.

Following the hearing on 17 July 2012, the Judge – in an Order filed on 24 July – suspended the temporary enforcement of the injunction order, and postponed to a later date the discussion of the merits of the issue.

The judge also rejected the request for an order of payment of the concession fees submitted by the AATO. During the hearing on 21 November 2014, the judge withdrew the reservations on the motions for admission of evidence filed by the parties and fixed the hearing for the final statements on 15 November 2016. During the hearing, the judge granted the terms for the conclusions and replies and deferred the decision on the case. In sentence 304/2017, published on 28 February 2017, the civil judge revoked the injunction decree issued in 2012, rejected the subordinate re-conventional request by Acea Ato5 and ordered the deferral of the case in the preliminary proceedings concerning the re-conventional request by the AATO as regards the payment of the concession fees.

At the hearing of 17 November 2017, the Court, having acknowledged the counterparty request, postponed the hearing to 27 February 2018. At the outcome of the aforementioned hearing, the new Judge who took charge of the case, having noted the discrepancies that emerged in the respective accounts of ACEA Ato5 and AATO, granted a postponement to 4 May 2018, inviting the parties to clarify the reasons for such discrepancies and specifying that if they could not the court would appoint an expert to do so. At this hearing there was a further postponement until 21 September 2018.

At this meeting, in light of the Conciliation Panel established on 11 September 2018 with AATO5 – pursuant to art. 36 of the Management Agreement to which the question concerning the determination of concession fees was also referred, among others – the Parties asked the judge for a postponement, the hearing being scheduled for 15 February 2019, then postponed to 17 September 2019.

The appeal (Civil Judgement docket no. 6227/17) against the sentence of the Court of Frosinone, which revoked the Injunctive Decree of € 10,700,000 initially issued by that Court, must be considered in connection with this judgement on the assumption of the nullity of the resolution of the Conference of Mayors no. 4/2007 and the Transaction Act adopted by the Area Authority in violation of the public regulations requiring the identification of the financial coverage of the act itself.

The first hearing was automatically postponed to 11 May 2018. On this occasion the Court, having heard the respective positions of the parties, postponed the case to 20 November 2020 for the oral discussion and the ruling of the sentence pursuant to art. 281 sexies of the code of civil procedure.

The Company did not consider it necessary to cancel the receivable or to set aside any provisions for risks, also on the basis of the legal assessments made by its lawyers who noted, on the one hand, the validity of the appeal and, on the other hand, the circumstance that the nullity of the transaction does not determine the non-existence of the receivable.

Updates for the period:

The assessment that the Company launched together with the Operational Technical Secretariat, which is still being assessed by the Conciliation Board established by the Area Authority and the Manager, in accordance with the provisions of art. 36 of the Management Agreement, on the amount of the concession fee for 2012-2018, would seem to demonstrate that the assessment of the Area Authority, which, in Resolution no. 4/2007, noted the identification of financial resources to proceed with the liquidation of the total amount envisaged in the 2007 transaction through "savings on concession fees to be paid to municipalities", is well-founded and plausible. Reference should also be made to the section "Conciliation Board with AATO5".

Updating of the concession fee

With resolution no. 1 of 26 March 2018, in 2018 the Conference of Mayors ordered that the payment of the instalments of loans taken out by municipalities, from the second half of 2013 until the end of the Concession, shall be disbursed directly by the Manager. Consequently, with the tariff update ordered on 1 August 2018, by immediately implementing the provisions made by ARERA contained in the sanctioning measure DSAI/42/2018/ldr, with regard, among other things, to the fees relating to unmanaged municipalities, the mortgage component of the Concession Fee was adjusted in 2018 by adding the amount of the same specified in the annex to aforesaid resolution no. 1 of 26 March 2018. No adjustment of the mortgage component was implemented for the years 2013-2017, as Resolution no. 1 of 26 March 2018 did not imply any change to the amount of the mortgage component approved in the various tariff arrangements. In addition, any recalculation of loan costs (MTP) must be approved by the Conference of Mayors and must be included in the Economic and Financial Plan (EFP) of the next tariff update in view of the fact that, even at the time of approval of the tariff update 2018-2019, approved by the Conference of Mayors on 1 August 2018, nothing was established regarding the fees for the above years.

Updates for the period:

The exact quantification of the concession fees for the aforesaid years and assessment of their relocation and treatment for tariff purposes was referred to the Conciliation Board established by the Area Authority and the Manager, which met during 2019 as more specifically described below.

It should also be considered that the potential reduction in concession fees for the years 2012-2017, as determined by the aforementioned Conciliation Board and provisionally quantified at € 12,798 thousand, given the transitional nature of these costs, will not affect the Manager's financial results.

Conciliation Board with AATO5

With regard to **relations with AATO5**, the Company has tried to reach a settlement of the various disputes pending against the Area Authority, convinced of the need to put an end to a very long season of clear conflict between the Granting Body and the Licensee Company, culminating with the resolution passed by the Conference of Mayors of ATO5 aimed at the termination of the Management Agreement that forced the Company to appeal to the Latina Regional Administrative Court that annulled the above resolution.

In this context, in recent years and especially during 2018 an enormous effort has been made – including organisational efforts – to reconstruct the relations between the Company, the Area Authority and the individual Municipal Administrations of ATO5.

Similarly, the possibility of establishing a Conciliation Board with the Area Authority has therefore become concrete, with the aim of settling the main issues still in dispute by the parties.

In this regard, on 11 September 2018 AATO5 and the Company signed report no. 1 in which the parties expressed their mutual willingness to open a Conciliation Board on:

- case pending before the Court of Frosinone, docket no. 1598/2012 on concession fees 2006-2011. This question consists in ascertaining that the concession fees for the period 2006-2011 have been paid in full: while ACEA Ato5 claims to have paid the entire amount due, the Area Authority claims that it is still owed more (€ 1,751,437.89). The dispute is the subject of a case pending before the Court of Frosinone;

- verification of the actual use of the sums paid by ACEA Ato5 to the Area Authority as a fee pursuant to art. 13 of the Integrated Water Service Management Agreement. In the meantime this matter has been substantially settled by the parties, given the recalculation of the concession fee;
- settlement of the dispute related to the 2007 transaction, which is the subject of judgement no. 304/2017 of the Court of Frosinone, appealed by ACEA Ato5 to the Rome Court of Appeals (docket no. 6227/2017). The first hearing of the appeal proceedings is scheduled for 20 November 2020, and ACEA Ato5 – even though it considered the above sentence to be incorrect and therefore appealed it – nevertheless pointed out that ACEA Ato5 did not in any way deny the existence of the receivable claimed by the Manager and therefore claims the right to recover the receivable itself, also fearing further initiatives to protect the interests of the Company. The Operational Technical Secretariat has expressed its willingness to ask the Conciliation Board to study the Manager's claim, even from a legal point of view;
- damage suffered by ACEA Ato5 as a result of delays in the delivery of services by the municipalities of Cassino, Atina and Paliano;
- handover of the ASI and Cosilam plants;
- penalties applied by AAT05 against the Manager and annulled by the Latina Administrative Court by judgement no. 638/2017;
- interest for late payment of concession fees by ACEA Ato5;
- the Manager's repayment plan to the Area Authority for the debt positions relating to the concession fee.

Also in minutes no. 1 of 11 September 2018, the Parties shared the rules for appointing the Conciliation Board, specifying that:

1. it shall be called upon to verify the possibility of an attempt at an amicable settlement between the Parties with respect to all and/or even some of the above matters;
2. after an extensive investigation that must concern all the individual points under examination, the Conciliation Board must present the Parties with a proposal for conciliation;
3. the Parties will be free to accept or reject the conciliation proposal presented by the Conciliation Board, i.e. to accept it in full or even only in part, without any obligation to give their reasons;
4. therefore, the appointed Board will have the task of carrying out a preliminary activity on behalf of both Parties with respect to the matters entrusted to it, without prejudice to subsequent decisions that will be left to the individual Parties;
5. the conciliation proposal presented by the Board and, more generally, the report and/or deeds drawn up by the Board may not be used in judicial proceedings by one Party against the other as a possible recognition of its own reasons and/or those of others;
6. the appointed Board does not act as an Arbitration Board.

The Parties also shared the criteria for the appointment of the Board and, in particular, each Party appointed its own member.

Updates for the period:

The Chairman of the Conciliation Board was selected by the Prefect of Frosinone, at the joint request of the Parties, and was jointly appointed on 16 May 2019. The Board was officially established on 27 May 2019.

Criminal proceeding no. 3910/18

With regard to criminal proceeding no. 3910/18 rgnr of the Public Prosecutor in the Court of Frosinone, on 2 January 2019 a preventive seizure decree was issued on 18 December 2018 by the Judge for Preliminary Investigations at the Court of Frosinone as part of criminal proceedings no. 3910/18 rgnr, pending for the alleged violation of art. 4 of Italian Legislative Decree no. 74/2000 (inaccurate declaration). Pursuant to the aforementioned provision, the preventive seizure of financial resources in the accounts held in the name of ACEA Ato5 up to a value of € 3,600,554.51 was ordered. On 11 January 2019, a request for a review was filed, whose discussion hearing was scheduled for 1 February 2019 before the Court of Frosinone, as a unified bench. At the outcome of the aforementioned hearing in the Council Chamber, the Court of Frosinone upheld the proposed re-examination request and, as a result, cancelled the preventive seizure decree, ordering the restitution to the person entitled thereto. Based on the aforementioned restitution order, the Company sent a formal request to the Single Justice Fund for the restitution of the sums released. As of today the process of returning the released funds has been completed.

ARERA sanctioning measure concerning IWS tariff regulation

With determination no. DSAI/42/2018/ldr of 21 May 2018, ARERA started a sanctioning procedure regarding the tariff regulation of the integrated water service, the result of the audit carried out by the ARERA in collaboration with the Special Energy Unit and the water system of the Guardia di Finanza from 20 to 24 November 2017 at the Company's offices.

Updates for the period:

On 4 July 2019, the Regulatory Authority for Energy, Networks and the Environment (ARERA) published Resolution 253/2019/S/IDR of 25 June 2019 imposing administrative fines on ACEA Ato5, pursuant to article 2,

paragraph 20, letter c) of Italian Law 481/95, for a total amount of € 955,000.00 for violations alleged in Determination DSAI/42/2018/idr. The Company has therefore updated the liability previously recognised in the financial statements. It should also be noted that the tariff preparation for the bi-annual update 2018-2019 approved by the Conference of Mayors of AATO5 on 1 August 2018 took into account the implementation of these requirements.

AGCM sanctioning measure - Proceeding PS9918

On 5 July 2018, in implementation of the resolution adopted by the Italian Competition Authority on 27 June 2018, an audit took place at the registered office of the Company following the initiation of the proceeding pursuant to art. 27, para. 3 of Italian Legislative Decree no. 206 of 2005, as well as pursuant to art. 6 of the 'Regulation on preliminary investigations concerning misleading and comparative advertising, unfair trade practices, violations of consumer rights in contracts, unfair terms' (hereinafter Regulation). The proceedings were opened in response to reports made to the Authority by the Consumer Associations CO.DI.CI. and Federconsumatori Frosinone regarding alleged incorrect and aggressive behaviour towards consumers and small businesses by Acea ATO 5 S.p.A. in the period January 2015 - June 2018.

Updates for the period:

On 10 January 2019 a hearing was held at the AGCM – in response to a formal request formulated at the same time as the requests for information referred to in the provision of objective extension of the proceeding. During the aforementioned hearing, the lawyer in charge of representing and defending the Company, referring to what has already been represented in the answers to the requests for information made by the authority at the time of the start-up and objective extension of the proceeding, highlighted the constant attention shown by the Company towards its consumers, implementing for this purpose a series of measures and improvements in the procedures concerning the management of the activities disputed by the Authority. Reaffirming what has already been fully explained in the feedback sent to the Authority, the Company provided further information and documentation regarding the activities implemented (collaboration with the OTUC, opening of the consumer counter, activities aimed at solving historical arrears) in a perspective of constant attention to consumer issues. On 20 February 2019, the AGCM, with regard to the PS/9918 proceeding, announced that it had extended the deadline for the conclusion of the proceeding to 23 May 2019. On 28 February 2019, the AGCM notified the communication of the conclusion of the preliminary phase of the P9918 proceeding – scheduled for 20 March 2019 – with concurrent clarification of the disputes raised against the Company. In particular, the Authority abandoned some of the initial disputes, confirming instead that it had detected some critical issues concerning: (i) initiation of collection procedures pending complaint for the period prior to the corporate procedure of 2018; (ii) consumption limitations, for the period prior to the change made in January 2019 to the procedure implemented by the Company with regard to the limitation period; (iii) management of hidden water losses. On 20 March 2019 the Company filed a defence brief and supporting documentation.

On 4 July 2019, the Authority notified the Company of the sanctioning measure with a pecuniary administrative sanction totalling € 1,000,000 was imposed. The Company intends to appeal the measure before the Lazio Regional Administrative Court.

Criminal proceeding no. 2031/2016

With regard to criminal proceeding no. 2031/2016 concerning the financial years 2015, 2016 and 2017, on 4 January 2019 the current Chairman of the Company was served with an invitation to appear in person subject to investigation and information of guarantee for alleged offences attributable to false financial statements and false corporate communications. This measure also affected the Chairmen of the Company and the representatives of the control bodies in office in those financial years. Investigations are still ongoing.

See also the additional information contained in the paragraph “*Information on services under concession*” and with reference to the proceedings Italian legislative decree no. 231/2001 in the paragraph of this “*Report on Major Risks and Uncertainties*”. Moreover, with reference to additional complex cases related to legal controversies, filed or being filed, between ACEA Ato5 and the Environmental Authority, see the “*Update on primary legal controversies*” paragraph of this document.

Notice of IRAP assessment and tax audits

On 3 January 2019 notice was served by the Revenue Agency - Dir. Prov. of Frosinone - Audit Office of a notice of assessment for IRAP for the year 2013. The Company has lodged an appeal. On 3 July 2019, a hearing was held at the Frosinone Tax Commission.

During the period, the Italian Tax Police also continued its audit of income taxes for the years 2014 to 2018.

GORI

The Company manages the Integrated Water Service for the entire territory of the “Sarnese Vesuviano” District (EIC definition) of the Campania Region (74 of the 76 municipalities, given that the Municipalities of Calvanico and Roccapiemonte are managing their water services, not having yet ensured the start of IWS management by the

Company) which covers an area of approximately 900 square kilometres with a population of approximately 1.46 million inhabitants.

A total of 4,574.5 km of water network is currently managed, consisting of 467.2 km of primary abstraction network and 4,107 km of distribution network, and a 2,409 km drainage system.

GORI currently manages 10 water sources, 90 wells, 170 tanks, 101 water pumping stations, 174 waste water pumping stations and 7 waste treatment plants.

The Company provides integrated water services on the basis of a thirty-year agreement signed on 30 September 2002 by the Company and the Sarnese Vesuviano Area Authority.

Relations with the Campania Region and with Acqua Campania for wholesale supply

The 2018 financial year was characterised by the definition and normalisation of relations between the Company and the Campania Region (as well as its concessionaire for collections, Acqua Campania S.p.A.) with regard to regional supplies of "wholesale water" and "wastewater collection and treatment services" for the period from 1 January 2013 to the second quarter of 2018. In particular, the Region, the EIC and the Company reached an overall agreement aimed at the complete implementation of the Integrated Water Service in the Sarnese-Vesuvian District Area within a framework of economic-financial management for its entire residual duration and to pursue the following related objectives: (i) GORI's assumption of the management of the service and acceptance, as a concession and according to the provisions of the current IVS Management Agreement of ATO 3, of the Regional Works and their consequent efficiency improvement, including the reallocation and efficient re-utilisation of the personnel involved in IVS activities, in accordance with and in the manner prescribed by the Regulatory Scheme as well as by Regional Council Resolution 243/2016 and the relevant Framework Agreement signed between the Region and the Area Authority on 3 August 2016, implementation of the same resolution 243/2016; (ii) the approval by the Campania Region of payments in instalments of the debt accrued by the Company for wholesale supplies disbursed from 2013 onwards, and the simultaneous overcoming of the complex legal dispute before the Civil Court of Naples between the concessionaire for regional collections Acqua Campania S.p.A. and GORI (docket no. 33575/2016) relating to regional supplies of "wholesale water", on the one hand and between the Region and GORI (docket no. 3878/2017) regarding the regional services of "collections and treatment of waste water", on the other hand; (iii) the Company's access to the credit market in order to implement these objectives; (iv) the commitment of the parties to restore/maintain the economic-financial management of the IVS of ATO 3 were it to fail, also functionally to the satisfaction of the general bankability measures required to ensure the loans requested from the credit market, given the failure by ARERA until the end of 2018 to grant financing as an equalisation. In this latter regard, it should be noted that in the second half of 2018 the Company initiated a procedure to obtain total loans in the maximum amount of € 110 million from one or more banks.

Agreement with ABC

On 21 December 2018, a settlement was signed between GORI and ABC for the purpose of defining and regulating reciprocal relations and overcoming disputes arising as a result of divergent positions assumed by the parties regarding the tariff applied by ABC on water sub-supplies. The sums to be paid to ABC were therefore settled by transacting a lump sum of around € 8.3 million for the fees invoiced throughout 31 December 2015 and an amount equal to about € 1.3 million for the period from 1 January 2016 to 30 September 2018 on the basis of the tariff referred to in the resolutions of the Commissioner of ATO2 no.27 of 17 October 2017 and no. 28 of 24 October 2017.

Update of the 2016-2019 Regulatory Framework of the Sarnese-Vesuvian District of the Campania Region

Preliminarily, it is clarified that the ARERA has determined: a first transitional tariff method for the years 2012 and 2013 (which entirely replaced the previous "normalised method" referred to in Italian Ministerial Decree LL.PP. 1 August 1996), issued with resolution 585/2012/R/idr ("Transitional Tariff Method" or "MTT"); a second water tariff method for the years 2014 and 2015 issued with resolution 643/2013/R/idr ("Water Tariff Method" or "MTI"); a third and currently applicable water tariff method for the second regulatory period 2016-2019 implemented with resolution 664/2015/R/idr, as amended by subsequent resolution 918/2017/R/idr ("Water Tariff Method - 2" or "MTI-2").

Based on the tariff method implemented by the Authority, the Area Government Body is required to prepare the Regulatory Scheme for the period of reference, which is then approved by the Authority.

In fact, the Extraordinary Commissioner of the Sarnese Vesuviano Area Authority, in execution of the ARERA 664/2015/R/idr resolution, prepared the 2016-2019 Regulatory Scheme with resolution no. 19 of 8 August 2016 and then updated it, in execution of the ARERA 918/2017/R/idr resolution, with resolution no. 39 of 17 July 2018. With this last resolution: (i) the RCapp adjustment component was valued at € 216,948,037; (ii) the Operator's Revenue Constraint ("VRG") for the years 2016 was recognised (VRG: € 167,958,694); 2017 (VRG: € 183,072,979), 2018 (VRG: € 197,001,101) and 2019 (VRG: € 206,352,671) as well as the corresponding "tariff multipliers" for the 2018 financial years (€ 1.247505) and the 2019 financial year (€ 1.309880); (iii) it was decided to allocate the FoNI quota already envisaged for the year 2017 and not yet used to finance tariff reductions of a social nature; (iv) the additional Water Bonus was established with the valuation of the OPsocial cost component for the years 2018-2019; (v) table no. 2 was updated relating to accruals, amortisation and separate loans for Municipalities of ATO3. In

addition, the 2016+2019 Regulatory Scheme updated with Resolution 39/2018 was prepared on the basis of a plan aimed at the full implementation of the IWS of the Sarnese-Vesuvian District that guarantees, concurrently with economic-financial equilibrium: (a) the social sustainability of the IWS tariff applied to users, (b) the investments necessary for the improvement of the service as well as (c) the recovery of accumulated tariff adjustments. For these purposes, the current ATO 3 Regulatory Scheme has established the following objectives to be achieved to ensure, as mentioned, the full implementation of the IWS: (i) the transfer and increased efficiency of the "Regional Works", and, that is, it underlines, the water infrastructure falling within ATO 3 still under the management of the Campania Region and listed in the resolution of the Regional Council 243/2016; (ii) re-employment and relocation – always with a view to making the IWS more efficient – the personnel assigned to the Regional Works in accordance with the procedures set forth in the agreements with the Trade Unions on the basis of aforementioned resolution 243/2016 and the relevant Framework Agreement of 3 August 2018 specified above; (iii) the provision of instalment plans for the debts accrued by the Company – essentially due to the inadequacy of the tariff system effectively applied until 2016 – for wholesale supplies disbursed from 2013 onwards to the Campania Region and the concurrent resolution of the complex legal dispute arising from the payment of regional supplies of "wholesale water" and services of "collection and treatment of waste water".

The 2018 financial year was characterised by the definition and normalisation of relations between the Company and the Campania Region (as well as its concessionaire for collections, Acqua Campania S.p.A.) with regard to regional supplies of "wholesale water" and "wastewater collection and treatment services" for the period from 1 January 2013 to the second quarter of 2018.

Finally, it should be noted that on 23 July 2019 the structured long-term financing operation of € 80 million in favour of the Company was successfully concluded. The loan, granted by UBI Banca, Intesa Sanpaolo, MPS Capital Services Banca per le Imprese, Banco BPM, Banca del Mezzogiorno - MedioCredito Centrale, Banca di Credito Popolare di Torre del Greco and Banca IMI as agent, together with the loan of € 20 million granted by the Parent Acea, represents the most important project-based structured finance operation in the integrated water service sector in Campania. The Company will thus be able to carry out important interventions on water, sewerage and purification infrastructure: in fact, up to 2032, about € 400 million of new investments are expected.

The operation was carried out thanks to the commitment of the public partners and the Parent Company Acea, which shared a path that began with the industrial agreement of November 2018 between the Campania Region, the Ente Idrico Campano and GORI, with a view to completing and improving the management of the integrated water service with the transfer of the Regional Works, the raising of new financial resources and the increasing industrial and strategic involvement of the Parent Company Acea.

Refer to the entire contents of the paragraph "*Service Concession Arrangements*" also for information on the financial effects deriving from the conclusion of the recognition of equalisation measures.

Gesesa

The Company operates in ATO I Calore Irpino which promotes and develops the initiative for the Management of the Integrated Water Service in Municipalities in the Province of Avellino and Benevento. Currently, the Authority – governed by the Extraordinary Commissioner referred to in DGR no. 813/2012 and merged into the regional EIC at the end of 2018 – has not yet assigned the management of the Integrated Water Service (aqueduct, sewerage and treatment) to a single operator.

During 2019, the Company began to establish the foundations consistent with the resolutions of the Board for a new path of growth and development aimed at achieving strategic objectives that provide for company growth. In this regard, a capital increase operation was already approved to aggregate new operations with the direct assignment of the Integrated Water Service by new municipalities, using an instrument that is given by the regulatory provisions contained in Italian Legislative Decree 175/2016 containing the "Consolidated Law on companies in which the public administration participates". Art. 4 of the aforementioned regulation allows municipalities to acquire company shareholdings in activities producing a service of general interest, subject to the body's verification of the economic convenience of the direct or externalised management of the service entrusted to private operators.

This gives the Company the opportunity to proceed with new acquisitions of IWS and therefore to continue its development in the territory falling under ATO I, pending the identification of the single operator, implementing a management development that, upon reaching at least 25% of the population served, would establish the Company as an interlocutor able to request the direct awarding of the entire territory as Sole Manager.

With regard to the bi-annual updating of the 2018-2019 tariffs, the activity was conditioned by the taking over of the Ente Idrico Campano (hereinafter EIC) in the legal relations established by the Ente di Governo dell'Ambito Territoriale Calore Irpino as from 1 October 2018.

The Company prepared the 2016 and 2017 financial statements as well as the Intervention Programme for the preparation of the proposed tariff revision with the definition of the VRGs and Thetas for the years 2018-2019, reviewing the investment planning for the years 2018-2019, also taking into account the results of the audit of 16-20 October 2017 contained in ARERA determination no. DSAI/26/2018/IDR of 10 April 2018 concerning the initiation

of proceedings for the adoption of sanctions and prescriptive measures concerning the tariff regulation of the Integrated Water Service.

At present, the 2018-2019 tariff proposal submitted on 22 May 2019 is in the process of being approved by the EIC and will subsequently be sent to ARERA for ratification.

As a result of the above, revenues were recognised on the basis of the VRG currently being approved by the EIC. It should be noted that ARERA, with Resolution dated 29 January 2019 34/2019/R/idr, initiated a procedure aimed at defining the water tariff method for the third regulatory period (MTI-3), with unification with the procedure set out in Resolution 518/2018/R/idr of the Authority relating to the control of the implementation of the planned investments in the Integrated Water Service.

At the moment we are waiting for the approval of the Authority and for the submission of the consequent proposed update tariff for the period 2018-2019 to ARERA which, on the basis of the revised data, guarantees the economic balance of the management with the recognition of higher revenues linked to the new management of the years 2015-2018.

Tuscany - Umbria Area

Acque

The management agreement, which came into force on 1 January 2002 with a 20-year duration (expiry is now in 2026), was signed on 28 December 2001. In accordance with said agreement, the Operator took over the exclusive integrated water service of ATO 2, comprising all public water collection, abstraction and distribution services for civil use, sewage systems and the treatment of waste water. The Area includes 57 municipalities. In return for award of the concession, Acque pays a fee to all the municipalities, including accumulated liabilities incurred under previous concessions awarded.

With Resolution no. 6/2018 of 22 June 2018 concerning the "Update of the tariff structure 2018-2019", the Board of Directors of the Tuscany Water Authority modified, with the same tariff multipliers, the composition of the 2016 and 2017 tariffs approved by resolution AIT no. 32/2017 of 5 October 2017 providing for a remodulation of the recovery of tariff adjustments for approximately € 9.7 million in the period 2022-2023.

With the same resolution the Board of Directors of the Tuscany Water Authority approved the 2018-2019 tariff proposal, the update of the works programme, the updating of the economic and financial plan and the extension of the duration of the concession of service from the previous deadline of 31 December 2026 to the new deadline of 31 December 2031.

The new Tariff plan with the end of the concession on 31 December 2031, compared to the previous plan with the end of the concession on 31 December 2026, contains the forecast of greater investments in service infrastructure and more contained tariff increases.

Therefore, as a result of the new tariff proposal, the 2019 tariff multiplier was equal to 1.50%, whereas in 2018 it was equal to 5.39%.

Finally, it is noted that on 24 January 2019, with the submission of the required documentation, with the termination of the previous loan and the related hedging contracts and with the stipulation of the new interest rate hedging contracts, the suspensive conditions were met and, therefore, the new loan agreement became effective. The new loan was stipulated with a pool of banks and envisages two lines of credit: (i) Term Line of € 200.0 million disbursed in a single use and with final single maturity of 29 December 2023 and, (ii) RCF Line equal to € 25.0 million payable in one or more uses within the period of use and final maturity on 29 December 2023. This line must be used exclusively to meet the financial needs of the Company for its ordinary business.

At the same time the new loan agreements were entered into, 6 new interest rate hedging contracts were entered into. The new contracts envisage the Company's semi-annual payment of a fixed rate to the counterparties starting from 24 January 2019 and in correspondence with a payment by the counterparties to Acque of a variable rate.

Publiacqua

The management agreement, which came into force on 1 January 2002 with a twenty-year duration, was signed on 20 December 2001. In accordance with said agreement, the Operator took over the exclusive integrated water service of ATO 3, comprising all public water collection, abstraction and distribution services for civil use, sewage systems and the treatment of waste water. The Area includes 49 municipalities, of which 6 managed via agreements inherited from the previous operator, Fiorentinagas. In return for awarding the concession, the Operator pays a fee to all the Municipalities, including accumulated liabilities incurred prior to the awarding of the related contracts.

With regard to the new tariff structure, with resolution no. 29/2016 of 5 October 2016 the AIT approved the tariffs for the second 2016-2019 regulatory period (MTI-2) pursuant to the ARERA resolution no. 664/2015. With resolution 687/2017R/idr ARERA approved the tariffs proposed by the Tuscany Water Authority on 12 October 2017. Following the approval of the new tariff structure envisaged by the ARERA Resolution no. 665/2017/R/idr (TICSI), Publiacqua has billed according to the new structure since August. Finally, with resolution no. 24 of 7 December 2018 the EGA approved the 2018-2019 tariffs. At the same time it approved the extension of the Company's concession until 2024, the Company began a market survey with the main financial institutions, aimed at verifying the availability and economic conditions to proceed with the disbursement of a medium/long-term bank

loan aimed in part at extinguishing existing financial exposures and in part at supporting the investments provided for in the new approved Intervention Plan. On 18 June 2019 the banks were invited to submit a binding offer on the basis of a term sheet.

Acquedotto del Fiora

Based on the agreement signed on 28 December 2001, the operator (Acquedotto del Fiora) is to supply integrated water services on an exclusive basis in ATO 6, consisting of public services covering the collection, abstraction and distribution of water for civil use, sewerage and waste water treatment. The concession term is twenty-five years from 1 January 2002.

With regard to the update of the tariffs for the period 2018-2019, on 27 July 2018, based on the actual data collected referring to the years 2016 and 2017 and the Investment Plan, the AIT approved the tariff revision proposal, setting the VRG and the Theta of the years 2018-2019 and also redesigning the entire tariff profile until the end of the IWS concession (Deliberation of the Executive Council of the AIT no.17/2018 of 27 July 2018). Currently, this tariff proposal of the Tuscan EGA is being examined by the National Authority (ARERA) and only after its ratification will the approval process be definitively concluded.

Umbra Acque

On 26 November 2007 Acea was definitively awarded the tender called by the Area Authority of Perugia ATO 1 for selection of the minority private business partner of Umbra Acque S.p.A. (concession expiry 31 December 2027). A stake in the company (40% of the shares) was acquired on 1 January 2008.

The company performed its activities in all 38 Municipalities constituting ATOs 1 and 2.

The tariff applied to users for the year 2019 is the rate applied to users was determined by Resolution No. 489 2018/R/ldr of 27 September 2018 with which ARERA approved the updating of tariff arrangements for the two-year period 2018-2019, previously proposed by the Assembly of Mayors of the AURI with Resolution no. 9 of 27 July 2018. Finally, we inform you that on 29 December 2018 the request to extend the duration of the assignment to 31 December 2031 pursuant to art. 5.2 and 5.3 of the Convention and Resolution 656/2015/R/IDR.

Progress of the procedure for approving the tariffs

The progress of the procedure for approving tariffs and the approval of the two-year update (2018 - 2019) of the IWS tariff provisions for the Group companies is shown below.

Company	Approval status (up to MT12 "2016 - 2019")	Biennial update status (2018 - 2019)
ACEA Ato2	On 27 July 2016, the EGA approved the tariff inclusive of the bonus as per art. 32.1, subsection a) of Resolution 664/2015/R/ldr. <u>The ARERA then approved them in Resolution 674/2016/R/ldr, with some changes compared to the EGA proposal: quality bonus confirmed.</u>	The Mayors' Conference approved the tariff update on 15 October 2018, and at the same time postponed the approval of the TICS1 (Integrated text on water fees) setting out the criteria for the rate structure to be applied. On 13 November 2018, the ARERA approved the 2018-2019 tariff update with Resolution 572/2018/R/ldr. The Conference of Mayors adopted the provisions of the ARERA resolution on 10 December 2018.
ACEA Ato5	Tariff proposal submitted by the Operator on 30 May 2016, with request for recognition of the Opex _{qc} . ARERA warned the EGA on 16 November 2016 and the EGA approved the tariff proposal on 13 December 2016, rejecting, among others, the request for recognition of the Opex _{qc} . Approval by the ARERA is awaited.	The Conference of Mayors approved the 2018-2019 tariff update on 1 August 2018. Currently approval by the ARERA is awaited.
GORI	On 1 September 2016, the Extraordinary Commissioner of the EGA approved the tariff with Opex _{qc} as of 2017. Approval by the ARERA is awaited.	On 17 July 2018 the Extraordinary Commissioner of the EGA approved the 2018-2019 tariff update. Currently approval by the ARERA is awaited.
Acque	On 5 October 2017, the AIT approved the tariff with recognition of the Opex _{qc} . Approved by ARERA on 9 October 2018 (as part of the approval of the 2018-2019 update).	On 22 June 2018 the AIT Board of Directors approved the 2018-2019 tariff update and, at the same time, the request to extend the duration of the 5-year contract, that is until 31 December 2031. With resolution 502 of 9 October 2018, the ARERA approved the 2018-2019 tariff update.
Publiacqua	On 5 October 2016, the AIT approved the tariff with recognition of the bonus as per art. 32.1, subsection a) of Resolution 664/2015/R/ldr. <u>With resolution 687/2017/R/ldr, on 12 October 2017 ARERA approved the specific regulatory frameworks for the 2016-2019 period proposed by the AIT.</u>	On 7 December 2018 the AIT approved the 2018-2019 tariffs with the extension of the 3-year concession. Currently approval by the ARERA is awaited.
Acquedotto del Fiora	On 5 October 2016, the AIT approved the tariff with recognition of the Opex _{qc} . <u>On 12 October 2017,</u>	The AIT Board of Directors approved the 2018-2019 tariff update in the session of 27 July 2018. Currently approval by the ARERA is

Company	Approval status (up to MT12 "2016 - 2019")	Biennial update status (2018 - 2019)
	<u>with resolution 687/2017/R/ldr ARERA approved the specific regulatory frameworks for the 2016-2019 period proposed by the AIT.</u>	awaited.
Geal	On 22 July 2016, the AIT approved the tariff with recognition of the Opex _{q.c.} . <u>With resolution 726/2017/R/ldr, on 26 October 2017 ARERA approved the specific regulatory frameworks for the 2016-2019 period proposed by the AIT.</u>	On 12 July 2018 the ARERA approved the 2018-2019 tariff update proposed by the AIT.
Crea Gestioni	Following Resolution 664/2015/R/ldr, as neither the Municipalities where the service is provided nor the Area Authorities of reference presented any tariff proposal for the 2016-2019 regulatory period, the Company submitted its own tariff proposals. Today approval by the ARERA is awaited.	The Company submitted the tariff update data to the competent/EGA parties, unless still in progress for the technical quality part. Considering the inertia of the parties in charge, at the end of December 2018 - beginning of January 2019 the Company submitted an application to ARERA for tariff adjustment 2018-2019, also revising proposal 2016-2019. ARERA has not yet pronounced or issued a warning to the EGA and/or to the competent parties.
Gesesa	On 29 March 2017 with resolution no. 8 of the Extraordinary Commissioner the AATO I approved the tariffs for the years 2016-2019. Today approval by the ARERA is awaited.	The Company sent the documentation relating to the 2018-2019 tariff review to the Area Authority and the preliminary investigation was initiated by the EGA with the expectation of reaching the approval of the tariffs by July 2019.
Nuove Acque	On 22 June 2018, the AIT Board of Directors approved the rates	On 16 October 2018 with Resolution 520 the ARERA approved the 2018-2019 tariff update proposed by the AIT.
Umbra Acque	On 30 June 2016, the AIT approved the tariff with recognition of the Opex _{q.c.} . <u>The ARERA then approved them in Resolution 764/2016/R/ldr dated 15 December 2016.</u>	In its session of 27 July 2018, the AURI Meeting approved the 2018-2019 tariff update. The ARERA approved the 2018-2019 tariffs with resolution no. 489 of 27 September 2018

Pending completion of the approval process, which is still in progress, the revenues recorded are determined on the basis of the tariff schemes previously approved by ARERA or by the respective Area Government Agencies, as better represented above.

For more details on the matter, see the paragraph "Service Concession Arrangements".

Revenues from the Integrated Water System

The table below indicates for each Company in the Water Segment the amount of revenue in the first half of 2019, valorised on the basis of the tariff decisions made by the respective EGAs or by the ARERA. The data includes the adjustment of passing items, the Fo.NI component, the Opex_{qc} or the award as per art. 32.1, subsection a) of resolution 664/2015/R/idr.

Company	Revenue from the IWS (pro quota values in € million)	FONI/Bonus (pro quota values in € million)
ACEA Ato2	298.1	FNI = 10.1 AMM _{FoNI} = 4.4 Award = 16.8
ACEA Ato5	38.9	FNI = 3.5 AMM _{FoNI} = 1.7
GORI	92.4	
Acque	36.5	AMM _{FoNI} = 2.3
Publiacqua	50.4	AMM _{FoNI} = 6.1
Acquedotto del Fiora	23.1	AMM _{FoNI} = 1.9
Gesesa	6.2	FNI = 0.1
Geal	4.7	FNI = 0.6 AMM _{FoNI} = 0.3
Crea Gestioni	1.8	
Umbra Acque	15.9	FNI = 1.3 AMM _{FoNI} = 0.8

Energy Infrastructures Operating Segment

Operating figures, equity and financial results for the period

Operating data	U.M.	30/06/19	30/06/2018	Change	% Change
Energy Produced (hydro + thermal)	GWh	290	293	(2)	(0.8)%
Energy Produced (photovoltaic)	GWh	5	5	0	0.0%
Electricity distributed	GWh	4,755	4,845	(90)	(1.9)%
No. of Customers	N/000	1,631	1,626	5	0.3%
Km of Network	Km	30,693	30,555	138	0.5%

Operating results and financial position (€ million)	30/06/19	30/06/2018	Change	% Change
Revenues	337.1	346.8	(9.6)	(2.8)%
Costs	143.9	168.0	(24.1)	(14.4)%
EBITDA	193.3	178.7	14.5	8.1%
Operating profit/(loss) (EBIT)	123.8	114.5	9.3	8.2%
Average headcount	1,361	1,386	(26)	(1.9)%

Operating results and financial position (€ million)	30/06/19	31/12/2018	Change	% Change	30/06/2018	Change	% Change
Investments	133.4	238.3	(104.9)	(44.0)%	105.6	27.9	26.4%
Net financial debt	1,228.1	1,121.9	106.2	9.5%	1,105.2	122.9	11.1%

EBITDA (€ million)	30/06/19	30/06/2018	Change	% Change
EBITDA Energy Infrastructure Segment	193.3	178.7	14.5	8.1%
EBITDA GROUP	502.6	449.9	52.7	11.7%
Percentage weight	38.5%	39.7%	(1.2 p.p.)	

EBITDA at 30 June 2019 was € 193.3 million, an increase of € 14.5 million compared to 30 June 2018. The first application of IFRS 16 resulted in a benefit to EBITDA in terms of lower costs for leases and rentals for € 1.0 million.

This change is mainly attributable to the company **areti** (+ € 13.1 million) as a consequence of the annual tariff updates in the scope of the fifth regulatory cycle (tariff variation effect between the two periods being compared) as per ARERA resolution no. 175/2018/R/eel of 29 March 2018. As regards the energy balance, at 30 June 2019 areti injected 4,755 GWh into the network with a 1.9% decrease compared to the same period of 2018.

The EBITDA for **public lighting** is equal to € 0.3 million, an increase of € 1.4 million compared to 30 June 2018 (€ 1.7 million). In July 2019 the transformation of functional light points required by the agreement was completed, the activity having slowed down – as shared with Roma Capitale in 2018 – due to the revision of the colour temperature and colour rendering index, thus rescheduling the transformations of artistic and ornamental fixtures mainly located in the city's historic centre.

It should be noted that during the first six months of the year 11,700 light fixtures were replaced (in addition to the 170,556 already replaced up to the end of 2018). Extraordinary maintenance and modernisation and safety activities agreed with Roma Capitale were carried out, thus creating 1,460 new lighting points.

Acea Produzione's EBITDA is € 24.2 million, in line with the same period of the previous year.

The average workforce decreased by 26 units, primarily in **areti**.

The operating result was mainly affected by the increased amortisation and depreciation for the period (+ € 5.8 million).

Net financial debt stood at € 1,228.1 million as at 30 June 2019, showing an increase of € 122.9 million compared to 30 June 2018 and an increase of € 106.2 million compared to 31 December 2018. The effects are mainly due to the increasing volume of investments, the increase in pay-outs and the dynamics of operating cash flow. The first application of IFRS 16 contributed to the increase of financial debt by € 16.8 million.

Investments amounted to € 133.4 million, with those of **areti** (for a total of € 126.3 million) pertaining to the renovation and upgrading of the HV, MV and LV networks, works on primary and secondary cabins and on meters, while intangible investments refer to projects for the re-engineering of information and commercial systems. This year the so-called "Resilience Plan" was implemented, which consists of interventions on substations and on the MV and LV networks. Investments made by Acea Produzione mainly concern plant revamping works for the Mandela and Tor di Valle and Montemartini hydroelectric power plants, static and functional upgrades of the tunnels deriving from the San Cosimato dam reservoir and the extension of the district heating network in the Mezzocammino district in the south of Rome.

Investments made by **Acea Produzione** amount to € 5.1 million and mainly concern plant revamping works for the Mandela and Tor di Valle and Montemartini hydroelectric power plants, static and functional upgrades of the tunnels deriving from the San Cosimato dam reservoir and the extension of the district heating network in the Mezzocammino district in the south of Rome.

Significant events in HI 2019 and later

GALA

With Resolution 50/2018/R/eel of 1 February 2018, the Authority approved a mechanism for recognising charges otherwise not recoverable due to the failure to collect general system charges.

At 30 June 2019 the total receivables accrued by the Company amounted to € 73.7 million, including billed interest. Currently, also taking into account the changes in the regulatory framework deriving from the approval of the mechanism for reimbursing general expenses, the reduction in the value of the areti receivable from GALA was prudentially determined with reference to transport and works.

It should also be noted that, with resolution no. 583 of 20 November 2018, the ARERA rejected the complaint presented by Gala Power S.r.l., a company of the Gala Group, regarding areti's refusal to stipulate a transport contract with it given the established existence of a single decision-making centre subsisting between Gala Power and its parent company Gala, in light of the significant debt exposure accrued by the latter with respect to areti

It should be noted that with sentence no. 270 of 6 February 2019 the Lombardy Regional Administrative Court fully rejected the appeal filed by Gala S.p.A. against ARERA Resolution 109/201/R/eel of 6 March 2017 concerning guarantees for the collection of general electricity system costs.

Technological innovation projects

"2.IG digital meter project"

At the end of 2018 the so-called competitive dialogue procedure was initiated for the selection of the field equipment supplier (meter and concentrator) and of the related Management Centre (the latter to be considered as an optional supply), with the related support services, with the goal of starting the development of the solution during 2019 and mass installation during the following year.

However, the process has not made it possible to identify suitable solutions to what has been requested. Therefore, at the beginning of 2019, the tender requirements were modified and an ordinary tender selection was announced, which is currently being finalised.

In any case, the launch of the mass installation project is subject to the approval of the Mass Replacement Plan by the Authority (ARERA), to be presented according to regulatory deadlines and while being prepared.

Smart Grid Intelligence platform evolution (SGI - Electrical data)

During the first half of 2019, activities continued to optimise the integration of the SGI system with the source systems (SCADA, GIS, etc.) through the creation of appropriate data tools that allow the identification and correction of misalignments between the source systems. An acquisition level of 99% and an entity integration level of 97% were achieved.

These tools have made it possible to improve and certify the quality of the data, thus increasing the quality of the output of advanced analysis, like the calculation of impact metrics on all elements of the network that is now available on 100% of the nodes/branches of the network.

Algorithms for the precise estimation of electrical loads by secondary cabin nodes and MV branches have also been developed. Appropriate procedures have been prepared to populate a database with data gathered from different source systems (TESS, GIS, STM) for all MV failures from July 2017. Appropriate procedures have been prepared to populate a database with the maximum daily and annual branch currents from July 2017.

Finally, the usability of the monitoring and navigation tools made available to the user has been improved.

San Saba Project

The project consists in the redevelopment of a portion of the LV and MV networks in a public and private metropolitan setting and in the simultaneous preparation of a fibre optic network to support the electricity service. These new systems allow the use of technologically advanced equipment, above all aimed at guaranteeing greater flexibility in the manoeuvring and protection of the portions of the network supplying power to final customers, with the aim of improving the quality and continuity of the service provided. During the first half of 2019, the renovation of the cabins was started, four cabins being completed, with the remaining cabins expected to be rebuilt by November 2019. In addition, work continued on the installation of infrastructure dedicated to optical fibre and the medium and low voltage electrical grid. Finally, the definition of the telecommunications equipment to be used for fibre optic connectivity for secondary cabins is being consolidated.

DRONES project

With regard to the Drone Project, in 2017 the use of remote controlled aircraft was experimented with for inspections of overhead power lines to detect partial discharges on overhead lines, the patent relating to the "Ultrasound Sound System" being filed on 6 June 2017. Further developments are under way to define solutions that use passive drones for simplified mass inspections. Finally, the land drone project (rubberised) was defined for automatic inspections in primary cabins and/or other sensitive sites. This project is in progress and the project is expected to be closed by the end of September 2019. During the first half of 2019, a pilot experiment was also launched with Acea Produzione for the radiometric thermography of the district heating network in order to identify the integrity of the pipelines.

Finally, it should be noted that a drone is being experimented with to support the Civil Protection in their searches for lost people in the Municipality of Allumiere.

New Secondary Cabin Project

The Primary Cabinet Project 2.0 (CP 2.0), developed in the two-year period 2018-2019 with implementation in the field immediately following, provides for the definition of a new Architecture of the Command Protection System, Control of the Primary Cabinet (CP) which envisages an apparatus that has the function of integrated management of the underlying MV network within the primary cabin.

The Secondary Cabin Project 2.0 developed during 2018 for the design and prototyping part is planned to be completed in 2019 with the consolidation of the solution. In addition to what is already envisaged for the remote control and the automation of the MV components of the secondary cabin, the project calls for the definition of a secondary cabin apparatus that implements the integrated management of the entire underlying LV network. Procurement started at the end of last year and the materials are currently being delivered, with the expectation of completing the integrated tests and arriving at a technical solution during the first half of 2019, with installation on a limited number of secondary cabins by September 2019.

FIBRE OPTIC Project

During 2018, areti began technological scouting to identify the best telecommunications technology for the creation of a network with high reliability and speed that would allow connecting all the primary and secondary cabins in a smart grid.

The architecture of the new TLC network was defined in early 2019, which will allow areas to control and command all primary and secondary cabins, also allowing additional services useful for network management to be conveyed, and in the future will be able to promote the development of smart cities.

The TLC project provides for the creation of a high-speed and reliable back bone network that will bind all primary cabins to a small part of secondary cabins. These will constitute the main framework of the network – consisting of secondary fibre optics connecting all secondary cabins and relevant points for the power grid – from which will be launched all the smart grid services, followed later by smart city services. This network structure will ensure security and reliability in the transmission of information between the centre and the periphery useful to allow the proper operation of Operation Technology systems and network management systems, also the remote control of equipment installed in secondary cabins and, where possible, the measurement points and other types of sensors in order to convey to the central systems all the information acquired through sensors and field equipment.

Electric recharging and storage systems

The project involves the construction of new structures for recharging the company's fleet of electric vehicles in the company car park in Piazzale dei Partigiani (ACEA Car Park).

The project will also include a photovoltaic generation plant and a storage system. The energy produced will be stored through the reuse of equipment previously installed for experimental purposes at CP Raffinerie.

This charging system was completed in 2018.

The design for the photovoltaic generation plant and the reuse of the CP Raffinerie storage system was also started and should be completed in 2019.

LUCE+ project

The development of the Luce+ solution, started in 2017, was completed with the production of the prototypes and the development of the connection and data acquisition platform.

In 2018, after the development of the prototypes, the first installations (in field tests) were carried out to perform the necessary preliminary operational tests and in a specific square in Rome for an actual site test. Monitoring of the experiments is ongoing.

Work has also begun on the industrialisation of the solution with partial re-engineering of the mechanics, which is expected to be completed by September 2019.

Public Lighting

As at 30 June 2019, 11,700 transformations had been carried out (for a total of 182,256 transformations). The Plan projected the end of activities by the first months of 2018. However, following the revision of the colour temperature and the colour rendering index carried out by the working group that involved the SIMU, the Superintendency and the University of Rome La Sapienza, the transformations of the artistic and ornamental fixtures were rescheduled, thus postponing the conclusion. The remaining approximately 300 lighting fixtures, mainly located in the city centre, were transformed in July 2019. Extraordinary maintenance and modernisation and safety activities agreed with Roma Capitale were also carried out, thus creating 1,460 new lighting points.

Production of electricity

The **Acea Produzione** production system is currently constituted by a group of generation plants, with an overall installed power of 226.6 MW, comprising five hydroelectric plants (three in Lazio, one in Umbria and one in Abruzzo), two so-called mini hydro plants, Cecchina and Madonna del Rosario, two thermoelectric power stations, Montemartini and Tor di Valle, the latter consisting of a modern high-efficiency cogeneration plant, replacing the previous combined-cycle plant. The new plant consists of two high-efficiency methane gas powered engines each with an electrical power of 9.5 MW, for a total of 19 MW, as well as three supplemental boilers and 6 storage tanks. In the current configuration, in addition to selling electricity to the market during the most profitable hours, the plant provides electricity in SEU to the total electricity users of the adjoining Rome South Treatment Plant and the thermal energy necessary for the supply of district heating service in the districts of Torrino Sud, Mostacciano and Mezzocammino in the Municipality of Rome.

This equipment will be supplemented by 52 photovoltaic plants with an overall installed power of 8.6 MWp.

In the first half of 2019, the Company achieved a production volume of 295.2 GWh through the plants owned directly. During the period, the Company's production was subdivided into the portion related to hydroelectric plant production of 237.4 GWh, the share of production from mini-hydro plants of 1.5 GWh, the share of thermoelectric production of 50.7 GWh and the portion related to photovoltaic production of 5.6 GWh. In addition, about 60% of total production is incentivised following investments in hydroelectric power plants or participation in the so-called "feed-in tariff" for the photovoltaic segment.

With regard to district heating, the Company, through the cogeneration module of the Tor di Valle power plant, supplied heat to the Torrino Sud and Mostacciano districts (located in the south of Rome) for a total of 111.0 GWh, for a total of 3,327 utilities served (256 condominiums and 3,073 real estate units).

Co-generation

The operational management of **Ecogena** focuses mainly on three areas: (i) consulting in the Esco sector and offering services related to obligations to increase the energy efficiency of third parties; (ii) the supply of energy service through the management of cogeneration (or trigeneration) plants and district heating networks and the sale of energy produced to customers; and (iii) the coordination of Group companies with regard to energy efficiency projects.

Today the Company's production system is made up of a set of cogeneration plants, combined with district heating networks, for a total of 5.0 MW of installed electric power in Umbria and Lazio. In H1 2019 the Company achieved a production volume of around 8.7 GWh (electricity), 16.3 GWh (thermal) and 3.3 GWh of refrigeration.

Also for 2019, the Company requested CAR/CB (High Yield Cogeneration) qualification of all the plants managed, in order to obtain the TEEs for 2018.

The Company also completed the tender process for the upgrade of ACEA's Data Processing Centre (Cedet).

Finally, Ecogena has earned the following management system certifications: Quality ISO 9001:2015, ESCO UNI CEI 11352 and Safety ISO 45001:2018.

New Photovoltaic acquisitions

It should be noted that during the second quarter of 2019, in line with the Business Plan, the Acea Group began operations in the photovoltaic market with the establishment of two new companies, Acea Solar for the development of greenfields and Acea Sun Capital for the acquisition of plants. At the end of June 2019, the latter acquired KT4, owner of a photovoltaic plant in Novoli.

Note also that other acquisitions of photovoltaic systems will be concluded during the month of July.

Engineering and Services Operating Segment

Operating figures, equity and financial results for the period

Operating data	U.M.	30/06/19	30/06/2018	Change	% Change
Technical-professional verification	Number of firms	253	154	99	64.3 %
Worksite inspections	Number of inspections	6,945	4,771	2,174	45.6 %
Safety Coordination	CSE Number	91	117	(26)	(22.2)%

Operating results and financial position (€ million)	30/06/19	30/06/2018	Change	% Change
Revenues	33.3	34.4	(1.2)	(3.4)%
Costs	26.8	26.9	(0.1)	(0.5)%
EBITDA	6.5	7.5	(1.0)	(13.9)%
Operating profit/(loss) (EBIT)	5.7	6.7	(1.0)	(15.3)%
Average headcount	272	272	0	(0.1)%

Operating results and financial position (€ million)	30/06/19	31/12/2018	Change	% Change	30/06/2018	Change	% Change
Investments	0.8	1.6	(0.7)	(47.1)%	0.5	0.4	77.7 %
Net financial debt	11.7	(13.3)	25.0	(188.3)%	14.6	(2.8)	(19.5)%

EBITDA (€ million)	30/06/19	30/06/2018	Change	% Change
EBITDA Engineering and Services Segment	6.5	7.5	(1.0)	(13.9)%
EBITDA GROUP	502.6	449.9	52.7	11.7 %
Percentage weight	1.3 %	1.7 %	(0.4 p.p.)	

The Segment closed the first half of 2019 with EBITDA of € 6.5 million, a decrease of € (1.0) million compared to the same period of the previous year, mainly attributable to **Acea Elabori** and due to the growth in costs for services as well as to the transfer of part of the business to ACE Ato2, which took place in the second quarter of 2019.

The Segment includes **Ingegnerie Toscane** and **TWS**, which respectively recorded EBITDAs of € 0.9 million, substantially in line with the previous year and € 0.4 million, and improvement compared to 30 June 2018 (+ € 0.3 million).

The average number of employees at 30 June 2019 was 272, unchanged from 30 June 2018.

Investments amounted to € 0.8 million and mainly refer to the purchase of equipment for the Grottarossa laboratory by **ACEA Elabori** and investments in IT systems.

Net financial debt at 30 June 2019 amounted to € 11.7 million, an improvement of € 2.8 million compared to 30 June 2018 and a drop of € 25.0 million compared to 31 December 2018 due to Acea Elabori for € 22.7 million, mainly as a result of an increase in requirements generated by changes in working capital, as well as to TWS for € 2.3 million. The first application of IFRS 16 contributed to the increase of financial debt by € 1.2 million.

Significant events in H1 2019 and later

No significant events are reported during the period observed.

Corporate

Equity and financial results for the period

Equity and financial results (€ million)	30/06/19	30/06/2018	Change	% Change
Revenues	57.7	59.9	(2.2)	(3.7)%
Costs	71.5	71.7	(0.1)	(0.2)%
EBITDA	(13.8)	(11.7)	(2.1)	17.7 %
Operating profit/(loss) (EBIT)	(22.0)	(16.4)	(5.6)	34.4 %
Average headcount	667	662	5	0.7 %

Equity and financial results (€ million)	30/06/19	31/12/2018	Change	Change %	30/06/2018	Change	Change %
Investments	6.6	10.0	(3.4)	(34.0)%	3.1	3.5	110.3 %
Net financial debt	226.4	236.4	(10.0)	(4.2)%	251.3	(25.0)	(9.9)%

EBITDA (€ million)	30/06/19	30/06/2018	Change	% Change
EBITDA Corporate Segment	(13.8)	(11.7)	(2.1)	17.7 %
EBITDA GROUP	502.6	449.9	52.7	11.7 %
Percentage weight	(2.8)%	(2.6)%	(0.1 p.p.)	

Corporate closed the first half of 2019 with a negative EBITDA of € 13.8 million (- € 2.1 million compared to 30 June 2018). The change is due to the combined effect of several phenomena, like the increase in Facility Management costs, the change in service contracts and the increase in personnel costs offset by the reduction in operating costs for Information Technology. Finally, it should be noted that EBITDA at 30 June 2019 benefited from the first-time application of IFRS 16 for € 2.4 million, in terms of lower costs for leases and rentals.

The average workforce at 30 June 2019 stood at 667 and was up compared to the previous year (662 employees).

Investments amounted to € 6.6 million, an increase of € 3.5 million compared to the first half of 2018. Investments mainly refer to IT developments and investments in the company offices.

Net debt at 30 June 2019 amounted to € 226.4 million, an improvement of € 10 million compared to the closure of 2018. This change derives from the Group and ACEA needs generated by changes in working capital, including the disbursement of payables to suppliers. The first-time adoption of IFRS 16 generated an increase of € 17.4 million.

Significant events in H1 2019 and later

ACEA and the companies Alma C.I.S. S.r.l. and Mediterranea Energia Soc. Cons.a.r.l., having obtained approval from the Municipality of Pescara, on 18 March 2019, completed Acea's acquisition of 51% of the share capital of the company Pescara Distribuzione Gas S.r.l., a business engaged in the distribution of methane gas in the Municipality of Pescara.

It should also be noted that on 4 July 2019 ACEA set up ACEA INNOVATION Srl, which has the objective of researching innovations and start-ups to start experimental projects in order to apply innovative ideas to real cases, together with Group companies, as well as some collaborative initiatives in funded projects.

Significant events during the period

Acea S.p.A. AGCM Antitrust Authority Order - Proceeding no. A 513

On 8 January 2019, the Acea Group was notified of an order of the Italian Antitrust Authority with an administrative fine of € 16,199,879.09 against Acea S.p.A., Acea Energia S.p.A. and areti S.p.A., jointly and severally among them, with reference to proceeding no. A 513 for abuse of a dominant position in the electricity sales market, which the Acea Group challenged at the Lazio administrative court.

Acea S.p.A. Completion of the acquisition of 51% of the share capital of the company - Pescara Distribuzione Gas

On 18 March 2019 Acea S.p.A. and the companies Alma C.I.S. S.r.l. and Mediterranea Energia Soc. Cons.a.r.l., having obtained approval from the Municipality of Pescara, completed Acea's acquisition of 51% of the share capital of Pescara Distribuzione Gas S.r.l., a business engaged in the distribution of methane gas in the Municipality of Pescara.

Acea S.p.A. The Board of Directors approves the 2019-2022 Business Plan

On 2 April the Board of Directors approved the 2019-2022 Business Plan.

Acea S.p.A. The Shareholders' Meeting of Acea approves the Financial Statements as at 31 December 2018 and approves the payment of a dividend of € 0.71 per share. Appointment of the Board of Statutory Auditors and a Director

On 17 April 2019 the Acea S.p.A. Shareholders' Meeting approved the Financial statements and presented the Consolidated financial statements at 31 December 2018.

The Shareholders' Meeting also appointed the new Board of Statutory Auditors, defining the fees of the same. The members of the new Board of Statutory Auditors are Maurizio Lauri, Chairman and Pina Murè and Maria Francesca Talamonti as standing auditors.

The Shareholders' Meeting also appointed the lawyer Maria Verbena Sterpetti to the Board of Directors.

Acea S.p.A. The Board of Directors authorises the issue of bonds

On 6 May 2019, the Acea S.p.A. Board of Directors authorised the possible issue of one or more bonds under its EMTN Program (Euro Medium Term Notes).

Acea S.p.A. Successful placement of a non-convertible bond issued under the EMTN Programme for a total of € 500 million over 9 years

Following the Board of Directors' resolution of 6 May 2019 and the completion of bookbuilding, on 16 May 2019 Acea S.p.A. successfully completed the placement of a non-convertible bond loan for a total principal amount of € 500 million, maturing on 23 May 2028 and at a rate of 1.75%, under the € 3.0 billion Euro Medium Term Notes (EMTN) programme, with the Base Prospectus as last amended on 18 July 2018 and subsequently supplemented on 15 May 2019 (the "Bonds"). The Bonds are intended exclusively for institutional investors in the Euromarket. The issue was successful, receiving requests equal to 3.75 times the amount of the Bonds offered, by investors of primary rank and representative of many geographical areas.

Acea S.p.A. Fitch Ratings confirms Acea's "BBB+" rating and "stable" outlook

16 May 2019 - On this date Fitch Ratings confirmed its Long-Term Issuer Default Rating (IDR) for Acea of "BBB+" with "Stable" outlook, and the Short-Term IDR of "F2". The Long-Term Senior Unsecured Rating of "BBB+" was also confirmed. The opinion reflects Acea's strategic focus on regulated activities and the positive results achieved to this point.

Significant events occurring after the end of the period

Acea enters the plastics treatment sector

On 4 July 2019 Acea S.p.A., through its subsidiary Acea Ambiente, finalised an agreement with DE.CO.RO. srl, a company of the Dentis Recycling srl group, for the acquisition of 90% of the share capital held in the company Demap srl, owner of a plastic treatment plant with an authorised capacity of 75,000 tonnes per year. The plant is located in the province of Turin and affiliated with the Corepia Consortium, and since 2004 has been engaged in sorting and recycling plastic and plastic/metal packaging from separate urban waste collection, particularly in Valle d'Aosta and Piedmont.

Acea S.p.A. Update of the EMTN Programme Ceiling

On 15 July 2019, Acea S.p.A. completed the update of its Euro Medium Term Note Programme (EMTN) of bond issues, filed with the Luxembourg Stock Exchange and reserved for institutional investors. With this update Acea S.p.A. increased the ceiling of the Programme up to € 4 billion, signing the documentation with 15 dealer banks.

Acea S.p.A. The Acea Group returns to growth in the renewable energy market - acquires photovoltaic plants with an installed capacity of 25MWp

During the month of July, Acea completed acquisitions of photovoltaic plants incentivised by the Feed-in tariff for a total installed capacity of approximately 25 MWp, reaching 50% of the plan target ahead of schedule. The operations have an Enterprise Value of approximately € 75 million and will contribute to an increase in the Group's EBITDA of approximately € 11 million on an annual basis. The most significant portfolio refers to the acquisition of 65% of the share capital of seven vehicle companies owning 18 photovoltaic plants, with a total installed capacity of about 20MWp, owned by the Belenergia Group. The other photovoltaic systems will be acquired 100%.

Acea Group - Gori financing

On 23 July 2019, the structured long-term financing operation of € 80 million in favour of the subsidiary Gori, a company of the Acea Group, was successfully concluded. The loan, granted by UBI Banca, Intesa Sanpaolo, MPS Capital Services Banca per le Imprese, Banco BPM, Banca del Mezzogiorno - MedioCredito Centrale, Banca di Credito Popolare di Torre del Greco and Banca IMI as agent, together with the loan of € 20 million granted by the Parent ACEA, represents the most important project-based structured finance operation in the integrated water service sector in Campania.

Main risks and uncertainties

Due to the nature of its business, the Group is exposed to various types of risks, in particular regulatory risks, operational and environmental risks, market risks, liquidity risk, credit risk and rating risks. In order to limit these risks, the Group has carried out analysis and monitoring activities detailed below.

Note that, on the date of preparation of the current Management Report, we do not expect the Acea Group to be exposed to further risks and uncertainties that may have a significant impact on the results of the Acea Group's operations, equity or financial position, other than those mentioned in this document.

Regulatory and Legislative Risks

As is known, the Acea Group operates mainly in regulated markets, and changes to the rules in these markets as well as regulations and obligations can have a significant effect on results and operating performance. Therefore, the Group has a structure that can consolidate its relations with local and national governments and regulatory bodies.

This structure monitors regulatory developments in terms of providing support in the preparation of comments in the response to the Consultation Paper, in line with the interests of Group companies, and in the consistent application of regulations in corporate procedures and within the electricity, gas and water businesses.

The nature of the business also exposes the Acea Group to the risk of non-compliance with consumer protection regulations pursuant to Italian Legislative Decree no. 206/2005, i.e. the risk mainly connected to the commission of consumer offences/unfair trade practices or misleading advertising (through activities like omission of relevant information, dissemination of untrue information/forms of undue influence, unfair terms in commercial relations with consumers, as well as risks of non-compliance with the regulations for the protection of competition, i.e. the risk associated mainly with the prohibition of companies to establish restrictive agreements and to abuse their dominant position in the market (through activities like market allocation, manipulation of tenders, restrictive agreements and other types of anti-competitive agreements, exchange of commercial/competitive information that potentially constitutes the creation of a cartel).

The rules of territorial planning and governance of the integrated water service continue to be subject to specific regulatory measures. In fact, two different bills have been drafted (AC52, first signatory Hon. F. Daga, and AC 773, first signatory Hon. F. Braga) which, taking up previously proposed topics, intend to deal with the government and public management of the integrated water cycle in different ways. The two bills, whose examination was joint and declared urgent, are currently being examined by the Appointee of the Chamber's Environmental Commission.

Regulatory risks include all non-conformities, with particular regard to the environmental impact of Acea Group (generated for example by the activities of production and / or treatment of urban waste and waste, and of health and safety), at work, mitigated through the adoption of certified management systems, respectively UNI EN ISO 14011: 2015 and BS OHSAS 18001: 2007), which may result in the application of administrative and / or criminal penalties, including those of a disqualifying nature.

In this regard, newly introduced crimes expand the catalogue of predicate offences capable of activating the responsibility of the bodies pursuant to Italian Legislative Decree no. 231/2001, thus requiring an update of the organisational models.

Italian Law 199 of 2016 in force since 4 November 2016, amended art. 603-bis of the penal code, "*Illicit brokering and exploitation of labour*" and has included it among the predicate offences under art. 25-quinquies.

of Italian Legislative Decree 38 of 2017, effective from 14 April 2017, amended art. 2635 "*Corruption between private individuals*" of the Italian Civil Code and has introduced art. 2635 bis "*Instigation to corruption among private individuals*" by adding it to the catalogue of predicate offences of Italian Legislative Decree no. 231/2001 to art. 25-ter, paragraph 1, letter s-bis).

Italian Law no. 179 of 30 November 2017 in force since 29 December 2017 introduced in Italian Legislative Decree no. 231/2001 at paragraphs 2-bis, 2-ter and 2-quater of art. 6 the protection of the employee or contractor that reports illegal actions or violations related to the organisation and management model of the body that come to his or her attention while working (so-called. "whistleblowing").

Further crimes introduced during 2017 include:

- Italian Law no. 161 of 17 October 2017 in force since 19 November 2017, that at art. 30, para. 4 added paragraphs 1-bis, 1-ter and 1-quater in art. 25-duodecies "*Employment of foreigners without resident documentation*" of Italian Legislative Decree no. 231/01;

- the European Law 2017, definitively approved on 8 November 2017 and entered into force on 12 December 2017, which, in art. 5, paragraph 2 introduces into Italian Legislative Decree no. 231/01 art. 25-terdecies "Racism and xenophobia", punishing the institution in case of commission of crimes pursuant to art. 3, paragraph 3-bis, of Italian law no. 654 of 13 October 1975;

while these were taken into consideration, they were assessed as being difficult to commit in the context of company activities.

Other regulatory risks that may potentially be of particular importance for the Acea Group include those deriving from the new Privacy Regulation (EU) 2016/679 GDPR; Acea has already started a survey of the most exposed corporate processes, aimed at creating a model of *Privacy Governance* and the integration of the new principles required by the law.

With Law no. 68 of 22 May, 2015 (published in No. 122 of the Italian Official Gazette of 28 May 2015) new provisions concerning environmental crimes have been approved.

In particular, Law 68/2015 introduces the new Title VI-bis -"Crimes against the environment" into the Italian Criminal Code amending arts. 257 and 260 of Italian Legislative Decree no. 152/2006.

Newly introduced crimes expand the catalogue of predicate offences capable of activating the responsibility of the bodies pursuant to Italian Legislative Decree no. 231/2001, thus requiring an update of the organisational models.

It should be noted that some consolidated companies (mainly ACEA Ato5, ACEA Ato2 and Acea Ambiente), as more fully illustrated in the relative financial statements, are subject to investigations or proceedings that relate to significant cases pursuant to Italian Legislative Decree no. 231/2001, mainly concerning safety and the environment. There is also a complaint for a corporate offence related to Acea Ato5 alone. In particular, with regard to corporate offences, case 2031/16 relates to financial years 2015, 2016 and 2017 and alleges that the crimes of accounting fraud and filing fraudulent financial statements were committed by the Chairmen of the Company and the representatives of the supervisory body of this company. Investigations are still ongoing.

On the basis of the information currently available, taking into account the operational autonomy of the companies with respect to the parent company ACEA, any responsibilities that may be ascertained upon the final outcome of the aforementioned proceedings are exclusively attributable to the companies themselves, without any repercussions on the Parent Company or other companies of the Group that are not involved.

Water Segment operational risks

ACEA Ato2 – critical situations concerning irregular discharges

The Operating Agreement signed officially ratified the obligation to transfer the integrated water services of Municipalities in ATO2 (except for protected services and, subsequently, on the basis of art. 148, paragraph 5 of Italian Legislative Decree no. 152 of 3 April 2006, also municipalities with up to 1,000 residents, which have the right to not subscribe to the I.V.S.) in accordance with the law. In reality the times and procedures for the implementation of said transfer were not observed both due to the unwillingness of some Municipal Authorities to transfer the Service, and as it was impossible for the Operator, in particular from 2007, to take over the management of water, sewerage and waste water treatment plants that did not comply with the provisions of the laws in force to avoid exposing both the Operator and its executives to the consequent criminal charges applied by the magistracy.

The most critical situations in fact are discharges that are still not treated and/or existing waste treatment plants that must be re-qualified and/or upgraded to meet the new emissions limits set by the Supervisory and Control Authorities as a result of a different evaluation of the hydrological structure of receiving water courses, or even the nature of the receiving system (soil instead of water) as some waste water treatment plants discharged onto soil as the water course was dry when inspected. The uncertainty of this situation is due to the fact that the Lazio Region has not yet determined the classification of the regional surface hydrographic network. These situations are the origin of potential Community infringement proceedings on the basis of the definition of agglomerate and the timeframes for bringing them into line with the provisions of Directive 91/271/EC.

The situation of a real environmental emergency also required interventions of an institutional nature. In fact, in 2008 the Regional Authority signed a "Memorandum of understanding for the implementation of extraordinary reclamation of river, lake and sea resources to solve the discharge emergency in ATO2 – Central Lazio – Rome" to allocate specific funds for the implementation of some plans of action to deal with the emergency.

Today, thanks to a noteworthy technical development and economic commitment, 188 of the 246 discharges surveyed have been collected for water treatment. There are still 58 discharges active, of which 32 of ACEA Ato2

and 26 of the Municipal Administrations. Of the latter, 15 discharges were restored with interventions that were subsequently requested of the Manager.

During the first few months of 2018, in the light of ARERA Resolution 918/17, the update of the 2018-2019 Intervention Programme has been drafted with indications until the end of the concession (2032). This Programme is part of the documentation underlying the tariff application, adopted by Resolution no. 3-18 of 15 October 2018 by the Conference of Mayors and approved by Resolution no. 572/2018/R/ldr of 13 November 2018, by ARERA.

In the first years, from 2003 on, investments financed by the tariff were made for annual amounts in growth (from € 30 to € 70 million), which in the Integrated Water Service implementation phase discounted the lack of knowledge of the plants being acquired from the Municipalities and the need to draw up a plan aimed at solving the most critical problems, especially in the hygienic-sanitary sector. The time frames resulting from this design and the authorisations necessary for the construction of the works have delayed the performance of investments in the region.

In the following years the investments made grew to 225 million in 2016, 232 million in 2017 and 278 million in 2018, almost doubling the value per inhabitant served by around € 36/inhabitant to about € 70/inhabitant, and in fact recovering the gap of previous years by making greater investments than those planned in the previous Plans.

As a result of a process of technological renewal and the implementation of the design activities developed in previous years, it has been possible to increase the production of investments for the construction of new large works. With regard to the difficulties related to the authorisation phase of the projects and the declaration of public utility by the Municipalities and in particular the Municipality of Rome and the consequent infrastructure procedures aimed at acquiring the areas necessary for the works, an effort was made with the Conference of Mayors resolution no. 2-17 of 20 December 2017 with which the power to approve the projects and concurrent declaration of a single opinion on the works in the works programme and to organise the Service Conferences necessary was delegated to the Operational Technical Secretariat. The legitimacy of the existing works on which ACEA Ato2 is operating and which therefore causes delays in the execution of the works remains problematic.

ACEA Ato2 – critical elements of the drinking water system

Since 2002 several emergencies have affected the drinking water service: Simbrivio emergency, plans for compliance with Italian Legislative Decree 31/01, water crisis of 2017.

Two critical elements emerged and continue to emerge following the acquisition of the Integrated Water Service:

- quality of the water flowing out of the source;
- water shortage mainly in the South of Rome.

With respect most importantly to the **first critical issue**, the quali-quantitative crisis caused by the presence in the territory of water sources that do not comply with the chemical parameters such as those for arsenic and fluorine, which are naturally found in underground water sources of volcanic origin, with the consequent critical situation in terms of the quantity and quality of the water supplied (Municipalities in the district of Castelli Romani and in general those in the volcanic areas of the ATO with over 170,000 inhabitant in 14 Municipalities), resulted in the Company having to draw up restoration plans to put into action to meet the parameters of Italian Legislative Decree 31/2001 as implemented in subsequent investment plans of the Area Plan.

To this end, interventions were planned and implemented:

- replacement of the local qualitatively critical sources with sources characterised by better qualitative properties;
- mixing water sources free of undesired elements;
- construction of drinking water plants using reverse osmosis filtration technology.

The company has therefore equipped itself with drinking water plants that require constant monitoring and maintenance.

*As for the **second critical element**, in other words the water shortage mainly affecting the Colli Albani area, which is supplied by the Simbrivio aqueduct, the Doganella aqueduct and over 140 local wells, over the years various interventions have attempted to mitigate this critical situation, such as taking a branch off the Pertuso spring, putting new plants, the Arcinazzo tank, the Ceraso “booster” plant into service and some connections to the 8th siphon of the Marcio aqueduct.*

During the state of emergency resulting from the water crisis of 2017, a water purification plant for the Tiber River upstream of the city of Rome was also designed and built for use in cases of emergency and is currently being granted a concession by the Lazio Region.

Finally, it should be noted that in addition to the acquisition of just the water service of Civitavecchia and Morlupo, currently that of the Municipality of Capena is also being acquired.

Commercial and Trading Segment

With regard to the Commercial and Trading Segment, the main operational risks linked to the activities of Acea Energia can be considered material damage (shortcomings of suppliers, negligence), damage to human resources and damage deriving from external systems and events. In order to deal with any operational risk, Acea Energia, since the start of its activities, has taken out insurance policies with primary insurance companies for Property Damage (material damage to property), Third Part Liability (third-party liability) and employee injury policies. Acea Energia pays particular attention to the updating of its employees' training and at the same time to the definition of internal organisational procedures and the drafting of specific job descriptions, also implementing a Health/Safety Management System in company workplaces in accordance with BS OHSAS 18001:2007, certified by an accredited external organisation.

Energy Infrastructure Segment

The main risks falling within this Industrial Segment (which includes, in addition to areti, Acea Produzione, Ecogena and ALL) can be classified as follows:

- risks relating to the effectiveness of the **investments** for the replacement/renewal of grids, in terms of expected effects on the improvement of service continuity indicators;
- risks relating to the **quality**, reliability and duration of works;
- risks relating to the ability to **meet the terms** for obtaining prescribed authorisations, regarding both the construction and start-up of plants (pursuant to Regional Law 42/90 and related regulations) and performing work (authorisations of municipalities and other similar authorisations), according to the need to develop and enhance the plants;
- risks related to **production failure**.

The risk relating to the effectiveness of **investments** basically stems from the increasingly stringent ARERA service continuity regulations. To deal with this risk, areti has strengthened the tools for analysing network performance in order to make increasingly better use of capital expenditure (e.g. ORBT project) and applied new technologies (automation of medium voltage network, smart grids, etc.).

As far as the risk linked to **work quality** is concerned, areti implemented operational, technical and quality control systems, including the creation of the Worksite Inspection Unit, which forms part of the Quality and Safety department. The results of the inspections, which are processed electronically and statistically analysed, give rise to rankings (reputational indicators) and a "vendor rating" system, developed in collaboration with the University of Tor Vergata (Rome). This system ranks contractors according to their reputation, scored on the basis of their ability to meet the quality and safety standards for worksites.

The good level in the reputation indicator was confirmed for companies that worked for areti.

The risk relating to the ability to **meet deadlines** arises from the number of entities that have to be addressed in the authorisation procedures and from the considerable uncertainty linked to the response times of these entities; the risk lies in the possibility of refusals and/or in the technical conditions set by the above entities (such as the construction of underground rather than above-ground plants, with a subsequent increase in plant and operating costs). It should also be noted that lengthy proceedings result in higher operating costs, are difficult to deal with for operating structures (drafting and presentation of in-depth project examinations, environmental studies, etc.) and require participation in service conferences with technical meetings at the competent offices. However, the substantial risk is still essentially linked to the failure to obtain authorisations, with the result being the inability to upgrade plants and the subsequent greater risk linked to the technical performances of the service (at present there are delays in upgrading the HV network in the coastal area and the Terna procedure to construct a new Castel di Leva primary substation). Note that a particularly critical point is the long response times of a number of the administrations contacted.

With regard to the risk of **non-production** of the plants, Acea Produzione has taken steps from the beginning of the activities to sign with primary insurance companies policies to limit any damage caused by the lack of production.

Environment Segment

The Terni and San Vittore del Lazio plants were involved in optimisation and revamping projects that typically present risks related to the construction of complex industrial infrastructure (construction and performance defects).

The Orvieto plant recently completed an important redevelopment of the recovery processes for composting and is currently undergoing a project to expand it, while the Latina plants (recently built), Monterotondo Marittimo and Sabaudia are affected by important interventions of expansion and redevelopment.

With regard to the management phase, the possible discontinuity of the waste-to-energy activities carried out in the Terni and San Vittore del Lazio plants and the waste treatment activities carried out by the other plants, if connected to the production of electricity under CIP 6/92 and the performance of services of public importance, could lead to significant negative effects.

This, both from an economic point of view and with respect to responsibility towards public and private suppliers. In this context, therefore, where not planned, a plant shutdown creates a concrete risk of failure to achieve the objectives of the industrial activity.

The waste-to-energy plants, as well as waste treatment plants to a lesser extent, are characterised by a high level of technical complexity, which requires the management of qualified resources and organisational structures with a high level of know-how. Therefore, there are specific risks with regard to the continuity of technical performance of the plants, as well as connected to the possible exodus of professional skills (not easily available on the market) having specific managerial skills in this area.

These risks have been mitigated by implementing specific maintenance and management programmes and protocols, drawn up partly on the basis of the experience acquired in plant management.

Moreover, the plants and the related activities are designed to handle certain types of waste. The failure of incoming material to meet the necessary specifications could lead to concrete operational problems, sufficient to compromise the operational continuity of the plants and give rise to risks of a legal nature.

For this reason, specific procedures have been adopted for monitoring and controlling incoming materials via spot checks and the analysis of samples pursuant to legislation in force.

MARKET RISK

The Group is exposed to various market risks with particular reference to the risk of price/volume oscillations for commodities being bought and sold, interest rate risks and foreign exchange risks to a lesser extent. To reduce exposure to within the defined limits, the Group enters into contracts drawn up on the basis of the typologies offered by the market.

The **Market Risk** is the risk concerning the unexpected effects on the value of the portfolio of assets due to changes to the market conditions.

In this context, reference is made to the Price Risk and Volume Risk cases as defined:

- **Price Risk:** risk linked to the change in commodities prices due to the difference in the price indices for purchases and sales of Electricity, Natural Gas and EUA Environmental Certificates;
- **Volume Risk:** the risk linked to changes in the volumes effectively consumed by clients compared to the volumes envisaged in the sales contracts (sale profile) or, in general, the balancing of positions in the portfolios.

Commodity price risk

Through the activities carried out by the Commodity Risk Control Unit of the Finance Unit within the Administration, Finance and Control department, Acea S.p.A. ensures the analysis and measurement of exposure to market risks, interacting with the Energy Management Unit of Acea Energia S.p.A., verifying compliance with the limits and criteria adopted by the General Risk Management of the Commercial and Trading Industrial Segment and by the Administration, Finance and Control Department in line with the Acea S.p.A.'s "Guidelines for the Internal Control and Risk Management System".

The analysis and management of risks is carried out according to a second-level control process that involves the execution of activities throughout the year with different frequency by type of limit (annual, monthly and daily), carried out by the Commodity Risk Control Unit and by risk owners.

Specifically:

- **every year**, the measures of the risk indicators, i.e. the limits in force, must be reviewed and respected in the management of the risks;
- **every day**, the Commodity Risk Control Unit is responsible for verifying the exposure to market risks of the companies in the Commercial and Trading Industrial Segment and for verifying compliance with the defined limits.

The reports are sent to the Top Management on a daily and monthly basis. When requested by the Internal Control System, Commodity Risk Control prepares the information requested and available to the system in the format appropriate to the procedures in force and sends it to Acea S.p.A.'s Internal Audit Unit.

The management and mitigation of commodity risk are functional to achieving the economic and financial objectives of Acea Group, as indicated in the budget, in particular:

- to protect the primary margin against unforeseen and unfavourable short-term shocks in the energy market which affect revenues or costs;
- to identify, measure manage and represent exposure to risks;
- to reduce risks through the preparation and application of adequate internal controls, procedures, information systems and expertise.

Forward contracts (for physical transactions for the purchase and sale of commodities) are stipulated to meet the expected requirements deriving from the contracts in the portfolio or for transactions not involving sales to end customers.

The risk hedging strategy adopted by the Commercial and Trading Industrial Area also aims to minimise the risk associated with the volatility of the Income Statement deriving from the variability of market prices and ensure correct application of the Hedge Accounting (in accordance with current International Accounting Standards) to all derivative financial instruments used for such purpose.

As regards the commitments undertaken by the Acea Group to stabilise the cash flow from purchases and sales of electricity for the next year, it should be noted that all of the ongoing hedging operations are recorded in the accounts using the flow hedge method, as far as the effectiveness of hedging can be demonstrated. The financial instruments used are of the swap and contracts for difference (CFD) type.

The evaluation of risk exposure involves the following activities:

- recording of all transactions involving physical quantities carried out in special books (known as Commodity Books) differentiated according to the purpose of the activity (Trading, Sourcing on wholesale markets, Portfolio Management, Sale to end customers inside and outside the Acea Group) and commodities (e.g. Electricity, Gas, CO₂);
- accurate analysis of the time profile of the purchases and sales containing the open positions, in other words exposure of the physical purchase and sale of single commodities, within set volume limits;
- creation of scenarios of reference (prices, indices);
- calculation of risk indicators/metrics (Volumetric exposure, VAR, PAR, price range);
- verification of compliance with current risk limits.

The activity performed by the Commodity Risk Control Unit provides for daily codified checks at "event" on compliance with risk procedures and limits (also for purposes of compliance with Law 262/05) and reports to the Top Management any discrepancies detected during the phases of checks, so that measures can be adopted to be within the established limits.

Interest rate risk

The Acea Group's approach to managing interest rate risk, which takes the structure of assets and the stability of the Group's cash flows into account, has essentially been targeted, up to now, at hedging funding costs and stabilising cash flows, in such a way as to safeguard margins and ensure the certainty of cash flows deriving from ordinary activities.

The Acea Group's approach to managing interest rate risk is, therefore, prudent and the methods used tend to be static in nature.

A static (as opposed to dynamic) approach means adopting a type of interest rate risk management that does not require daily activity in the markets, but periodic analysis and control of positions based on specific needs. This type of management therefore involves daily activity in the markets, not for trading purposes but in order to hedge the identified exposure in the medium/long term.

Acea S.p.A. has, up to now, opted to minimise interest rate risk by choosing a mixed range of fixed and floating rate funding instruments.

As it is known, fixed rate funding protects a borrower from cash flow risk in that it stabilises the financial outflows in the income statement, whilst heightening exposure to fair value risk in terms of changes in the market value of the debt.

Foreign exchange risk

The Group is not particularly exposed to this type of risk, which is concentrated in the conversion of the financial statements of its overseas subsidiaries.

As regards the 20 billion yen Private Placement, the exchange rate risk is hedged through a cross currency swap described in the section on interest rate risk.

Liquidity risk

The Group policy for managing liquidity risk, for both Acea and its subsidiaries, involves the adoption of a financial structure which, coherent with business objectives and within the limits defined by the Board of Directors, guarantees a suitable liquidity level that can meet financial requirements, while maintaining an appropriate balance between maturity and composition of debt.

The liquidity risk management process, which uses financial planning tools for outflows and receipts suitable to manage treasury hedges and to monitor the trend of consolidated financial debt, is carried out both through cash pooling management both through the support and assistance provided to the subsidiaries and associated companies with which there is no centralised finance contract.

Credit risks

Acea has long issued the guidelines of the credit policy, recently reviewed, to make it consistent with the ongoing organisational changes at the end of 2018 and the Credit Risk Profiling project, with which different credit management strategies have been identified.

The Collection Strategy envisages that credit is managed taking into account both the type of customer (public and private) and the conduct of the individual customers (*behaviour score*). The credit check system, operating on markets that have not been regulated for more than 2 years, and with which subjects to verification, through personalised scorecards, all new mass-market and small business customers integrated with the CRM. With the May 2019 operational kick-off, project work was launched on Credit Risk Profiling for the three-year period 2019-2021, the macro objectives being the optimisation of the acquisition process, models and tools for managing Large Business customers, the activation of information platforms to support sales and the development of an advanced monitoring dashboard. The assessment of Large Business customers continues to be managed through an approval workflow with decision-making bodies consistent with the level of exposure expected from the supply.

The dynamic management of recovery strategies is carried out in the billing system for active customers and through a dedicated management system for those discontinued. There is also a full review of the credit management process both in terms of the application map and the standardisation of activities for all Group companies, with the definition of a new Collection Strategy, fully integrated into the systems.

From the organisational point of view, in 2016 a further strengthening of the centralised management was achieved through the establishment of a new unit within the Parent Company, responsible for credit policies and the recovery of receivables from customers discontinued or with significant exposures. The structures of each single company responsible for managing credit reported functionally to the ACEA Unit that guarantees end-to-end supervision of the entire process.

At the end of 2018, once the extraordinary design review and recovery processes had been completed, the mass management of receivables that had ceased – of a limited amount – was transferred to the operating companies,

leaving to the holding company the activity of disposing of non-performing receivables through disposal operations, as well as the management of customers that had ceased to exist for a significant amount of time.

As in previous years, this year the Group has set up non-recourse, revolving and spot transactions, of receivables from private customers and public administrations. These transactions led to the de-recognition of all the sold assets from the financial statements as all the associated risks and benefits had been transferred.

Risks relating to the rating

Access to the capital market and other forms of funding and the related costs, depends amongst other things on the Group's credit rating.

A reduction in the credit rating by rating agencies could represent a limiting factor for access to the capital market and increase collecting costs with the consequent negative effects on the equity, economic and financial standing of the Group.

Acea's current rating is shown in the following table.

Company	M/L Term	Short Term	Outlook	Date
Fitch	BBB+	F2	Stable	16/05/2019
Moody's	Baa2	Na	Stable	26/10/2018

Operating (and financial) outlook

The results achieved by the Acea Group at 30 June 2019 improved. This makes it possible for the EBITDA guidance to be revised upwards with respect to what has already been communicated to the market. As a result the following is expected:

- ✓ an increase in EBITDA of 7% over 2018 (previous guidance between 5% and 6%);
- ✓ confirmed investments up by over 10% compared to 2018;
- ✓ confirmed financial debt at the end of the year between € 2.85 and € 2.95 billion.

The Group is determined to make major investments in infrastructure that, while maintaining the solidity of its consolidated financial structure, have a positive impact on the Group's operating and economic performance. The Group's financial structure is solid for the years to come. At 30 June 2019, 80.0% of debt is fixed rate in order to ensure protection against any increases in interest rates as well as any financial or credit volatility. At 30 June 2019 the average duration of medium/long-term debt stood at 5.8 years. Note that the reduction of the average cost went from 2.21% of 31 December 2018 to 2.18% of 30 June 2019.

Form and Structure

General information

The Half-Year Condensed Consolidated Financial Statements at 30 June 2019 of the Acea Group were approved by the Board of Directors on 31 July 2019, which authorised their publication. The Parent Company, ACEA S.p.A. is an Italian joint-stock company, with its registered office in Rome, at Piazzale Ostiense 2 and whose shares are traded on the Milan Stock Exchange. The Acea Group's principal operating segments are described in the Report on Operations.

Compliance with IAS/IFRS

These interim Condensed Financial Statements have been prepared in compliance with the international accounting standards in effect on the date of the financial statements, approved by the International Accounting Standards Board (IASB) and adopted by the European Commission according to the procedure set forth in art. 6 of the regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 and pursuant to art. 9 of Italian Legislative Decree 38/2005.

The international accounting standards include the International Financial Reporting Standards (IFRS), the International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and Standard Interpretations Committee (SIC), collectively the "IFRS".

In preparing this interim financial statement, in compliance with IAS 34, applicable to interim financial reporting, the same accounting principles were applied as those for the preparation of the Consolidated Financial Statements at 31 December 2018, which see for a complete description, and must therefore be read together with the latter.

Basis of presentation

The Interim Condensed Consolidated Financial Statements consist of the consolidated statement of financial position, consolidated income statement, statement of consolidated comprehensive income, consolidated statement of cash flows and the statement of changes in consolidated shareholders' equity. The Report also includes notes prepared under the IAS/IFRS currently in effect.

The Income Statement is classified on the basis of the nature of expenses, the Statement Of Financial Position is based on the liquidity method by dividing between current and non-current items, whilst the Statement Of Cash Flows is presented using the indirect method.

The Interim Condensed Consolidated Financial Statements are presented in euros and all amounts are rounded off to the nearest thousand euros unless otherwise indicated.

The figures in these Interim Condensed Consolidated Financial Statements are comparable with the figures for the previous period.

Use of estimates and assumptions

In application of IFRS, preparation of the Interim Condensed Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of revenue, costs, assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date. The main sources of uncertainty that could have an impact on the evaluation processes are also considered in making these estimates.

The actual amounts may differ from such estimates. Estimates are used to determine some sales revenues, provisions for risks and charges, provisions for impairment of receivables and other provisions for depreciation, amortisation, valuation of derivatives, employee benefits and taxes. The estimates and assumptions are reviewed periodically and the effects of each change are immediately recorded in the financial statements.

The estimates also took into account assumptions based on the parameters and market and regulatory information available at the time the financial statements were drafted. Current facts and circumstances influencing the assumptions on future development and events may change due to the effect, for example, of changes in market trends or the applicable regulations that are beyond the control of the Company. These changes in assumptions are also reflected in the financial statements when they occur.

In addition, it should be noted that certain estimation processes, particularly the more complex such as the calculation of any impairment of non-current assets, are generally performed in full only when drafting the annual financial statements, unless there are signs of impairment that call for immediate impairment testing. For more information on the methods in question, please refer to the following paragraphs.

Effects of the seasonality of transactions

For the type of business in which it operates, the Acea Group is not subject to significant seasonality. Some specific operating segments, however, can be affected by uneven trends that span an entire year.

Consolidation policies, procedures and scope

Consolidation policies

Subsidiaries

The scope of consolidation includes the Parent Company Acea S.p.A. and the companies over which it directly or indirectly exercises control or when the Group is exposed or entitled to variable returns deriving from the relationship with the investee and has the capacity to influence its returns through the exercise of its power over the investee. Power is defined as the capacity to manage the significant activities of the subsidiary by virtue of existing substantial rights.

Subsidiaries are consolidated from the date on which control is effectively transferred to the Group and are de-consolidated from the date on which control is transferred out of the Group.

According to accounting standard IFRS 10, control is obtained when the Group is exposed or has the right to variable performance deriving from relations with the subsidiary and is able, through exercising power over the subsidiary, to influence its performance. Power is defined as the capacity to manage the significant activities of the subsidiary by virtue of existing substantial rights.

The existence of control does not depend exclusively on possession of the majority of the voting rights, but on the substantial rights of the investor over the investee. Consequently, the opinion of the management team is required to assess specific situations leading to substantial rights attributing to the Group the power to manage the significant activities of the subsidiary so as to influence its performance.

In order to assess the requirement of control, the management team analyses all facts and circumstances, including agreements with other investors, the rights deriving from other contracts and potential voting rights (call option, warrant, put option assigned to minority stakeholders, etc.). These other facts and circumstances may be particularly significant in the assessment, especially if the Group holds less than the majority of the voting rights or similar rights in the subsidiary.

The Group reviews the existence of control over a subsidiary when the facts and circumstances indicate that there has been a change in one or more elements considered in verifying its existence. Lastly, it must be noted that in assessing the existence of the control requirements, no situations of de facto control were encountered. Changes in the possession quota of equity investments in subsidiaries that do not imply the loss of control are recorded as capital transactions adjusting the quota attributable to the stakeholders of the Parent Company and that of third parties to reflect the change in the quota owned. The eventual difference between the amount received or paid and the corresponding fraction of the shareholders' equity acquired or sold is recorded directly in the consolidated shareholders' equity. When the Group loses control, any residual equity investment in the company previously controlled is re-measured at fair value (with counterpart in the income statement) on the date on which control is lost. Also, the quota of the OCI of the subsidiary over which control is lost is dealt with in the accounts as if the Group has directly disposed of the relevant assets or liabilities. Where there is loss of control of a consolidated company, the Consolidated Financial Statements include the results for the part of the reporting period in which the Acea Group had control.

Joint ventures

A joint venture is a contractual arrangement in which the Group and other parties jointly undertake a business activity, i.e. a contractually agreed sharing of control whereby the strategic, financial and operating policy decisions can only be adopted with unanimous consent of the parties sharing control. The Consolidated Financial Statements include the Group's share of the income and expenses of jointly controlled entities, accounted for using the equity method.

According to IFRS 11, a joint venture is an arrangement over which one or more parties have joint control. Joint control is held when unanimous consent or that of at least two of the parties to the arrangement is required for decisions concerning the significant activities of the joint venture. A joint agreement can either be a joint venture or a joint operation. A joint venture is a joint control arrangement in which the parties holding joint control have all the rights over the net assets of the arrangement. On the other hand, a joint operation is a joint control arrangement in which the parties holding joint control have rights to the assets and obligations for the liabilities in the arrangement. To determine the existence of joint control and the type of joint arrangement, the opinion of the management team is required, which must assess the rights and obligations deriving from the arrangement. To this end, the management team considers the structure and legal form of the arrangements, the terms agreed between the parties in the contractual agreement and, if significant, other facts and circumstances. The Group reviews the existence of joint control when facts and circumstances indicate that there has been a change in one or more elements previously considered in verifying the existence of joint control and the type of joint control.

Associates

An associate is a company over which the Group exercises significant influence, but not control or joint control, through its power to participate in the financial and operating policy decisions of the associate. The Consolidated

Financial Statements include the Group's share of the results of associates at Net equity, unless they are classified as held for sale, from the date it begins to exert significant influence until the date it ceases to exert such influence. In determining the existence of significant influence, the opinion of the management team is required, which must assess all facts and circumstances.

The Group reviews the existence of significant influence when facts and circumstances indicate that there has been a change in one or more elements previously considered in verifying the existence of significant influence. When the Group's share of an associate's losses exceeds the carrying amount of the investment, the interest is reduced to zero and any additional losses must be covered by provisions to the extent that the Group has legal or implicit loss cover obligations to the associate or in any event to make payments on its behalf. Any excess of the cost of the acquisition over the Group's interest in the fair value of the associate's identifiable assets, liabilities and contingent liabilities at the date of the acquisition is recognised as goodwill. Goodwill is included in the carrying amount of the investment and is subject to impairment test together with the value of the investment.

Consolidation procedures

General procedure

The financial statements of the Group's subsidiaries, associates and joint ventures are prepared for the same accounting period and using the same accounting standards as those adopted by the Parent Company. Consolidation adjustments are made to align any dissimilar accounting policies applied.

All Intragroup balances and transactions, including any unrealised profits on Intragroup transactions, are eliminated in full. Unrealised losses are eliminated unless costs cannot be subsequently recovered.

The carrying amount of investments in subsidiaries is eliminated against the corresponding share of the shareholders' equity of each subsidiary, including any adjustments to reflect fair values at the acquisition date. Any positive difference is treated as "goodwill", while any negative difference is recognized through profit or loss at the acquisition date.

The minority interest in the net assets of consolidated subsidiaries is shown separately from shareholders' equity attributable to the Group. This interest is calculated on the basis of the percentage interest held in the fair value of assets and liabilities recognised at the original date of acquisition and in any changes in shareholders' equity after that date. Losses attributable to the minority interest in excess of their portion of shareholders' equity are subsequently attributed to shareholders' equity attributable to the Group, unless the minority has a binding obligation to cover losses and is able to invest further in the company to cover the losses.

Business combinations

Acquisitions of subsidiaries are accounted for under the acquisition method. The cost of the acquisition is determined as the sum of the fair value, at the date of exchange, of the assets acquired, the liabilities incurred or acquired, and the financial instruments issued by the Group in exchange for control of the acquired company.

The identifiable assets, liabilities and contingent liabilities of the acquired company that meet the conditions for recognition under IFRS 3 are accounted for at fair value on the date of acquisition, with the exception of non-current assets (or disposal groups), which are classified as held for sale under IFRS 5 and accounted for at fair value net of costs to sell.

If the business combination is achieved in stages, the fair value of the investment previously held has to be re-measured and any resulting gain or loss is recognised in profit or loss.

The purchaser has to recognise any contingent consideration at fair value, on the date of acquisition. The change in fair value of the contingent consideration classified as asset or liability is recognised according to the provisions included in IFRS 9, in the income statement or among the other components of the comprehensive income statement.

The costs directly attributable to the acquisition are included in the income statement.

The purchase cost is allocated by recording the identifiable assets, liabilities and contingent liabilities of the acquisition at fair value on the date of acquisition. Any positive excess between the payment transferred, valued at fair value on the date of acquisition, and the amount of any minority interest, with respect to the net value of the amounts of the identifiable assets and liabilities of the acquisition valued at fair value is recorded as goodwill or, if negative, in the Income Statement.

For every business combination, the purchaser must value any minority stake in the acquired entity at fair value or in proportion to the share of the minority interest in net identifiable assets of the acquired entity.

Consolidation procedure for assets and liabilities held for sale (IFRS5)

Non-current assets and liabilities are classified as held for sale, in accordance with the provisions of IFRS 5.

Consolidation of foreign companies

The financial statements of investee companies operating in currencies other than the Euro, which is the functional currency of the Parent Company Acea, are converted into Euros by applying the exchange rate at the end of the

period to the assets and liabilities, and the average exchange rates for the period to income statement items and to the cash flow statement.

The exchange differences arising from the translation of the financial statements of investee companies operating in currencies other than the euro are recognised directly in equity and are shown separately in a specific reserve of; this reserve is reversed to the income statement at the time of complete disinvestment or loss of control, joint control or significant influence over the investee company. In the case of partial disposal:

- without loss of control, the share of the exchange differences relating to the shareholding sold is attributed to the shareholders' equity pertaining to minority interests;
- without loss of joint control or significant influence, the portion of exchange differences relating to the shareholding sold is recognised in the income statement.

Scope of consolidation

The Acea Group's Consolidated Financial Statements include the financial statements of the Parent Company, ACEA, and the financial statements of the Italian and foreign subsidiaries, for which, in accordance with the provisions of IFRS10, there is exposure to the variability of returns and of which a majority of voting rights in the ordinary meetings is held, either directly or indirectly, and consequently the ability to influence the investee returns by exerting management power. Furthermore, the companies on which the Parent Company exercises joint control with other shareholders are consolidated using the equity method.

A) Changes in the scope of consolidation

With regard to the scope of consolidation, as at 30 June 2019 it should be noted that

- the full consolidation of GORI S.p.A. starting from 8 November 2018 following the long-term industrial agreement with the Campania Region and the Campania Water Authority;
- the consolidation of two foreign companies, Consorcio Servicios Sur and Acea Peru;
- the consolidation of the company Bioecologia S.r.l., which is part of the Environmental Industrial Segment;
- the consolidation of the company Pescara Distribuzione Gas S.r.l., which is part of the Water Industrial Segment.
- the establishment of two new companies that are part of the Energy Infrastructure Industrial Segment, with the aim of developing renewable sources. These companies, Acea Solar and Acea Sun Capital, will carry out activities in the photovoltaic sector. At the end of June, Acea Sun Capital acquired KT4, a company that owns a photovoltaic plant in the province of Lecce.

It should also be noted that the company Acea Illuminazione Pubblica S.p.A. placed in liquidation on 13 December 2018 approved the Final Financial Statements of the liquidation and the related allotment plan on 7 February 2019.

B) Unconsolidated investments

Tirana Acque S.c.a.r.l. in liquidation, 40% owned by ACEA, is recognised at cost. The subsidiary, entirely devalued, is excluded from the scope of consolidation as it is not operational and its relevance in qualitative and quantitative terms is not significant.

Accounting standards and measurement criteria

Measurement criteria

The accounting standards and the recognition and measurement criteria adopted in the presentation of the Half-Year Condensed Consolidated Financial Statements are those used in preparation of the Consolidated Financial Statements for the year 2018, to which reference should be made for a description of those most important, that specified hereafter holding firm.

Accounting standards, amendments, interpretations and improvements applied as of 1 January 2019

IFRS 16 Leases

Issued in January 2016, this standard replaces the previous standard on leases, IAS 17 and the related interpretations, identifies the criteria for the recognition, measurement, presentation and disclosures to be provided with reference to lease agreements for both the lessor and the lessee. IFRS 16 marks the end of the distinction in terms of classification and accounting treatment of operating leases (with off-balance sheet disclosures) and finance leases (recognised in the financial statements). The right to use the leased asset ("Right of Use") and the commitment made will result from financial data in the financial statements (IFRS 16 will apply to all transactions involving a right of use, regardless of the contractual form, i.e. lease, rental or hire purchase). The main

new development is the introduction of the concept of control within the definition. More specifically, to determine whether a contract is a lease, IFRS 16 requires a lessee to verify whether it has the right to control the use of a given asset for a specified period of time.

There will be no accounting symmetry with the lessor, which will continue to apply a separate accounting treatment depending on whether the contract is an operating lease or a finance lease (on the basis of current guidelines). On the basis of this new model, the lessee shall recognise:

- a) in the balance sheet, the assets and liabilities for all leases that have a term exceeding 12 months, unless the underlying asset has a modest value; and
- b) in profit or loss, depreciation of the leased assets separately from interest on the related liabilities.

For the first-time adoption of the principle, the transition approach used by the Acea Group was the modified retrospective approach, and therefore the contracts whose leases – including renewals – will end within 12 months from the date of first application will not be included. The Group has also used the possibility envisaged by the principle of not accounting separately for the non-lease component of mixed contracts, therefore choosing to treat these contracts as a lease.

For further details, reference should be made to the paragraph "*Effects deriving from the introduction of new accounting standards*".

“IFRIC 23 – Uncertainty over Income Tax Treatments”

The interpretation provides clarifications on the recognition and measurement of IAS 12 - Income Taxes regarding the accounting treatment of income tax in the event of regulatory uncertainty, also aimed at improving transparency. IFRIC 23 does not apply to taxes and duties that do not fall under the scope of IAS 12.

“Conceptual Framework”

The objective of the project on Conceptual Framework is to improve financial reporting by providing a more complete, clear and updated set of conceptual elements. The purpose of the Framework is to: a) assist the Board in the development of IFRS based on coherent concepts; b) assist the preparation of financial statements in the development of consistent accounting policies when no IFRS applies to a particular transaction or event or when a standard allows a choice of accounting policy; c) assist others in understanding and interpreting the standards.

The main changes compared to the 2010 version concern:

- a new chapter on valuation;
- better definitions and guidance, in particular with regard to the definition of liabilities;
- clarification of important concepts, like stewardship, prudence and uncertainty in valuations.

“Amendments to IAS 19”

On 7 February 2018 the IASB published its interpretation of "Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)" which requires companies to use up-to-date actuarial assumptions in order to determine pension charges following changes to defined benefits for employees.

IMPROVEMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (2015-2017 CYCLE)

On 12 December 2017 the IASB published the document “Annual Improvements to IFRSs: 2015-2017 Cycle”.

The document introduces amendments to the following standards:

- **IFRS 3 - Business Combinations:** The IASB added paragraph 42A to IFRS 3 to clarify that when an entity obtains control of an asset that is a joint operation, it must recalculate the value of that asset, since such transaction would be considered as a business combination achieved in stages and therefore to be counted on this basis;
- **IFRS 11 - Joint Arrangements:** Furthermore, paragraph B33CA was added to IFRS 11 to clarify that if a party participates in a joint operation but does not have joint control and subsequently obtains joint control over the joint operation (which constitutes an asset as defined in IFRS 3), it is not required to restate the value of this asset.
- **IAS 12 - Income Taxes:** This amendment clarifies that the tax effects of income taxes arising from the distribution of profits (i.e. dividends), including payments on financial instruments classified as equity, must be recognised when a liability for payment of a dividend is recognised. The consequences of income taxes must be recognised in the income statement, in the comprehensive income statement or in the shareholders' equity in consideration of the nature of the transactions or the past events that generated the distributable profits or as they were initially recognised
- **IAS 23 - Borrowing Costs:** The amendment clarifies that in calculating the capitalisation rate for loans, an entity should exclude the financial charges applicable to loans made specifically to obtain an asset, only until the asset is ready and available for its intended use or sale. Financial charges related to specific loans that remain

after the asset is ready for intended use or for sale must subsequently be considered as part of the entity's general debt burden.

These changes must be applied retrospectively for annual periods beginning on or after 1 January 2019. Earlier application is permitted.

Accounting standards, amendments and interpretations applicable after closure of the year and not adopted in advance by the Group

“Amendments to IFRS 3 – Business Combination”

Issued on 22 October 2018 to resolve interpretative difficulties that arise when an entity needs to determine whether it has acquired a business or a group of businesses. The amendments are effective for business combinations for which the acquisition date is after 1 January 2020.

“Amendments to IAS 1 and IAS 8”

Issued on 31 October 2018 to clarify the definition of "material" and in order to align the definition used in the Conceptual Framework and in the standards themselves. The amendments are effective for periods beginning on or after 1 January 2020. Earlier application is permitted.

Effects deriving from the introduction of new accounting standards

With effect from 1 January 2019, the Group applied the new standard "IFRS 16 - Leasing" for the first time, issued in January 2016 and approved by the European Union with EU Regulation 2017/1986 of 31 October 2017.

The transition approach adopted by the Group was the modified retrospective approach, and therefore the contracts whose leases – including renewals – will end within 12 months from the date of first application will not be included. Moreover, the Group has also used the possibility envisaged by the principle of not accounting separately for the non-lease component of mixed contracts, therefore choosing to treat these contracts as a lease. Therefore, the impact of the opening of the balance sheet at 1 January 2019 led to the recognition of an asset of € 59.9 million (so-called right of use) consisting of the right to use the underlying asset and an obligation of the same amount to make payments due for the lease, which has a negative impact on net financial debt. The effects deriving from the first application of IFRS 16 as at 1 January 2019 are shown in the table below:

ASSETS	31/12/18	IFRS 16	Data as at 01.01.2019
NON-CURRENT ASSETS	5,735,514	59,939	5,795,453
- of which Right of use	0	59,939	59,939
LIABILITIES	31/12/18	IFRS 16	Data as at 01.01.2019
NON-CURRENT LIABILITIES	3,962,864	51,319	4,014,183
- of which Borrowings and financial liabilities	3,374,134	51,319	3,425,453
CURRENT LIABILITIES	2,290,670	8,620	2,299,290
- of which Financial debts	408,675	8,620	417,295

Amounts in € thousand

A reconciliation is provided below between the amount of future payments due under operating leases at 31 December 2018, discounted at the lessee's incremental loan rate applied upon first-time adoption of IFRS 16, and the opening balance of the lease liability at 1 January 2019

€ thousand	01/01/19
Future payments due under operating lease contracts at 31 December 2018	71,488
Discount effect	(11,549)
Lease liability as at 1 January 2019	59,939

Consolidated Income Statement

Ref. Note		30/06/19	Of which related party transactions	30/06/2018	Of which related party transactions	Change
1	Revenue from sales and services	1,499,665		1,390,040		109,625
2	Other revenue and proceeds	53,447		64,238		(10,791)
	Consolidated net revenues	1,553,113	63,787	1,454,278	61,355	98,834
3	Personnel costs	124,295		109,927		14,368
4	Costs of materials and overheads	945,756		912,967		32,789
	Consolidated Operating Costs	1,070,051	33,220	1,022,894	29,134	47,157
5	Net income/(costs) from commodity risk management	96		0		96
6	Income/(Costs) from equity investments of a non-financial nature	19,435		18,523		912
	EBITDA	502,594	30,568	449,908	32,221	52,686
7	Net write-downs (write-backs) of trade receivables	36,047		31,877		4,170
8	Depreciation, amortisation and provisions	206,324		167,310		39,015
	Operating profit/(loss)	260,223	30,568	250,722	32,221	9,501
9	Financial income	7,012	7,655	6,515	10,193	497
10	Financial costs	(49,757)	0	(48,896)	(4)	(861)
11	Income/(Costs) from equity investments	3,565		9,411		(5,846)
	Profit/(loss) before tax	221,043	38,223	217,751	42,410	3,292
12	Income taxes	66,379		67,093		(713)
	Net result	154,664	38,223	150,659	42,410	4,006
	Net profit/(loss) from discontinued operations					
	Net result	154,664	38,223	150,659	42,410	4,006
	Profit/(loss) attributable to minority interests	11,699		7,983		3,716
	Net profit/(loss) attributable to the Group	142,965		142,675		289
13	Earnings (loss) per share attributable to Parent Company's shareholders					
	Basic	0.67131		0.66995		0.00136
	Diluted	0.67131		0.66995		0.00136
	Earnings (loss) per share attributable to Parent Company's shareholders, net of Treasury Shares					
	Basic	0.67262		0.67126		0.00136
	Diluted	0.67262		0.67126		0.00136

Amounts in € thousand

Quarterly Consolidated Income Statement (*)

€ million	Q2 2019	Q2 2018	Change	% Change
Revenue from sales and services	705.2	662.3	42.9	6.5 %
Other revenue and proceeds	22.9	46.5	(23.6)	(50.7%)
Consolidated net revenues	728.1	708.8	19.3	2.7 %
Personnel costs	60.2	55.8	4.4	7.9 %
Costs of materials and overheads	426.6	442.5	(15.9)	(3.6%)
Consolidated Operating Costs	486.8	498.3	(11.5)	(2.3%)
Net income/(costs) from commodity risk management	0.1	0.0	0.1	n.s.
Income/(Costs) from equity investments of a non-financial nature	11.7	10.3	1.5	14.3 %
EBITDA	253.0	220.7	32.3	14.6 %
Net write-downs (write-backs) of trade receivables	17.5	10.8	6.7	62.0 %
Depreciation, amortisation and provisions	109.8	86.5	23.3	26.9 %
Operating profit/(loss)	125.7	123.4	2.4	1.9 %
Financial income	3.3	2.5	0.8	31.6 %
Financial costs	(26.0)	(24.8)	(1.2)	4.8 %
Income/(Costs) from equity investments	0.6	0.9	(0.3)	(30.5%)
Profit/(loss) before tax	103.7	102.0	1.7	1.7 %
Income taxes	32.2	31.9	0.3	0.9 %
Net result	71.5	70.1	1.4	2.0 %
Net profit/(loss) from discontinued operations		0.0		n.s.
Net result	71.5	70.1	1.4	2.0 %
Profit/(loss) attributable to minority interests	5.7	4.8	0.9	19.7 %

*(Quarterly data not covered by limited revision for the six-month period as a whole)

Comprehensive Consolidated Income Statement

	30/06/19	30/06/2018	Change	% Change
Net income for the period	154,664	150,659	4,006	2.7%
Profit/Loss from conversion of financial statements expressed in foreign currency	57	541	(484)	(89.4%)
Reserve for exchange differences	(4,108)	(6,766)	2,658	(39.3%)
Tax reserve for exchange differences	986	1,624	(638)	(39.3%)
Gains/losses from exchange rate difference	(3,122)	(5,142)	2,020	(39.3%)
Effective portion of profits/(losses) on hedging instruments ("cash flow hedges")	(1,632)	14,427	(16,059)	(111.3%)
Tax effect of other gains/(losses) on hedging instruments ("cash flow hedges")	679	(3,496)	4,175	(119.4%)
Profit/Loss From the Effective Portion on Hedging Instruments net of tax effect	(953)	10,931	(11,884)	(108.7%)
Actuarial gains/(losses) on employee benefits recognised in equity	(4,212)	5,366	(9,578)	(178.5%)
Tax effect on the other actuarial profit/(loss) on staff benefit plans	1,226	(1,561)	2,787	(178.5%)
Actuarial Profit/(Loss) on defined benefit pension plans net of tax effect	(2,985)	3,805	(6,790)	(178.5%)
Total components of other comprehensive income, net of tax effect	(7,003)	10,135	(17,138)	(169.1%)
Total comprehensive income/loss	147,661	160,794	(13,133)	(8.2%)
Total comprehensive income (loss) attributable to:				
Group	135,640	152,536	(16,896)	(11.1%)
Minority interests	12,021	8,257	3,763	45.6%

Amounts in € thousand

Quarterly Comprehensive Consolidated Income Statement (*)

	Q2 2019	Q2 2018	Change	% Change
Net income for the period	73,181	70,069	3,112	4.4%
Profit/Loss from conversion of financial statements expressed in foreign currency	(704)	1,553	(2,257)	(145.3%)
Reserve for exchange differences	(2,216)	(1,901)	(315)	16.6%
Tax reserve for exchange differences	1,440	456	984	215.7%
Gains/losses from exchange rate difference	(776)	(1,444)	668	(46.3%)
Effective portion of profits/(losses) on hedging instruments ("cash flow hedges")	4,420	8,055	(3,634)	(45.1%)
Tax effect of other gains/(losses) on hedging instruments ("cash flow hedges")	(1,180)	(2,075)	895	(43.2%)
Profit/Loss From the Effective Portion on Hedging Instruments net of tax effect	3,241	5,980	(2,739)	(45.8%)
Actuarial gains/(losses) on employee benefits recognised in equity	(2,911)	4,327	(7,238)	(167.3%)
Tax effect on the other actuarial profit/(loss) on staff benefit plans	902	(1,259)	2,161	(171.7%)
Actuarial Profit/(Loss) on defined benefit pension plans net of tax effect	(2,009)	3,068	(5,077)	(165.5%)
Total components of other comprehensive income, net of tax effect	(248)	9,157	(9,405)	(102.7%)
Total comprehensive income/loss	72,933	79,226	(6,293)	(7.9%)
Group	67,465	74,239	(6,773)	(9.1%)
Minority interests	5,468	4,987	481	9.6%

Amounts in € thousand

*(Quarterly data not covered by limited revision for the six-month period as a whole)

Consolidated Statement of Financial Position

Ref. Note	ASSETS	30/06/19	of which with related parties	31/12/2018	of which with related parties	Change
14	Tangible Fixed Assets	2,448,442		2,365,019		83,423
15	Real Estate Investments	2,460		2,489		(29)
16	Goodwill	151,400		149,886		1,513
17	Concessions	2,193,354		2,126,120		67,233
17	Other intangible fixed assets	154,909		147,229		7,680
18	Right of use	56,109		0		56,109
19	Equity investments in unconsolidated subsidiaries and associates	286,843		279,085		7,758
20	Other equity investments	2,616		2,614		2
21	Deferred tax assets	232,258		227,362		4,896
22	Financial assets	51,772	29,145	55,831	30,880	(4,059)
23	Other assets	385,529		379,878		5,651
	NON-CURRENT ASSETS	5,965,691	29,145	5,735,514	30,880	230,177
24.a	Inventories	53,155		48,789		4,365
24.b	Trade receivables	1,046,759	115,093	927,834	89,446	118,925
24.c	Other current assets	196,877		252,888		(56,011)
24.d	Current tax assets	2,434	141,808	9,756	86,612	(7,321)
24.e	Current Financial Assets	248,790		113,960		134,830
24.f	Cash and cash equivalents	980,973		1,068,138		(87,165)
24	CURRENT ASSETS	2,528,988	256,901	2,421,364	176,057	107,623
25	Non-current assets held for sale	0		183		(183)
	TOTAL ASSETS	8,494,679	256,691	8,157,061	206,937	337,618

Amounts in € thousand

Ref. Note	LIABILITIES	30/06/19	of which with related parties	31/12/2018	of which with related parties	Change
	Shareholders' Equity					
	Share capital	1,098,899		1,098,899		0
	Legal reserve	119,336		111,948		7,389
	Other reserves	(191,243)		(285,728)		94,486
	Retained earnings/(losses)	539,546		533,522		6,025
	Profit (loss) for the year	142,965		270,999		(128,034)
	Total Group shareholders' equity	1,709,504		1,729,638		(20,135)
	Minority interests	186,380		173,853		12,528
26	Total shareholders' equity	1,895,884		1,903,491		(7,607)
27	Employee severance indemnity and other defined-benefit plans	104,781		103,930		851
28	Provision for risks and charges	194,257		136,651		57,606
29	Borrowings and financial liabilities	3,461,973		3,374,134		87,839
30	Other liabilities	346,243		348,148		(1,905)
	Deferred tax provision	0		0		0
	NON-CURRENT LIABILITIES	4,107,254		3,962,864		144,390
31.b	Payables to suppliers	1,462,028	116,571	1,524,876	124,499	(62,849)
31.d	Other current liabilities	348,202		329,369		18,833
31.a	Financial payables	662,096	79,794	408,675	627	253,422
31.c	Tax Payables	19,215		27,750		(8,535)
31	CURRENT LIABILITIES	2,491,541	196,364	2,290,670	125,126	200,871
25	Liabilities directly associated with assets held for sale	0		37		(37)
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	8,494,679	196,364	8,157,061	125,126	337,618

Amounts in € thousand

Consolidated Statement of Cash Flows

€ thousand	30/06/19	Related parties	30/06/2018	Related parties	Change
Cash flow from operating activities					
Profit before tax from continuing operations	221,043		217,751		3,292
Profit before tax from discontinued operations	0		0		0
Depreciation/amortisation	200,061		161,830		38,231
Write-ups / write-downs	36,047		31,330		4,718
Change in provisions for risks	(10,645)		(37,948)		27,303
Change in employee severance indemnities	1,640		(997)		2,637
Gains on disposals	0		0		0
Net financial debt interest	42,745		42,381		363
Income taxes paid	0		0		0
Financial flows generated by operating activities before changes	490,891		414,348		76,544
Increases in receivables included in the working capital	(112,063)	31,111	(110,189)	4,551	(1,873)
Increase/decrease in payables included in the working capital	(63,053)	(7,928)	(55,832)	(11,046)	(7,222)
Increase/(decrease) in inventories	(4,287)		(8,997)		4,710
Change in working capital	(179,403)		(175,018)		(4,385)
Change in other assets/liabilities during the period	(39,741)		26,263		(66,005)
TOTAL CASH FLOW FROM OPERATING ACTIVITIES	271,747		265,593		6,154
Cash flow from investment activities					
Purchase/sale of tangible fixed assets	(134,036)		(113,119)		(20,917)
Purchase/sale of intangible fixed assets	(207,950)		(174,033)		(33,916)
Equity investments	0		(0)		0
Purchase/sale of equity investments in subsidiaries	(4,970)		0		(4,970)
Collections/payments deriving from other financial investments	(130,773)	23,670	(218,996)	(16,702)	88,223
Collected dividends	10,950	10,950	611	611	10,339
Interest income collected	5,824		8,018		(2,194)
TOTAL CASH FLOW FROM INVESTMENT ACTIVITIES	(460,954)		(497,519)		36,565
Cash flow from financing activities					
Non-controlling interests in subsidiaries' capital increase	0		0		0
Repayment of mortgages and long-term loans	(281,655)		(161,835)		(119,819)
Provision of mortgages/other debts and medium to long term	500,000		1,000,300		(500,300)
Decrease / increase in other short-term financial debts	8,466	79,167	40,946	1,484	(32,480)
Interest expense paid	(50,974)		(53,255)		2,281
Dividends paid	(73,795)	(73,795)	(74,323)	(74,323)	528
TOTAL CASH FLOW FROM FINANCING ACTIVITIES	102,042		751,832		(649,790)
Cash flow for the period	(87,165)		519,906		(607,071)
Net opening balance of cash and cash equivalents	1,068,138		680,641		387,497
Net closing balance of cash and cash equivalents	980,973		1,200,547		(219,574)

Amounts in € thousand

Consolidated Statement of Changes in Shareholders' equity

€ thousand	Share capital	Legal reserve	Other reserves	Profit for the period	Total	Minority interests	Total shareholders' equity
Balances as at 31 December 2017	1,098,899	100,619	337,435	180,673	1,717,626	93,580	1,811,206
FTA reserve	0	0	(158,569)	0	(158,569)	(3,847)	(162,416)
Balances as at 01 January 2018	1,098,899	100,619	178,867	180,673	1,559,057	89,733	1,648,790
Income statement profit	0	0	0	142,675	142,675	7,983	150,659
Other comprehensive income (losses)	0	0	0	9,861	9,861	274	10,135
Total comprehensive income (loss)	0	0	0	152,536	152,536	8,257	160,794
Allocation of result for 2017	0	11,329	169,344	(180,673)	0	0	0
Distribution of dividends	0	0	(130,298)	0	(130,298)	(3,607)	(133,905)
Change in scope of consolidation	0	0	0	0	0	(0)	(0)
Other Changes	0	0	(6,649)	0	(6,649)	(2,718)	(9,367)
Balances as at 30 June 2018	1,098,899	111,948	211,264	152,536	1,574,646	91,665	1,666,311
Income statement profit	0	0	0	128,323	128,323	5,717	134,040
Other comprehensive income (losses)	0	0	0	2,036	2,036	254	2,289
Total comprehensive income (loss)	0	0	0	130,359	130,359	5,971	136,330
Allocation of result for 2017	0	0	0	0	0	0	0
Distribution of dividends	0	0	(3,607)	0	(3,607)	(2,912)	(6,519)
Change in scope of consolidation	0	0	0	0	0	84,374	84,374
Other Changes	0	0	28,240	0	28,240	(5,244)	22,996
Balances as at 31 December 2018	1,098,899	111,948	235,897	282,895	1,729,638	173,853	1,903,491

Amounts in € thousand

€ thousand	Share capital	Legal reserve	Other reserves	Profit for the period	Total	Minority interests	Total shareholders' equity
Balances as at 01 January 2019	1,098,899	111,948	235,897	282,895	1,729,638	173,853	1,903,491
Income statement profit	0	0	0	142,965	142,965	11,699	154,664
Other comprehensive income (losses)	0	0	0	(7,324)	(7,324)	321	(7,003)
Total comprehensive income (loss)	0	0	0	135,640	135,640	12,021	147,661
Allocation of result for 2018	0	7,389	275,506	(282,895)	0	0	0
Distribution of dividends	0	0	(150,909)	0	(150,909)	(3,108)	(154,017)
Change in scope of consolidation	0	0	(2,218)	0	(2,218)	3,303	1,085
Other Changes	0	0	(2,648)	0	(2,648)	312	(2,335)
Balances as at 30 June 2019	1,098,899	119,336	355,628	135,640	1,709,504	186,380	1,895,884

Amounts in € thousand

Notes to the Consolidated Income Statement

Consolidated net revenues

At 30 June 2019 these amounted to € 1,553,113 thousand (-€ 1,454,278 thousand at 30 June 2018), recording an increase of € 98,834 thousand (6.8 %) compared to the same period of the previous year and they are broken down as follows:

€ thousand	30/06/19	30/06/2018	Change	Change %
Revenue from sales and services	1,499,665	1,390,040	109,625	7.9 %
Other revenue and proceeds	53,447	64,238	(10,791)	(16.8%)
Consolidated net revenues	1,553,113	1,454,278	98,834	6.8 %

I. Revenue from sales and services – € 1,499,665 thousand

This item shows a total increase of € 109,625 thousand (7.9%) compared to the first half of the previous year, which amounted to € 1,390,040 thousand. The composition of the item is shown below.

€ thousand	30/06/19	30/06/2018	Change	% Change
Revenue from electricity sales and services	861,513	896,677	(35,164)	(3.9%)
Revenue from gas sales	48,834	38,183	10,651	27.9 %
Revenue from electricity incentives	14,108	12,879	1,229	9.5 %
Revenues from the Integrated Water System	449,206	330,877	118,330	35.8 %
Revenue from Overseas Water Services	22,310	17,301	5,009	29.0 %
Revenue from biomass transfer and landfill operations	40,526	30,187	10,339	34.2 %
Revenue from customer services	49,099	48,250	849	1.8 %
Connection fees	14,070	15,688	(1,618)	(10.3%)
Revenue from sales and services	1,499,665	1,390,040	109,625	7.9 %

Revenue from electricity sales and services

These are equal to € 861,513 thousand and are represented as follows:

€ thousand	30/06/19	30/06/2018	Change	Change %
Electricity and heat generation	6,044	5,636	408	7.2 %
Electricity sales	669,687	722,145	(52,459)	(7.3%)
Transport and metering of energy	161,027	143,740	17,287	12.0 %
Energy sales from WTE	21,839	22,465	(626)	(2.8%)
Energy from photovoltaic plants	326	325	1	0.4 %
Co-generation	2,591	2,365	226	9.5 %
Revenue from electricity sales and services	861,513	896,677	(35,164)	(3.9%)

The main changes concern:

- ✚ The reduction in revenues from the sale of electricity of € 52,459 thousand as a result of the RCV review and the value recognised for the mechanism for compensating for arrears, provided for in ARERA Resolution 706/2018 and partly also due to the reduction in the number of customers served (-7.1%) in the protected market, partially offset by an increase in energy sold in the free market (+7.9%) mainly linked to the B2B segment;
- ✚ the increase in revenues from transport activities and the measurement of energy destined for the protected and free markets derives from the combined effect of the increase in the number of users and tariff parameters, as well as the contribution of the effects linked to the equalisation of previous years which generate higher revenues for a total of € 13,993 thousand.

Revenue from gas sales

Revenues equal € 48,834 thousand and show an increase of € 10,651 thousand compared to 30 June 2018 due to both the price effect and the quantity-sold effect, to final customers and wholesalers by Acea Energia (+ 9,690 million m³ of gas compared to the first half of 2018).

Revenue from electricity incentives

These revenues amount to € 14,108 thousand and show an increase of € 1,229 thousand compared to the same period of the previous year. These revenues refer to green certificates: **i)** those of Acea Energia (€ 10,958 thousand) in relation to the energy produced by the Salisano and Orte Station, **ii)** those of Acea Ambiente (€ 3,151 thousand) from revenue for green certificates deriving from an incentive system from renewable sources of the WTE plants in Terni and San Vittore del Lazio.

Revenues from the Integrated Water System

As mentioned in the paragraph to which reference is made for more detailed explanations, revenue from the Integrated Water Service is almost exclusively generated by the companies managing the service in Lazio and Campania. These revenues amounted to a total of € 449,206 thousand, up € 118,330 thousand (35.8 %) compared with the same period of the previous year (€ 330,877 thousand).

Details of the breakdown by company are given below.

€ thousand	30/06/19	30/06/2018	Change	% Change
ACEA Ato2	312,297	288,420	23,877	8.3 %
ACEA Ato5	36,719	35,350	1,368	3.9 %
Crea Gestioni	1,861	1,983	(122)	(6.2%)
Gesesa	6,663	5,123	1,540	30.1 %
GORI	91,666	0	91,666	n.s.
Revenues from the Integrated Water System	449,206	330,877	118,330	35.8 %

The change recorded by ACEA Ato2 (+ € 23,877 thousand) derives mainly from the increase in the 2018 VRG approved in the session of 13 November 2018 compared to the previous year and the higher adjustments deriving from pass-through items (electricity, costs for system changes) totalling € 22,779 thousand; to this is added the recognition of the contractual quality bonus of € 16,834 thousand at 30 June 2019 (€ 15,748 thousand at 30 June 2018) recognised to ACEA Ato2 pursuant to art. 32, letter a), resolution 664/2015, gross of compensation due to users. It should be remembered that on 8 November 2018 GORI was consolidated on a line-by-line basis with a contribution for HI 2019 of € 91,666 thousand.

Revenue from international water services

These revenues are equal to € 22,310 thousand and show an increase of € 5,009 thousand compared to the previous year (€ 17,301 thousand as at 30 June 2018), which mainly derives from the change in the scope of consolidation for € 2,569 thousand.

Revenue from biomass transfer and landfill operations

These revenues amounted to € 40,526 thousand, up € 10,339 thousand compared to the previous year (€ 30,187 thousand). The breakdown by company is provided below:

€ thousand	30/06/19	30/06/2018	Change	% Change
A.R.I.A.	27,298	23,038	4,259	18.5 %
Aquaser	9,284	3,378	5,906	174.8 %
ISECO	116	125	(9)	(7.1%)
Acque Industriali	2,020	3,645	(1,625)	(44.6%)
Bioecologia	1,807	0	1,807	n.s.
Revenue from biomass transfer and landfill operations	40,526	30,187	10,339	34.2 %

The performance of the first half of 2019 was influenced not only by the consolidation of Bioecologia (+ € 1,807 thousand) but also by the following main events:

- ✓ Acea Ambiente + € 4,529 thousand as a result of the greater contribution of pulp to WTE plants, as well as the tariff effect;
- ✓ Aquaser + € 5,906 thousand, connected with the increase in the quantities treated;
- ✓ Acque Industriali - € 1,625 thousand due to lower revenues from liquid treatment because of lower volumes.

Revenue from customer services

These amounted to € 49,099 thousand (€ 48,250 thousand at 30 June 2018) and increased by € 849 thousand.

This item breaks down as follows:

€ thousand	30/06/19	30/06/2018	Change	% Change
Public Lighting - Rome	21,405	22,009	(603)	(2.7%)
Work for third parties	19,615	19,927	(312)	(1.6%)
Inter-company services	3,052	4,423	(1,372)	(31.0%)
Photovoltaic	99	99	0	(0.2%)
GIP revenue	3,148	3,151	(2)	(0.1%)
Change in inventories	1,780	(1,358)	3,139	n.s.
Revenue from customer services	49,099	48,250	849	1.8 %

The main change is due to the expansion of the scope of consolidation of € 1,875 thousand, partially offset by the reduction in Umbriadue's revenues due to the completion of the works for the construction of the new Scheggino-Pentima aqueduct, as well as the reduction in extraordinary maintenance.

With reference to the breakdown of this item, the table for the Industrial Segment compared with the figures as at 30 June 2018 is shown below

€ thousand	30/06/19	30/06/2018	Change	% Change
Environment	3,517	3,464	53	1.5 %
Commercial and Trading	0	103	(103)	(100.0)%
Overseas	143	89	55	61.8 %
Water	10,966	12,613	(1,647)	(13.1)%
Energy Infrastructure	28,755	26,295	2,460	9.4 %
Engineering and Services	2,955	1,653	1,302	78.8 %
Parent Company	2,761	4,033	(1,272)	(31.5)%
Revenue from customer services	49,099	48,250	849	1.8 %

Connection fees

These amounted to € 14,070 thousand, recording a decrease of € 1,618 thousand compared to 30 June 2018. These revenues were achieved as follows:

- Commercial and Trading Segment: € 8,234 thousand (- € 214 thousand);
- Water Segment: € 1,719 thousand (+ € 144 thousand);
- Energy Infrastructures Segment: € 4,116 thousand (- € 1,558 thousand).

2. Other proceeds – € 53,447 thousand

This item decreased by € 10,791 thousand compared to 30 June 2018, which closed with a total of € 64,238 thousand.

The variation was primarily determined by the following offsetting effects:

- decrease in revenues from grants accrued on white certificates (TEE) in the portfolio, down by € 22,023 thousand compared to the same period of 2018. The same decrease can be seen in the costs for energy, gas and fuels. This reduction is due to the fact that these securities are no longer purchased on the market but virtually from the GME and therefore only the margin, which is negative in the first half of the year, has been accounted for. 44,534 securities were purchased virtually.
- increase in the IFRIC 12 margin of € 5,674 thousand;
- higher contingent assets for € 3,850 thousand refer mainly to transitional extraordinary items as well as the assessment of energy items from previous financial years.

The following table supplies the breakdown of said entry:

€ thousand	30/06/19	30/06/2018	Change	% Change
Contributions from Entities for Energy Efficiency Certificates	9,598	31,621	(22,023)	(69.6)%
Non-recurring gains	17,529	13,679	3,850	28.1 %
Other revenues	7,117	6,118	998	16.3 %
Refunds for damages, penalties, collateral	2,799	4,515	(1,716)	(38.0)%
Feed-in tariff	2,360	2,388	(28)	(1.2)%
Government grant (Prime Ministerial Decree of 23/04/04)	2,152	2,000	152	7.6 %
Regional grants	3,363	1,096	2,267	n.s.
Income from end users	1	(125)	126	(101.1)%
Seconded personnel	485	525	(40)	(7.6)%
Real estate income	852	894	(42)	(4.7)%
IFRIC 12 margin	6,783	1,110	5,674	n.s.
Gains on asset disposals	7	8	(1)	(8.7)%
Recharged cost for company officers	379	409	(30)	(7.3)%
Premiums for continuity of service	23	0	23	n.s.
Other revenue and proceeds	53,447	64,238	(10,791)	(16.8)%

Consolidated operating costs

As at 30 June 2019 these amounted to € 1,070,051 thousand (€ 1,022,894 thousand at 30 June 2018), recording an increase of € 47,157 thousand (+ 4.6 %) compared to the same period of the previous year.

The breakdown is as follows:

€ thousand	30/06/19	30/06/2018	Change	% Change
Personnel costs	124,295	109,927	14,368	13.1 %
Costs of materials and overheads	945,756	912,967	32,789	3.6 %
Consolidated operating costs	1,070,051	1,022,894	47,157	4.6 %

3. Personnel costs – € 124,295 thousand

€ thousand	30/06/19	30/06/2018	Change	% Change
Staff costs including capitalised costs	199,178	173,704	25,474	14.7 %
Costs capitalised	(74,884)	(63,777)	(11,106)	17.4 %
Personnel costs	124,295	109,927	14,368	13.1 %

The increase in payroll costs gross of capitalised costs amounted to € 25,474 thousand and was mainly affected by changes in the scope of consolidation for a total of € 23,496 thousand. Increases were also recorded by the Parent Company (+ € 1,588 thousand) and by the Environment Segment (+ € 488 thousand).

With regard to capitalised costs, there was an increase of € 11,106 thousand primarily driven by the growth in the Water Segment. The increase is mainly due to the change in the scope of consolidation for € 8,053 thousand and to the increased efficiency of corporate processes to meet the greater commitment required to manage the service and the need to renew corporate assets.

The following tables show the average and actual number of staff by operating segment compared to same period of the previous year.

	Average number of employees			
	30/06/19	30/06/2018	Change	% Change
Environment	374	360	13	3.7 %
Commercial and Trading	471	465	6	1.3 %
Overseas	795	606	189	31.2 %
Water, Gas	2,672	1,794	878	48.9 %
Lazio-Campania	2,615	1,749	866	49.5 %
Tuscany-Umbria	0	0	0	n.s.
Other	58	45	13	28.1 %
Energy Infrastructure	1,361	1,386	-26	(1.9%)
Distribution	1,283	1,308	-26	(1.9%)
Electricity generation	78	78	0	(0.4%)
Public lighting	0	0	0	n.s.
Engineering and Services	272	272	0	(0.1%)
Parent Company	667	662	5	0.7 %
Total	6,611	5,546	1,065	19.2 %

	End-of-period composition			
	30/06/19	30/06/2018	Change	% Change
Environment	376	357	19	5.3 %
Commercial and Trading	474	464	10	2.2 %
Overseas	770	608	162	26.6 %
Water, Gas	2,703	1,789	914	51.1 %
Lazio-Campania	2,645	1,744	901	51.7 %
Tuscany-Umbria	0	0	0	n.s.
Other	58	45	13	28.9 %
Energy Infrastructure	1,345	1,392	-47	(3.4%)
Distribution	1,266	1,314	-48	(3.7%)
Electricity generation	79	78	1	1.3 %
Public lighting	0	0	0	n.s.
Engineering and Services	281	275	6	2.2 %
Parent Company	666	660	6	0.9 %
Total	6,615	5,545	1,070	19.3 %

4. Costs of materials and overheads – € 945,756 thousand.

This item reported an overall increase of € 32,789 thousand (3.6 %) compared to 30 June 2018, which closed with a total of € 912,967 thousand.

€ thousand	30/06/19	30/06/2018	Change	% Change
Electricity, gas and fuel	679,070	702,635	(23,566)	(3.4%)
Materials	28,418	18,551	9,867	53.2 %
Services	172,855	127,762	45,092	35.3 %
Concession fees	28,283	27,130	1,153	4.3 %
Cost of leased assets	10,813	11,945	(1,132)	(9.5%)
Other operating costs	26,317	24,943	1,374	5.5 %
Costs of materials and overheads	945,756	912,967	32,789	3.6 %

Electricity, gas and fuel costs

This item includes:

€ thousand	30/06/19	30/06/2018	Change	% Change
Purchase of electricity	468,193	520,731	(52,537)	(10.1%)
Purchase of gas	43,828	31,245	12,584	40.3 %
Transportation of electric energy and gas	154,819	119,182	35,637	29.9 %
White certificates	9,625	30,647	(21,022)	(68.6%)
Green certificates and CO2 rights	2,604	831	1,773	n.s.
Electricity, gas and fuel costs	679,070	702,635	(23,566)	(3.4%)

The change is mainly due to: **i)** lower costs linked to the supply of electricity only partially offset by higher transport costs and the measurement of energy destined for the protected and free markets due to higher SBP prices (Single Buyer Prices) and the effect of the increase in the TSF fee (Transmission Service Fee) for the transmission service, partially offset by the decrease in the energy withdrawn from the National Transmission Grid and, **ii)** higher costs incurred for the supply of gas deriving both from the price effect and a quantity effect.

Materials

The cost of materials amounted to € 28,418 thousand and represents the cost of materials used net of capital expenditure, as shown in the table below.

€ thousand	30/06/19	30/06/2018	Change	% Change
Purchase of materials	53,002	39,113	13,890	35.5 %
Change in inventories	(3,372)	(11,291)	7,919	(70.1%)
Change in inventories	49,631	27,821	21,809	78.4 %
Costs capitalised	(21,212)	(9,270)	(11,942)	128.8 %
Materials	28,418	18,551	9,867	53.2 %

Purchases of materials, gross of inventories, increased by € 13,890 thousand, mainly due to the consolidation of Gori, which contributed € 3,934 thousand. The costs for materials incurred by the operating segments are detailed below.

€ thousand	30/06/19	30/06/2018	Change	% Change
Environment	3,931	3,356	574	17.1 %
Commercial and Trading	54	33	21	63.9 %
Overseas	1,971	798	1,173	146.9 %
Water	14,848	7,020	7,828	111.5 %
Energy Infrastructure	6,703	5,171	1,532	29.6 %
Engineering and Services	336	1,791	(1,455)	(81.3%)
Parent Company	576	382	194	50.9 %
Costs for Materials	28,418	18,551	9,867	53.2 %

Services and contract work

This item amounted to € 172,855 thousand, an overall increase of € 45,092 thousand compared to € 127,762 thousand at 30 June 2018. For an analysis of the breakdown, please see the following table:

€ thousand	30/06/19	30/06/2018	Change	% Change
Technical and Administrative Services (including consulting and collaborations)	26,050	22,697	3,353	14.8 %
Contract work	32,223	25,090	7,133	28.4 %
Disposal and transport of sludge, slag, ash and waste	28,750	19,447	9,302	47.8 %
Other services	32,803	17,271	15,531	89.9 %
Personnel services	7,224	6,854	370	5.4 %
Insurance costs	4,827	3,945	882	22.4 %
Electricity, water and gas consumption	13,058	6,601	6,457	97.8 %
Internal use of electricity	3,404	3,404	0	n.s.
Intragroup services and otherwise	1,207	148	1,059	n.s.
Telephone and data transmission costs	3,100	2,499	600	24.0 %
Postal expenses	1,846	2,206	(360)	(16.3%)
Maintenance fees	5,734	7,858	(2,124)	(27.0%)
Cleaning, transport and portage costs	2,185	1,422	762	53.6 %
Advertising and sponsorship costs	4,603	2,975	1,628	54.7 %
Corporate bodies	1,256	1,037	219	21.2 %
Meter readings	2,045	2,194	(148)	(6.8%)
Bank charges	1,397	1,169	228	19.5 %
Travel and accommodation expenses	910	754	156	20.7 %
Seconded personnel	139	96	43	45.4 %
Printing costs	93	93	0	0.4 %
Costs for services	172,855	127,762	45,092	35.3 %

The change in the scope of consolidation resulted in an increase of € 28,311 thousand. The remaining increase is mainly due to the costs incurred for disposal and transport of sludge in Aquaser (+ € 7,006 thousand); works carried out in ACEA Ato2 and ACEA Ato5 (total + € 4,831 thousand) and the higher marketing and advertising costs of Acea Energia (+ € 1,074 thousand) linked to the new commercial campaign launched in June to support new commercial offers on the free electricity and gas market. Other services increased mainly as a result of the consolidation of Gori (+ € 11,747 thousand).

Concession fees

Concession fees totalled € 28,283 thousand (- € 1,153 thousand compared to 30 June 2018) and referred to companies that manage Area Authorities under concession in Lazio and Campania.

The following table shows a breakdown of the fees by Company, compared to HI 2018.

€ thousand	30/06/19	30/06/2018	Change	% Change
ACEA Ato2	24,143	23,711	432	1.8 %
ACEA Ato5	1,812	3,223	(1,411)	(43.8%)
GORI	1,206	0	1,206	n.s.
PGAS	830	0	830	n.s.
Gesesa	192	171	22	12.8 %
Other group companies	99	26	73	n.s.
Concession fees	28,283	27,130	1,153	4.3 %

The decrease reported by ACEA Ato5 is the result of a review of costs, particularly those relating to the reduction resulting from the failure to manage the municipalities of Atina, Paliano, San Biagio Saracinisco and Cassino and the other components of the repayment of loan instalments and concession charges. The increase recorded in ACEA Ato2 refers to the charges related to the mandatory Convention for the management of the Peschiera - Le Capore aqueduct system, signed on 2 February 2018, which provides for an annual charge to ATO3 of € 7 million. It is also specified that these costs are passed in order to determine the manager's VRG.

For other information regarding the concessions, reference should be made to the information in the specific section entitled "Service concession arrangements".

Cost of leased assets

This item amounted to € 10,813 thousand, a decrease of € 1,132 thousand compared to the same period last year (€ 11,945 thousand at 30 June 2018). The decrease is related to the application of the new IFRS 16 international standard from 1 January 2019, which generated lower costs of € 5,660 thousand. This effect is partially offset by the consolidation of Gori's fees (+ € 2,546 thousand).

The following table shows changes by Industrial Segment:

€ thousand	30/06/19	30/06/2018	Change	% Change
Environment	387	601	(215)	(35.7%)
Commercial and Trading	392	263	129	49.0 %
Overseas	1,281	1,099	182	16.6 %
Water	3,896	2,409	1,487	61.7 %
Energy Infrastructure	2,725	3,829	(1,104)	(28.8%)
Engineering and Services	165	300	(135)	(45.1%)
Parent Company	1,967	3,444	(1,476)	(42.9%)
Cost of leased assets	10,813	11,945	(1,132)	(9.5%)

This item mainly contains user licences for application software, crossing fees and other fees and rentals of modest value.

Other operating costs

These amounted to € 26,317 thousand as at 30 June 2019 and increased by € 1,374 thousand. The table below provides details of this item by type:

€ thousand	30/06/19	30/06/2018	Change	% Change
Taxes and duties	7,918	5,618	2,300	40.9 %
Damages and outlays for legal disputes	4,366	5,817	(1,450)	(24.9%)
Contributions paid and membership fees	2,610	1,485	1,124	75.7 %
General expenses	5,515	4,050	1,465	36.2 %
Contingent liabilities	5,909	7,973	(2,064)	(25.9%)
Other operating costs	26,317	24,943	1,374	5.5 %

This increase is mainly due to higher contingent liabilities arising from the assessment of energy items from previous years (partially offset by contingent assets of the same nature) as well as the administrative penalties imposed on ACEA Ato5 by ARERA and AGCM for a series of findings regarding tariff regulation. The integration with the value already present in the 2018 financial statements amounts to € 955 thousand.

5. Net Revenue / (Costs) from management of risk commodities - € 96 thousand

At 30 June 2019 these amount to € 96 thousand and represent the net balance of the valuations of derivatives taken out to hedge Acea Energia's trading operations. It should be noted that as from 1 July 2018 the Company has been trading with the main energy carriers.

6. Income/(Costs) from equity investments of a non-financial nature - € 19,435 thousand

This item represents the consolidated result according to the equity method that is included among the EBITDA components of companies previously consolidated using the proportionate method. The breakdown of this item is detailed below:

€ million	30/06/19	30/06/2018	Change	% Change
EBITDA	75,089	80,936	(5,847)	(7.2%)
Amortisation, depreciation, impairment charges and provisions	(41,842)	(50,749)	8,908	(17.6%)
Total profit/(loss) on equity investments	(1)	(39)	38	(96.8%)
Financial items	(6,577)	(2,649)	(3,928)	148.3%
Taxes	(7,234)	(8,976)	1,743	(19.4%)
Income from equity investments of a non-financial nature	19,435	18,523	912	4.9%

The EBITDA of these companies decreased by € 5,847 thousand, mainly due to the change in the scope of consolidation since last year Gori was consolidated using the equity method and had an EBITDA of € 10,915 thousand. On a like-for-like basis, the EBITDA of these companies increased by € 5,068 thousand compared with 30 June 2018; of particular note, Publicacqua (+ € 1,292 thousand), Umbra Acque (+ € 1,737 thousand) and Acquedotto del Fiora (+ € 1,342 thousand). Depreciation and amortisation decreased due to the change in the scope of consolidation of Gori for € 7,294 thousand and Publicacqua (- € 4,235 thousand). In the case of Publicacqua, the reduction in amortisation and depreciation is due to the extension of the concession until 2024 (previously until 2021).

The companies' assessments are detailed below:

€ thousand	30/06/19	30/06/2018	Change	% Change
AZUL	578	538	40	7.4%
INTESA ARETINA	(189)	(267)	78	(29.2%)
NUOVE ACQUE	630	522	108	20.8%
ECOMED	(2)	(4)	2	(47.1%)
FIORA	2,622	2,271	351	15.5%
GEAL	600	480	120	24.9%
GORI	0	2,571	-2571	(100.0%)
INGEGNERIE TOSCANE	937	904	33	3.7%
ACQUE SERVIZI	312	297	15	5.0%
ACQUE	3,333	7,223	-3890	(53.9%)
PUBBLIACQUA	9,123	3,825	5298	138.5%
UMBRA	1,492	163	1329	n.s.
Total	19,435	18,523	912	4.9%

7. Net write-downs (write-backs) of trade receivables – 36,047 thousand

This item showed an increase of € 4,170 thousand. The change in the area of consolidation is equal to € 5,339 thousand.

Net of this effect, the change results in: **i)** a decrease in the write-downs made by the parent company for € 3,037 thousand following the release of some write-down provisions for the collection of the relative receivables, in particular from the municipality of Naples, partially offset; **ii)** by the increase in the write-downs made by the companies in the Commercial and Trading segment, in particular regarding Acea Energia (+ € 1,074 thousand). The breakdown by operating segment is provided below:

€ thousand	30/06/19	30/06/2018	Change	% Change
Environment	31	15	16	105.0 %
Commercial and Trading	13,988	12,838	1,150	9.0 %
Overseas	2,827	1,323	1,505	113.8 %
Water	17,637	13,039	4,597	35.3 %
Energy Infrastructure	1,336	1,479	(144)	(9.7%)
Engineering and Services	103	20	83	n.s.
Parent Company	125	3,163	(3,037)	(96.0%)
Net write-downs (write-backs) of trade receivables	36,047	31,877	4,170	13.1 %

8. Depreciation, amortisation and provisions - 206,324 thousand

Compared to 30 June 2018, there was an increase of € 38,231 thousand.

The details are as follows:

Amortisation / depreciation of intangible and tangible assets and write-downs

€ thousand	30/06/19	30/06/2018	Change	% Change
Depreciation	66,219	65,101	1,118	1.7 %
Amortisation	133,840	95,207	38,633	40.6 %
Impairment charges	3	1,523	(1,520)	(99.8%)
Depreciation/amortisation	200,061	161,830	38,231	23.6 %

The € 38,231 thousand increase in depreciation and amortisation breaks down as follows:

- + € 1,118 thousand increase in depreciation of tangible fixed assets;
- + increase in the amortisation of intangible fixed assets of € 38,633 thousand, mainly due to the increase in investments in all business areas, primarily to ACEA Ato2 for investments made in infrastructure rights, and costs incurred for upgrades of technological infrastructure common to the Acea Group. Moreover, the effects of the application of the new IFRS16 standard (+ 5,139 thousand).

Impairment losses in the first half of 2018 related to the write-down of a portion of the Acea Ambiente plant (in particular for the Monterotondo plant - ref. IAS36).

Provisions

As of 30 June 2019, net sums released due to surplus, appropriation reserves total € 6,263 thousand and are divided thusly by type:

€ thousand	30/06/19	30/06/2018	Change	% Change
Legal	1,431	1,112	320	28.8 %
Taxes	64	483	(420)	(86.9%)
Regulatory risks	887	1,889	(1,002)	(53.0%)
Investees	0	1,186	(1,186)	(100.0%)
Contributory risks	12	196	(184)	(93.7%)
Procurement and supplies	575	100	475	n.s.
Insurance deductibles	1,346	0	1,346	n.s.
Concession fees	0	0	0	n.s.
Other risks and charges	500	2,009	(1,510)	(75.1%)
Total Provision for Risks	4,814	6,975	(2,161)	(31.0%)
Early retirements and redundancies	419	2,155	(1,736)	(80.6%)
Charges towards Others	1,670	1,437	233	16.2 %
IFRIC 12 restoration charges	0	1,578	(1,578)	(100.0%)
Total provisions	6,903	12,145	(5,242)	(43.2%)
Release of Provisions	(641)	(6,666)	6,025	(90.4%)
Total	6,263	5,479	783	14.3 %

The breakdown of provisions by Operating Segment are shown in the following table:

€ thousand	30/06/19	30/06/2018	Change	% Change
Environment	109	58	51	87.1 %
Commercial and Trading	21	1,791	(1,770)	(98.8%)
Overseas	11	56	(45)	(80.4%)
Water	3,126	4,569	(1,443)	(31.6%)
Energy Infrastructure	3,013	3,488	(475)	(13.6%)
Engineering and Services	(149)	0	(149)	n.s.
Parent Company	132	(4,483)	4,615	(102.9%)
Provisions	6,263	5,479	783	14.3 %

The most significant allocations made in the period are provisions for:

- ✓ other charges (€ 1,670 thousand) to cover the differential between costs and revenues linked to the obligation of the EECs for areti falling under the entire year of 2019;
- ✓ regulatory risks for € 887 thousand relating to Acea Produzione for rentals to the Abruzzo region and BIM (Bacino Imbrifero Montano) surcharges;
- ✓ legal risks for € 1,431 thousand and insurance deductibles for € 1,346 thousand.

On the other hand, there was a reduction in IFRIC 12 restoration costs following the cancellation of the provision previously set up to maintain in good condition the infrastructure used for water service management.

Further information is provided in the section "Update on major disputes and litigation".

9. Financial income - € 7,012 thousand

€ thousand	30/06/19	30/06/2018	Change	% Change
Interest on financial receivables	2,231	2,726	(495)	(18.1%)
Bank interest income	9	98	(90)	(91.1%)
Interest on trade receivables	3,809	3,041	768	25.3 %
Interest on other receivables	446	364	83	22.7 %
Financial income from discounting to present value	269	320	(51)	(16.1%)
Financial income from measurement of fair value hedges	0	(172)	172	(100.0%)
Other income	249	138	111	80.2 %
Financial income	7,012	6,515	497	7.6 %

Financial income amounted to € 7,012 thousand, an increase of € 497 thousand compared to the previous year. The increase is due to the full consolidation of Gori for € 1,830 thousand. Net of this change, income decreased due to the recognition of lower interest due from Roma Capitale for € 474 thousand and lower interest accrued on trade receivables, in particular relating to ACEA Ato2.

10. Financial costs - € 49,757 thousand

€ thousand	30/06/19	30/06/2018	Change	% Change
Costs (Income) on Interest Rate Swaps	2,679	262	2,417	n.s.
Interest on bonds	30,110	34,282	(4,173)	(12.2%)
Interest on medium/long-term borrowings	7,290	7,876	(585)	(7.4%)
Interest on short-term borrowings	628	252	376	149.0 %
Default interest and interest on deferred payments	677	635	42	6.7 %
Interest cost net of actuarial gains and losses	789	692	97	14.0 %
Factoring fees	1,970	3,224	(1,254)	(38.9%)
Interest on payments by instalment	447	22	425	n.s.
Discounting charges	3,340	228	3,112	n.s.
Other financial charges	1,321	846	475	56.2 %
Interest payable to end users	568	593	(25)	(4.2%)
Foreign exchange gains (losses)	(62)	(15)	(46)	n.s.
Financial costs	49,757	48,896	861	1.8 %

Financial costs amounted to € 49,757 thousand, up € 861 thousand compared to 30 June 2018.

The change in the scope of consolidation accounts for € 3,650 thousand. In fact, net of this difference, financial charges decreased by € 2,789 thousand. The average overall "All in" cost of the Acea Group's debt at 30 June 2019 stood at 2.18% against 2.22% of the first semester 2018.

With regard to financial costs related to borrowings, the following changes should be noted:

- compared to 30 June 2018, interest on bonds decreased by € 4,173 thousand due to the repayment in September 2018 of a € 600 million bond partially offset by the costs of new issues in May 2019;
- compared to 30 June 2018 default interest and interest on deferred payments increased by € 42 thousand;
- interest on medium/long-term debt decreased by € 585 thousand, mainly due to the repayment of two loans maturing in January and June 2019 amounting to € 100 million and € 150 million respectively;
- commissions on receivables transferred, compared to 30 June 2018, decreased by € 1,254 thousand;
- net foreign exchange gains and losses reduced by € 46 thousand compared to 30 June 2018.

11. Income and costs from Equity Investments – € 3,566 thousand

€ thousand	30/06/19	30/06/2018	Change	% Change
Income from equity investments in associates	3,573	9,717	(6,145)	(63.2%)
(Costs) of shares in related companies	(7)	(306)	299	(97.6%)
(Costs)/Income from equity investments	3,565	9,411	(5,846)	(62.1%)

Revenue from shares refers to consolidation according to the net worth method of some Group companies primarily AguaAzul Bogotá (€ 2,730 thousand) and S.I.I. S.c.p.a. which manages the water service in the province of Terni and is 25% owned by Umbriadue (+ € 539 thousand compared to H1 2018). It should also be noted that in the first half of 2018, following the acquisition of the TWS Group, in order to close the Group's Business Combination the income of € 8,902 thousand was recorded.

12. Income Tax - € 66,379 thousand

Estimated tax expenses for the period were € 66,379 thousand compared to € 67,093 thousand in the previous year.

The breakdown is essentially as follows:

- ✓ Current taxes: € 68,135 thousand (€ 61,961 thousand at 30 June 2018),
- ✓ Net deferred/(prepaid) taxes: € 1,755 thousand (€ 5,132 thousand at 30 June 2018),

The table below shows the breakdown of taxes and the correlated percentage weight calculated on consolidated profit before tax.

€ thousand	2019	%	2018	%
Profit before tax from continuing and discontinued operations	221,043		217,751	
Expected tax charge at 24% on profit before tax	53,050	24.0%	52,260	24.0%
Net deferred taxation	(1,755)	(0.8%)	5,148	2.4%
Permanent differences	(389)	(0.2%)	(5,708)	(2.6%)
IRES for the period	50,906	23.0%	51,701	23.7%
IRAP (regional income tax)	15,473	7.0%	15,391	7.1%
Total taxes	66,379	30.0%	67,092	30.8%

The tax rate for the period is 30.0 % (30.8 % at 30 June 2018).

13. Earnings per share

Earnings per share are calculated by dividing profit for the year attributable to ACEA by the weighted average number of ACEA shares outstanding during the year, excluding treasury shares. The weighted average number of shares outstanding was 212,547,907 as at 30 June 2019. Diluted profit per share is calculated dividing profit for the financial year attributable to ACEA by the weighted average number of ACEA shares in circulation during the year, excluding treasury shares, increased by the number of shares which could potentially be put in circulation. At 30 June 2019 there were no shares that could potentially be put into circulation and, accordingly, the weighted average number of shares for the calculation of basic earnings per share coincides with the weighted average number of shares for the calculation of diluted earnings per share.

Earnings per share, determined in accordance with IAS 33, are shown below:

€ thousand	30/06/19	30/06/2018	Change
Net profit attributable to the Group (€/000)	142,965	142,675	289
Net profit attributable to ordinary equity holders of the Group (€/000) (A)	142,965	142,675	289
Weighted average number of ordinary shares for the purpose of determining earnings per share			
- basic (B)	212,964,900	212,964,900	0
- basic (C)	212,964,900	212,964,900	0
Earnings per share (€)			
basic (A/B)	0.67131	0.66995	0.00136
diluted (A/C)	0.67131	0.66995	0.00136

€ thousand	30/06/19	30/06/2018	Change
Net profit attributable to the Group (€/000)	142,965	142,675	289
Net profit attributable to ordinary equity holders of the Group (€/000) (A)	142,965	142,675	289
Weighted average number of ordinary shares outstanding for the purpose of determining earnings per share			
- basic (B)	212,547,907	212,547,907	0
- basic (C)	212,547,907	212,547,907	0
Earnings per share (€)			
basic (A/B)	0.67262	0.67126	0.00136
diluted (A/C)	0.67262	0.67126	0.00136

Notes to the Consolidated Statement of Financial Position

Assets

At 30 June 2019 these amounted to € 8,494,679 thousand (€ 8,157,061 thousand at 31 December 2018), recording an increase of € 337,618 thousand or 4.1 % from the previous year; they are broken down as follows.

€ thousand	30/06/19	31/12/2018	Change	% Change
Non-current fixed assets	5,965,691	5,735,514	230,177	4.0 %
Current assets	2,528,988	2,421,364	107,623	4.4 %
Non-current assets held for sale	0	183	(183)	(100.0%)
Total Assets	8,494,679	8,157,061	337,618	4.1 %

14. Tangible fixed assets - € 2,448,442 thousand

81.9% of the tangible fixed assets comprise the net booking value of the infrastructures used for the distribution and generation of electricity (€ 2,004,448 thousand). The remaining part mainly refers to:

- facilities belonging to the Environment Segment companies for € 227,214 thousand;
- infrastructures related to the Parent Company for € 92,088 thousand;
- infrastructures related to the Energy Segment for € 68,841 thousand;
- infrastructure related to the Overseas Segment for € 36,008 thousand.

The following table shows the breakdown and changes in tangible assets in HI 2019.

€ thousand	Land and buildings	Plant and machinery	Industrial equipment	Other assets	Fixed assets under construction	Assets to be relinquished	Total tangible fixed assets
Historical cost 31.12.2018	508,373	2,968,339	851,033	141,305	60,897	9,301	4,539,249
Investments/Acquisitions	11,317	67,746	27,827	4,125	22,626	394	134,036
Disinvestments	(7)	(585)	(150)	(456)	(28)	-	(1,225)
Change in scope of consolidation	25	21,775	110	(320)	(534)	-	21,056
Other changes	(10,898)	(7,128)	(806)	29	(12,955)	(1,980)	(33,739)
Historical cost 30.06.2019	508,810	3,050,147	878,014	144,682	70,006	7,716	4,659,376
Accumulated depreciation at 31.12.2018	(151,125)	(1,631,642)	(272,809)	(110,166)	(2,302)	(6,186)	(2,174,229)
Depreciation/amortisation and impairment charges	(6,233)	(39,137)	(16,007)	(4,553)	(0)	(261)	(66,192)
Disinvestments	-	405	49	541	-	-	995
Change in scope of consolidation	327	(4,787)	(93)	1,946	-	-	(2,606)
Other changes	13,780	11,521	1,511	175	2,302	1,810	31,099
Accumulated depreciation at 30.06.2019	(143,252)	(1,663,639)	(287,349)	(112,056)	-	(4,637)	(2,210,933)
Net value 30.06.2019	365,558	1,386,508	590,665	32,626	70,006	3,079	2,448,442

Investments increased compared to the same period of the last year (€ 108,046 thousand at 30 June 2018) and amounted to € 134,036 thousand. They refer mainly to those made by:

- ✓ **areti** for € 108,991 thousand for the renewal, expansion and ordinary and extraordinary maintenance of the HV, MV and LV network and extraordinary maintenance on overhead lines. This year the so-called "Resilience Plan" was implemented, which consists of interventions on substations and on the MV and LV networks.
- ✓ **Acea Ambiente** for € 10,643 thousand for investments concerning: **(i)** the works to expand the Monterotondo Marittimo plant, **(ii)** the works carried out in the WTE plants in Terni and San Vittore, **(iii)** the works on the waste treatment plant and biogas production located in Orvieto.
- ✓ **Acea Production** for € 4,969 thousand, mainly for the revamping of the Mandela hydroelectric power plant and the thermoelectric power plants of Tor di Valle and Montemartini, static and functional upgrades of the tunnels deriving from the San Cosimato dam reservoir and the extension of the district heating network in the Mezzocammino district in the south of Rome;
- ✓ **Agua de San Pedro** for € 3,503 thousand for the expansion and extraordinary maintenance of the water and sewerage networks of the areas managed.

The change in the scope of consolidation mainly refers to the consolidation of Pescara Distribuzione Gas (€ 14,141 thousand) and the company KT4 (€ 2,144 thousand).

15. Investment property - € 2,460 thousand

Investment property primarily includes land and buildings not used in operations and held for rental. The decrease of € 29 thousand compared to last year derives from amortisation and depreciation.

16. Goodwill - € 151,400 thousand

At 30 June 2019 goodwill amounted to € 151,400 thousand (€ 149,886 thousand at 31 December 2018). The change compared to the previous year refers to the recording of goodwill arising from the consolidation of Pescara Distribuzione Gas (€ 890 thousand) and Bioecologia (€ 676 thousand), determined on a provisional basis pending the closure of the PPAs.

No qualitative (e.g. changes in laws and regulations) or quantitative (e.g. actual analysis v. budget) impairment indicators were found during the reporting period, including estimates and updated projections of the 2018-2022 business plan approved by the Board of Directors on 2 April 2019. For further information regarding the cash generating units and the corresponding goodwill values, please refer to the Notes to the Consolidated Financial Statements as at 31 December 2018.

17. Intangible Fixed Assets

€ thousand	Patent rights	Concessions	Other intangible fixed assets	Fixed assets under construction	Total Intangible fixed assets
31.12.2018	115,884	2,126,120	25,405	5,940	2,273,349
Depreciation/amortisation and impairment charges	(31,177)	(93,156)	(4,337)	(0)	(128,670)
Investments/Acquisitions	27,785	164,354	7,752	8,058	207,950
Disinvestments	(305)	(6,988)	(154)	(2)	(7,450)
Change in scope of consolidation	0	176	195	0	371
Other changes	615	2,847	448	(1,197)	2,713
Net value at 30.06.2019	112,802	2,193,354	29,308	12,799	2,348,263

These amount to € 2,348,263 thousand, an increase of € 74,914 thousand compared to 31 December 2018. This change is due to the effect of investments for the period (€ 207,950 thousand) net of amortisation and depreciation (€ 133,808 thousand). The investments made in the period for internal development, referring to the joint IT platform, amounted to € 16,725 thousand.

Concessions and Rights on Infrastructure - € 2,193,354 thousand

This item mainly refers to the Water Services and essentially includes:

- ✚ the values of concessions received from the municipalities (€ 171,198 thousand),
- ✚ the overall amount of all tangible infrastructures for the management of water services (€ 2,022,156 thousand), in accordance with IFRIC 12.

Concessions refer for € 114,331 thousand to the thirty-year concession from Roma Capitale on the assets consisting of water and sewage treatment facilities, and to the right arising from taking over the management of the integrated water service in the Municipality of Formello. Rights are amortised on the basis, respectively, of the remaining term of the concession signed between ACEA and Roma Capitale and the term of the Management Agreement signed by the Mayors in ATO2. The balance is completed by: (i) the 30-year concession for the management of the integrated water service of the city of San Pedro Sula in Honduras for a total amount of € 9,388 thousand and, (ii) the 30-year concession of Gori for € 10,849 thousand relating to the IWS for 76 municipalities in the provinces of Naples and Salerno.

Capital expenditure for the period relating to **Infrastructure rights** amounted to € 164,354 thousand and mainly refers to:

- ✓ ACEA Ato2 for € 132,180 thousand for extraordinary maintenance, reconstruction, modernisation and expansion of the water and sewerage systems and networks of the various municipalities; extraordinary maintenance of water centres and purification plants and interventions aimed at reducing water losses;
- ✓ Acea Ato5 for € 12,962 thousand for the replacement, maintenance and expansion of water supplies and sewerage pipes and of water treatment plants.
- ✓ GORI for € 19,173 thousand for the replacement, expansion and extraordinary maintenance of the water and sewerage pipelines.

The item **Other changes** mainly comprises reclassifications for the commissioning of the assets.

Other intangible fixed assets - € 154,909 thousand

The increase over the previous year, amounting to € 7,680 thousand, arises from capital expenditure incurred during the period (€ 62,561 thousand), net of amortisation and reductions in value (€ 68,678 thousand) and reclassifications.

Capital expenditures during the period totalled € 62,561 thousand and are mainly attributable to:

- + Areti for €29,089 thousand in relation to costs incurred for the re-engineering of information and commercial systems related to distribution;
- + Acea Energia for € 17,350 thousand in investments in IT systems;
- + the Parent Company for € 5,745 thousand for the purchase and implementation of software to support the development of IT platform management systems.

The item "other intangible assets" includes the application of IFRS 15 for agent costs (€ 3,479 thousand) with specific reference to the agents of Acea Energia.

18. Right of use € 56,109 thousand

This item includes the rights to use the assets of others which, as from 1 January 2019, are recorded as leased assets and amortised over the duration of the contracts, following the application of the new IFRS 16 international standard. At 30 June 2019 the net book value of this asset was € 56,109 thousand (for further details, see the section entitled "Effects deriving from the introduction of new accounting standards").

19. Equity investments in associates - € 286,843 thousand

Name € thousand	31/12/2018	Gains/losses from valuation of shareholders' equity	Decrease for dividends	Currency translation differences	Changes with direct effect on shareholders' equity	OCI	Other changes/reclassifications	30/06/19
Acque S.p.A.	68,418	3,333	(2,687)	0	(26)	2,245	0	71,281
Acque servizi	4,425	312	(585)	0	0	(63)	0	4,089
Acquedotto del Fiora S.p.A.	37,212	2,622	0	0	0	(456)	0	39,378
Consorzio Agua Azul SA	7,443	578	(1,160)	276	0	0	0	7,136
Ecomed S.r.l.	0	(2)	0	0	0	0	2	0
GEAL S.p.A.	7,450	600	(269)	0	0	4	0	7,785
Intesa Aretina Scarl	1,586	(189)	(315)	0	0	0	0	1,082
Nuove acque	10,916	630	0	0	0	(67)	0	11,480
Publiacqua S.p.A.	107,273	9,123	(7,200)	0	(546)	31	0	108,681
Umbra Acque S.p.A.	14,855	1,492	0	0	(47)	(3)	0	16,297
Ingegnerie Toscane	10,126	937	(2,195)	0	0	16	130	9,014
Other equity investments	9,381	3,573	(2,502)	169	0	0	0	10,620
Total equity investments	279,085	23,008	(16,914)	444	(619)	1,707	132	286,843

The main changes that occurred during the period refer primarily to the valuations of companies consolidated using the equity method, which have a positive impact on the Income Statement for a total of € 23,008 thousand. These valuations are reflected in the item "Income/(Costs) from equity investments of a non-financial nature" (€ 19,435 thousand) and in the item "Income/costs from equity investments" for € 3,573 thousand; and to the decrease for the distribution of dividends for a total of € 16,914 thousand.

The income statement and balance sheet data of the main investees consolidated using the equity method are provided below.

€ thousand	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenues	Net profit/(loss)	NFP
AZUL	4,646	2,439	(115)	(374)	1,674	578	1,824
INTESA ARETINA	10,232	396	-	(822)	-	(189)	(92)
NUOVE ACQUE	18,225	6,438	(10,151)	(3,411)	4,493	630	(4,758)
AZGA NORD	-	-	6	-	-	-	-
ECOMED	3	374	(20)	(405)	-	(2)	163
FIORA	94,295	37,456	(67,056)	(30,638)	23,704	2,622	(36,218)
GEAL	15,971	4,312	(7,147)	(5,311)	4,684	600	(2,945)
INGEGNERIE TOSCANE	3,347	14,758	(1,731)	(10,530)	5,754	937	(4,592)
ACQUE SER	1,094	6,411	(1,267)	(2,824)	5,523	312	193
ACQUE	182,692	49,299	(126,357)	(32,582)	39,006	3,333	(83,062)
PUBLIACQUA	204,151	52,864	(66,222)	(79,830)	54,243	9,123	(32,386)
UMBRA	59,745	11,035	(25,634)	(31,233)	17,835	1,492	(14,955)
Total	594,401	185,781	(305,695)	(197,958)	156,916	19,435	(176,828)

€ thousand	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenues	Net profit/(loss)	NFP
AZUL	5,019	1,913	(112)	(366)	1,532	538	1,348
INTESA ARETINA	10,232	396	-	(506)	266	(267)	223
NUOVE ACQUE	18,091	5,022	(8,776)	(4,144)	4,689	522	(5,429)
AZGA NORD	-	-	6	-	-	-	-
ECOMED	3	376	(4)	(419)	-	(4)	165
FIORA	99,483	27,736	(73,504)	(22,705)	22,490	2,271	(43,076)
GEAL	14,817	5,118	(7,422)	(5,137)	4,108	480	(1,779)
GORI	97,700	166,061	(81,569)	(144,793)	32,293	2,571	10,765
INGEGNERIE TOSCANE	2,975	14,501	(517)	(11,439)	4,753	904	(5,500)
ACQUE SER	1,003	10,183	(1,357)	(6,483)	5,603	297	(2,698)
ACQUE	185,928	46,627	(116,961)	(55,542)	37,764	7,223	(84,452)
PUBLIACQUA	186,308	58,400	(86,673)	(61,879)	49,843	3,825	(41,935)
UMBRA	60,286	17,197	(33,416)	(32,932)	15,677	163	(15,334)
Total	681,845	353,529	(410,306)	(346,346)	179,018	18,523	(187,702)

20. Other equity investments - € 2,616 thousand

These total € 2,616 thousand (they were € 2,614 thousand at the end of 2018) and relate to investments in shareholder securities which do not represent control, association or joint control.

21. Deferred tax assets - € 232,258 thousand

At 30 June 2019, deferred tax assets, net of deferred tax liabilities, amounted to € 232,258 thousand (€ 227,362 thousand at 31 December 2018).

The changes in deferred tax assets were mainly related to: **(i)** € 21,424 thousand relating to the provision for tax risks (€ 23,326 thousand as at 31 December 2018), **(ii)** € 146,018 thousand to the amortisation/depreciation of tangible and intangible assets (€ 129,918 thousand as at 31 December 2018), **(iii)** € 65,322 thousand for the impairment of receivables (€ 65,736 thousand as at 31 December 2018) **(iv)** for € 11,195 thousand to defined benefit and defined contribution plans (€ 13,604 thousand at 31 December 2018), **(v)** € 12,075 thousand to fair value of commodities and other financial instruments (€ 12,488 thousand as at 31 December 2018).

The deferred taxes allocation fund includes in particular the deferred taxes tied to differences existing between the economic-technical amortisation portions applied to depreciable assets and tax portions. Uses in the period totalling € 9,946 thousand and allocations amounting to € 3,772 thousand contributed to this item.

The following table details the changes in this item:

€ thousand	2018		Changes in 2019					Balance
	Balance	Change in scope of consolidation	Adjustments/Reclassifications	Changes in shareholders' equity	Uses	Rate adjustment	IRES/IRAP provisions	
Prepaid taxes								
Tax losses	132	0	0	0	(113)	0	1,302	1,321
Remuneration of BoD members	16	0	0	0	0	0	44	60
Provisions for risks and charges	26,064	0	0	0	(4,029)	0	2,127	24,162
Impairments of receivables and equity investments	63,085	0	0	0	(6,520)	0	2,326	58,891
Depreciation/amortisation	122,899	0	17,778	0	(2,112)	0	6,435	144,999
Defined benefit and defined contribution plans	13,592	0	(52)	(1,212)	(1,191)	0	47	11,184
Tax assets on consolidation adjustments	5,955	0	(5,955)	0	0	0	0	0
Fair value commodities and other financial instruments	19,853	0	0	(415)	0	0	3	19,440
Others	61,456	204	2,002	(4,116)	(2,618)	0	(119)	56,809
Total	313,053	204	13,773	(5,744)	(16,583)	0	12,164	316,866
Deferred taxes								
Depreciation/amortisation	49,322	0	149	(94)	(7,673)	0	3,118	44,822
Defined benefit and defined contribution plans	(186)	0	(11)	(780)	(21)	0	77	(923)
Fair value commodities and other financial instruments	16,016	0	12,332	(825)	(393)	0	0	27,130
Others	20,539	0	(5,552)	(127)	(1,859)	0	577	13,579
Total	85,691	0	6,917	(1,826)	(9,946)	0	3,772	84,608
Net	227,362	204	6,855	(3,918)	(6,637)	0	8,392	232,258

The Group recognised deferred tax assets based on earnings forecasts in the Group's business plans, which confirm the probability that sufficient future taxable profit will be available against which all of the deferred tax assets recognised in the financial statements can be recovered.

22. Non-current financial assets - € 51,772 thousand

These amount to € 51,772 thousand (€ 55,831 thousand at 31 December 2018) and show a decrease of € 4,059 thousand due mainly to the change in receivables due from Roma Capitale for € 1,735 thousand, relating to new investments for the Public Lighting service, such as plant upgrading, energy savings, legislative adjustments and technological innovation, which will be paid to ACEA, for an amount equal to tax depreciation, after 2015, in compliance with the terms of the Supplementary Agreement to the service contract signed on 15 March 2011, and for € 2,231 thousand resulting from the application of the financial asset model envisaged by IFRIC 12, for the parent company, with respect to concession services. This receivable represents all the investments made up to 31 December 2010 related to the service itself.

23. Other non-current assets - € 385,529 thousand

At 30 June 2019, the breakdown was as follows:

€ thousand	30/06/19	31/12/2018	Change	% Change
Receivables due from the State	92	92	0	n.s.
Advances and deposits	1,187	1,006	182	18.1 %
Other receivables	442	366	75	20.6 %
Long-term receivables for tariff adjustments	270,011	286,103	(16,092)	(5.6%)
Long-term receivables for Regulatory Lag	103,575	80,020	23,555	29.4 %
Accrued income and prepayments	10,222	12,292	(2,070)	(16.8%)
Other non-current assets	385,529	379,878	5,651	1.5 %

This item also includes long-term receivables for tariff adjustments for € 270,011 thousand (€ 286,103 thousand at 31 December 2018) of the water companies while € 103,575 thousand (€ 80,020 thousand at 31 December 2018) are the receivables registered in areti for the regulatory lag.

24. Current assets - € 2,528,988 thousand

€ thousand	30/06/19	31/12/2018	Change	% Change
Inventories	53,155	48,789	4,365	8.9 %
Trade receivables:				
Receivables from customers	958,896	863,200	95,696	11.1 %
Receivables from Parent Company	72,924	52,513	20,411	38.9 %
Receivables from subsidiaries and associates	14,939	12,122	2,817	23.2 %
TOTAL TRADE RECEIVABLES	1,046,759	927,834	118,925	12.8 %
Other current receivables and assets	196,877	252,888	(56,011)	(22.1%)
Current financial assets	248,790	113,960	134,830	118.3 %
Tax receivables	2,434	9,756	(7,321)	(75.0%)
Cash and cash equivalents	980,973	1,068,138	(87,165)	(8.2%)
Current assets	2,528,988	2,421,364	107,623	4.4 %

24.a - Inventories

These amounted to € 53,155 thousand (€ 48,789 thousand at 31 December 2018); the breakdown by operating segment is as follows:

€ thousand	30/06/19	31/12/2018	Change	% Change
Environment	5,470	5,608	(137)	(2.5%)
Commercial and Trading	137	401	(265)	(66.0%)
Overseas	954	945	10	1.0 %
Water	13,525	9,217	4,307	46.7 %
Energy Infrastructure	29,104	30,293	(1,189)	(3.9%)
Engineering and Services	3,965	2,325	1,640	70.6 %
Parent Company	0	0	0	0 %
Total	53,155	48,789	4,365	8.9 %

The increase is essentially due to the increase in ACEA Ato2 (+ € 3,921 thousand) and TWS (+ € 1,640).

24.b - Trade receivables

These amounted to € 1,046,759 thousand, recording an increase of € 118,925 thousand compared to the previous year, when the figure was € 927,834 thousand.

€ thousand	30/06/19	31/12/2018	Change	% Change
Trade receivables	958,896	863,200	95,696	11.09%
Amounts due from Roma Capitale	72,924	52,513	20,411	38.87%
Receivables from subsidiaries and associates	14,939	12,122	2,817	23.24%
Current receivables	1,046,759	927,834	118,925	12.82%

Trade receivables

These amounted to € 958,896 thousand, recording a decrease of € 95,696 thousand compared to 31 December 2018.

€ thousand	30/06/19	31/12/2018	Change	% Change
Receivables due from end users for bills issued	360,200	307,075	53,124	17.3 %
Receivables due from end users for bills to be issued	442,434	411,299	31,135	7.6 %
Total receivables due from end users	802,634	718,374	84,259	11.7 %
Receivables from other customers	156,203	144,766	11,437	7.9 %
Other current receivables and assets	60	60	0	0 %
Total receivables	958,896	863,200	95,696	11.1 %

Receivables are shown net of the allowance for doubtful accounts which at 30 June 2019 amounted to € 677,521 thousand with a decrease of € 16,699 thousand compared to 31 December 2018.

The performance of receivables, both gross and net of the provision for the impairment of receivables, is shown below.

€ million	30/06/19			31/12/2018			Change		
	Gross receivables	Provision for write-downs	Net receivables	Gross receivables	Provision for write-downs	Net receivables	Gross receivables	Provision for write-downs	Net receivables
	(a)	(b)		(c)	(d)		(a)-(c)	(b)-(d)	
Environment	64,516	(4,431)	60,085	56,240	(4,400)	51,840	8,276	(31)	8,245
Commercial and Trading	523,731	(310,932)	212,799	540,076	(323,686)	216,389	(16,345)	12,754	(3,590)
Overseas	18,678	(12,609)	6,070	16,458	(8,218)	8,240	2,220	(4,391)	(2,170)
Water	801,042	(266,717)	534,326	726,119	(267,947)	458,172	74,924	1,230	76,154
Energy Infrastructure	223,532	(80,765)	142,767	213,786	(87,891)	125,895	9,746	7,126	16,872
Engineering and Services	3,438	(898)	2,540	2,753	(918)	1,835	685	20	705
Parent Company	1,480	(1,170)	310	1,989	(1,160)	829	(509)	(10)	(519)
Total	1,636,418	(677,521)	958,896	1,557,421	(694,220)	863,200	78,997	16,699	95,696

Environment segment receivables

These totalled € 60,085 thousand and increased by € 8,245 thousand compared to 31 December 2018, the increase being mainly attributable to Aquser for € 5,626 thousand and to ACEA Ambiente for € 1,591 thousand.

During the first six months of 2019, Acea Ambiente receivables were transferred without recourse for a total amount of € 6,271 thousand, all due from the Public Administration.

Commercial and Trading segment receivables

Receivables in this segment amounted to € 212,799 thousand and are primarily generated by the sale of electricity to the protected and free markets and by gas sales. The decrease compared to 31 December 2018 is equal to € 3,590 thousand, mainly attributable to Umbria Energy (- € 3,846 thousand) and Cesap Gas (- € 870 thousand) offset in part by ACEA Energia (+ € 1,133 thousand). The provision for impairment of receivables at 30 June 2019 amounted to € 310,932 thousand, with a decrease net of uses of € 12,754 thousand compared to 31 December 2018, mainly attributable to ACEA Energia.

During the first six months of 2019, Acea Energia's receivables were assigned without recourse for a total amount of € 155,610 thousand.

Overseas segment receivables

These amount to a total of € 6,070 thousand, down € 2,170 thousand compared to 31 December 2018, mainly due to Aguas de San Pedro.

Water segment receivables

These amount to a total of € 534,326 thousand and show an increase of € 76,154 thousand compared to 31 December 2018, mainly attributable to ACEA ATO2 and ACEA ATO 5 for € 27,709 thousand and € 16,626 thousand respectively and for € 28,838 to the consolidation of GORI.

The increase in receivables – gross of the provision – of € 74,924 thousand is mainly attributable to Gori (+ € 33,608 thousand), ACEA ATO2 (+ € 25,038 thousand) and ACEA ATO 5 (+ € 14,424 thousand).

The provision for impairment of receivables at 30 June 2019 amounted to € 266,717 thousand, with a decrease net of uses of € 1,230 thousand compared to 31 December 2018. The change is mainly attributable to ACEA Ato2 (- € 2,671 thousand) and ACEA Ato5 (- € 2,202 thousand), offset by the consolidation of Gori, which increased the allowance for doubtful accounts by € 4,770 thousand.

In the first six months of 2019, Acea Ato2 receivables totalling € 122,310 thousand were transferred “pro-soluto”, € 13,788 thousand to the Public Administration.

Energy Infrastructure segment receivables

These amount to € 142,767 thousand with an increase of € 16,872 thousand compared to 31 December 2018, which refers to areti for € 14,003 thousand. The increase in gross receivables (+ € 9,746 thousand) refers to € 7,862 thousand for the effects to areti deriving from the regulatory changes contained in Resolution no. 654/2015/R/eel of ARERA, which led to the registration of income deriving from the elimination of regulatory lag. For more detail, please see the comments on the performance of the business segments.

The allowance for doubtful accounts at 30 June 2019 totalled € 80,765 thousand, a decrease of € 7,126 thousand due to areti of € 5,870 thousand.

In the first six months of 2019, areti receivables totalling € 318,758 thousand were transferred pro-soluto, € 107,527 thousand to the Public Administration.

Engineering and Services segment receivables

These totalled € 2,540 thousand and did not change significantly compared to 31 December 2018.

Parent Company receivables

These totalled € 0.3 thousand, recording a decrease of € 0.5 thousand compared to 31 December 2018. The provision for doubtful accounts amounted to € 1.2 thousand, unchanged compared to 31 December 2018.

Receivables from the Parent Company Roma Capitale

Trade receivables due from Roma Capitale totalled € 72,887 thousand at 30 June 2019 (€ 52,485 thousand at 31 December 2018).

The total amount of receivables (including short-term and medium/long term financial receivables resulting from the public lighting contract) was € 200,231 thousand compared to € 155,993 thousand at the end of the previous year.

As better detailed in the notes to the consolidated financial statements as at 31 December 2018. As part of the activities required for the first consolidation of the Acea Group in the 2018 Financial Statements of Roma Capitale, a round table was launched to reconcile the receivables and payables between Roma Capitale and the Acea Group. After several meetings and exchanges, Roma Capitale expressed various objections concerning the supply of both works and services for the 2008-2018 period. These objections were fully rejected by the Acea Group. However, in order to identify a complete resolution of the divergences, a joint Acea Group - Roma Capitale Committee was launched to settle the various claims. At present, the parties are continuing to reconcile their respective items.

Given the uncertainty over the full recovery of receivables due from Roma Capitale, the Acea Group has prudently drawn up its best estimate of their recovery, updating the assessments already carried out, in particular with reference to the receivables relating to the Public Lighting service for the periods prior to 31 December 2017.

The following table presents an analysis of receivables and payables, including those of a financial nature, between Acea Group and Roma Capitale, as regards both net credit exposure and debt exposure, including financial items.

€ thousand	30/06/19	31/12/2018	Change	% Change
RECEIVABLES	200,231	155,993	44,238	28.4 %
PAYABLES (including dividends)	(198,382)	(108,063)	(90,319)	83.6 %
Balance (Receivables - Payables)	1,849	47,930	(46,081)	(96.1%)

The following tables also provide a breakdown of Group receivables/payables due from/to Roma Capitale. Receivables are expressed net of the related provision for doubtful accounts which at 30 June 2019 amounted to € 53,548 thousand (€ 51,534 thousand at 31 December 2018).

Amounts due from Roma Capitale	30/06/19	31/12/2018	Change
Utility receivables	75,542	55,639	19,903
Provisions for write-downs	(9,315)	(9,315)	(1)
Total receivables from users	66,226	46,324	19,903
Receivables for water works and services	3,779	3,274	505
Receivables for water works and services to be invoiced	1,248	1,542	(294)
Provisions for write-downs	(1,897)	(1,897)	0
Receivables for electrical works and services	3,857	3,568	289
Provisions for write-downs	(326)	(326)	0
Total receivables for works	6,661	6,161	500
Total trade receivables	72,887	52,485	20,402
Financial receivables for Public lighting services billed	117,900	99,110	18,790
Provisions for write-downs	(30,152)	(30,152)	0
Financial receivables for Public lighting services to be billed	34,491	25,697	8,794
Provisions for write-downs	(11,857)	(9,843)	(2,014)
M/L term financial receivables for Public lighting services	16,962	18,697	(1,735)
Total public lighting receivables	127,344	103,508	23,836
Total Receivables	200,231	155,993	44,238

Payables due to Roma Capitale	30/06/19	31/12/2018	Change
Electricity surtax payable	(15,251)	(15,252)	1
Concession fees payable	(92,896)	(79,839)	(13,057)
Other payables	(10,767)	(12,972)	2,205
Dividend payables	(79,468)	0	(79,468)
Total payables	(198,382)	(108,063)	(90,319)
Net balance receivables payables	1,849	47,930	(46,081)

The change in receivables and payables results from items accrued in the period, there not having been any payments/collections or offsets, except for the payment of the Cosap of areti for € 1,400 thousand.

In HI 2019, the stock of trade receivables recorded growth of € 20,402 thousand compared to the previous year, mainly due to the increase in receivables for water accounts.

As regards financial receivables, growth of € 23,836 thousand was recorded compared to the previous year, to be attributed to the accrual during the period of receivables relative to the public lighting service agreement, to the modernisation of security, to extraordinary maintenance, to the LED plan agreement and to the works relating to the public lighting service.

Compared to the previous year, there was an overall increase of € 90,319 thousand in payables. The main changes are listed below:

- ✓ recognition of the payable for ACEA's share dividends accrued in 2018 of € 77,114 thousand, as resolved by the Shareholders in April 2019;
- ✓ registration of the portion accrued for the concession fee of ACEA Ato2 for HI of € 13,057 thousand;
- ✓ inclusion of the debt for ACEA Ato2 security dividends accrued in 2018 equal to € 2,354 thousand;
- ✓ reduction in payables relating to authorisations for excavations defined as new road cables regulations for € 2,205 thousand.

Trade receivables from associates and joint ventures

€ thousand	30/06/19	31/12/2018	Change	% Change
Receivables from Associates	5,870	6,314	(443)	(7.0%)
Receivables from jointly controlled entities	9,069	5,808	3,261	56.1 %
Total	14,939	12,122	2,817	23.2 %

Receivables from associates

These amount to € 5,870 thousand (€ 6,314 thousand at 31 December 2018) and refer mainly to receivables from: (i) Umbriadue to I.W.S. for € 4,223 thousand and, (ii) ACEA to Marco Polo for € 1,236 thousand.

Receivables from joint ventures

These amounted to € 9,069 thousand (€ 5,808 thousand at 31 December 2018) and increased by € 3,261 thousand. They refer to amounts due from companies consolidated using the equity method. In particular, the balance is made up of receivables recorded by ACEA from its subsidiaries for € 9,016 thousand, and this item refers to receivables

deriving from the allocation of costs incurred for the Acea 2.0 programme, representing the allocation of the investment in the joint venture.

24.c - Other current receivables and assets

€ thousand	30/06/19	31/12/2018	Change	% Change
Receivables from others	177,152	225,142	(47,990)	(21.3%)
Accrued income and prepayments	19,725	19,196	530	2.8 %
Payables arising from commodity derivatives	0	8,550	(8,550)	(100.0%)
Total	196,877	252,888	(56,011)	(22.1%)

Receivables from others

These totalled € 177,152 thousand, with breakdown of the main contributing items as follows:

€ thousand	30/06/19	31/12/2018	Change	% Change
Receivables due from the Equalisation Fund	28,611	54,147	(25,536)	(47.2%)
Receivables from Equalisation Fund for Tariff Contribution from cancellation	590	2,823	(2,233)	(79.1%)
Other receivables from Equalisation Fund	5,654	11,718	(6,064)	(51.7%)
Regional grants receivable	10,252	10,252	0	0
Receivables from Equitalia	110	96	14	14.0%
Security deposits	3,245	2,988	257	8.6%
Receivables from social security institutions	1,784	2,780	(996)	(35.8%)
Receivables from individual transfers	2,184	2,192	(8)	(0.4%)
Suppliers' advances	911	775	136	17.5%
Receivables due from Municipalities	12,172	11,589	584	5.0%
Receivables from Factor from the sale	(148)	62	(211)	n.s.
Receivables for accrued Green Certificates	12,583	9,438	3,145	33.3%
Receivables from staff	7	3	3	96.6%
Receivables for advances to employees	361	60	300	n.s.
Other Tax Receivables	15,285	31,640	(16,356)	(51.7%)
Other receivables	83,552	52,936	30,616	57.8%
Total	177,152	193,501	(16,349)	8.4%

Accrued income and prepaid expenses

These amounted to € 19,725 thousand (€ 19,196 thousand at 31 December 2018) and refer mainly to rent on public land, lease payments and insurance.

24.d - Current tax assets

These amounted to € 2,434 thousand (€ 9,756 thousand at 31 December 2018) and include IRAP and IRES receivables:

24.e - Current financial assets

€ thousand	30/06/19	31/12/2018	Change	% Change
Financial receivables from the Parent Company	110,345	84,783	25,563	30.2 %
Financial receivables from subsidiaries and associates	13,900	2,306	11,594	n.s.
Financial receivables from third parties	124,545	26,871	97,674	n.s.
Total	248,790	113,960	134,830	118.3 %

Financial receivables from the Parent Company Roma Capitale

These amounted to € 110,345 thousand, recording an increase of € 25,563 thousand compared to 31 December 2018. They represent the unconditional right to receive cash flows in line with the methods and timing envisaged in the service agreement for public lighting management. Further details are provided in the note "Receivables due from the Parent Company Roma Capitale".

Financial receivables from associates and joint ventures

These amount to € 13,900 thousand (€ 2,306 thousand at 31 December 2018) and refer mainly to the 2018 dividends approved and not yet paid by the companies consolidated using the equity method.

Financial receivables from third parties

These amounted to € 124,545 thousand (€ 26,871 thousand at 31 December 2018) and are mainly broken down as follows:

- € 100,000 thousand for two short-term deposit lines of the Parent Company;

- € 10,700 thousand recorded in ACEA Ato5. This amount refers to the receivable from the ATO and accrued over three years; one-third of the above amount was due December 31 of each year, with the first instalment due on 31 December 2007. The Settlement Agreement entered into by the Company and the ATO concerns the issue of higher operating costs incurred in the 2003-2005 period and provides for the recognition of higher costs net of sums relating to **(i)** the tariff portion - corresponding to amortisation/depreciation and return on inflated invested capital - relating to the investments set out in the Area Plan and not carried out in the first three-year period **(ii)** the portion of inflation accrued on concession fees and **(iii)** fines for the non-fulfilment of contractual obligations in the three-year period, For more information, see the section “*Update on the main legal disputes and lawsuits*”.
- € 5,161 thousand accrued for the management of the public lighting service;
- € 3,535 thousand recorded in Ecogena for finance leases issued for the cogeneration plants built.

24.f - Cash and cash equivalents

The balance at 30 June 2019 of bank current accounts and postal accounts, opened with the various banks and Post Offices by the consolidated companies, except by companies held for sale, amounted to € 980,973 thousand. A breakdown and changes in this item by operating segment are shown in the table below:

€ thousand	30/06/19	31/12/2018	Change	% Change
Environment	2,334	2,773	(439)	(15.8%)
Commercial and Trading	3,879	7,218	(3,340)	(46.3%)
Overseas	4,234	4,735	(501)	(10.6%)
Water	58,476	50,362	8,114	16.1 %
Energy Infrastructure	5,772	15,104	(9,332)	(61.8%)
Engineering and Services	8,148	9,395	(1,247)	(13.3%)
Parent Company	898,130	978,552	(80,422)	(8.2%)
Total	980,973	1,068,138	(87,165)	(8.2%)

25. Non-current assets held for sale/Liabilities directly associated with assets held for sale - € 0 thousand

The item is equal to zero at 30 June 2019, at 31 December 2018 including the recognition of € 183 thousand as the fair value of the repurchase commitment, if certain contractual conditions are not satisfied, as a result of the possible exercise of the put option granted to the buyer of the PV business unit, and the recognition of € 37 thousand for the amount due to the buyer for the repayment of equity corresponding to the plants subject to the put.

Liabilities

At 30 June 2019 these amounted to € 8,494,679 thousand (€ 8,157,061 thousand at 31 December 2018), recording an increase of € 337,618 thousand (4.1 %) over the previous year, and are broken down as follows.

€ thousand	30/06/19	31/12/2018	Change	% Change
Shareholders' equity	1,895,884	1,903,491	(7,607)	(0.4%)
Non-current liabilities	4,107,254	3,962,864	144,390	3.6 %
Current liabilities	2,491,541	2,290,670	200,871	8.8 %
Liabilities directly associated with assets held for sale	0	37	(37)	(100.0%)
Total Liabilities	8,494,679	8,157,061	337,618	4.1 %

26. Shareholders' equity - € 1,895,884 thousand

At 30 June 2019, shareholders' equity amounted to € 1,895,884 thousand (€ 1,903,491 thousand at 31 December 2018). Changes in shareholders' equity during the period are shown in the appropriate statement.

Share capital

This amounts to € 1,098,899 thousand, represented by 212,964,900 ordinary shares with a par value of € 5.16 each, as shown in the Shareholders' Register. The share capital is subscribed and paid-up in the following manner:

- ✦ **Roma Capitale: 108,611,150** ordinary shares with an overall par value of € 560,434 thousand;
- ✦ **Market: 103,935,757** shares for a total par value of € 536,309 thousand;
- ✦ **Treasury shares: 416,993** ordinary shares for a total par value of € 2,151 thousand.
- ✦ **AMA: 1,000** shares for a total par value of € 5 thousand.

Legal reserve

The legal reserve includes 5% of the profits from previous years, in accordance with article 2430 of the Italian Civil Code, and it refers to the legal reserve of the parent company ACEA amounting to € 119,336 thousand.

Other reserves and retained earnings

At 30 June 2019 this item amounted to € 348,304 thousand against € 247,793 thousand at 31 December 2018.

The increase of € 100,510 thousand, in addition to the allocation of the result of the previous year, mainly derives from: **i)** distribution of dividends of the parent company for € 150,909 thousand, **ii)** decrease in cash flow hedge reserves of financial instruments and commodities for € 4,075 thousand; and **iii)** decrease in actuarial gains and losses on employee benefits of € 2,985 thousand.

At 30 June 2019 ACEA held 416,993 treasury shares to be used for future medium/long-term incentive schemes. At this time there are no medium/long-term share-based payment schemes planned.

Minority interests

These amounted to € 186,380 thousand, an increase of € 12,528 thousand. The difference between the two periods under comparison mainly reflects the combined effect of the portion of net profit attributable to minority interests and the decrease in shareholders' equity as a result of the distribution of dividends from net profit for 2018.

27. Staff termination benefits and other defined benefit plans - € 104,781 thousand

At 30 June 2019, this item amounted to € 104,781 thousand (€ 103,930 thousand as at 31 December 2018) and represents termination and other benefits payable to employees on retirement or termination of employment.

The following table shows the change in actuarial liabilities during the period.

€ thousand	30/06/19	31/12/2018	Change	% Change
Benefits due at the time of termination of employment				
- Employee severance indemnity	67,758	65,902	1,857	2.8 %
- Extra months	10,557	10,461	96	0.9 %
- Long-Term Incentive Plans (LTIP)	1,793	2,009	(216)	(10.8%)
Post-employment benefits				
- Tariff subsidies	24,672	25,558	(885)	(3.5%)
Total	104,781	103,930	851	0.8 %

In addition to the provision which, pursuant to the revised legislation on Termination Benefits, consists of the employee termination benefits accrued until 31 December 2006, the change reflects the revised discount rate used for the valuation according to IAS 19.

As required by paragraph 78 of IAS 19, the interest rate used to calculate the present value of the obligation was based on returns, at the end of the reporting period, on securities of major companies listed on the same financial

market as Acea, and on returns on government bonds in circulation at the same date that have terms to maturity similar to the residual term of the liability for the workforce in question.

As regards the economic and financial scenario, the following table shows the main parameters used for the evaluation.

	June 2019	December 2018
Discount Rate	1.00%	1.57%
Revenue growth rate (average)	1.59%	1.59%
Long-term inflation	1.50%	1.50%

With regard to the measurement of the Group Employee Benefits (Employee severance indemnity (TFR), Monthly bonuses, tariff subsidies for current and retired staff) a sensitivity analysis was performed to assess the changes in the liability resulting from both positive and negative shifts of the rate curve (+0.5% shift /- 0.5% shift). The results of this analysis are summarised below.

Type of plan	+0.5%	-0.5%
	€ million	€ million
Employee severance indemnities (TFR)	-3.5	+3.8
Tariff subsidies	-0.3	+0.3
Extra months	-0.0	+0.2

Furthermore, a sensitivity analysis was performed related to the age of the group, hypothesizing a group one year younger than the actual one. Sensitivity analyses were not performed for other variables such as, for example, inflation rate.

Type of plan	-1 year of age
	€ million
Employee severance indemnities (TFR)	-0.9
Tariff subsidies	-1.2
Extra months	+0.7

28. Provision for risks and charges - € 194,257 thousand

At 30 June 2019 the provision for risks and charges amounted to € 194,257 thousand (€ 136,651 thousand at 31 December 2018). The change mainly concerns the provision for the estimate of taxes for the period of € 68,251 thousand.

The following table shows a breakdown of provisions and movements in the period:

€ thousand	31/12/2018	Uses	Provisions	Payment of Redundancy Funds	Reclassifications/ Other changes	30/06/19
Legal	13,198	(633)	1,431	(192)	41	13,846
Taxes	10,728	(814)	64	0	(41)	9,936
Regulatory risks	26,556	(524)	887	(6)	0	26,913
Investees	7,732	0	0	0	(270)	7,462
Contributory risks	1,076	(15)	12	0	(9)	1,064
Insurance excess	9,580	(1,111)	1,346	0	0	9,815
Other risks and charges	23,461	(907)	1,074	(443)	(1,599)	21,586
Total Provision for Risks	92,332	(4,004)	4,814	(641)	(1,879)	90,622
Early retirements and redundancies	25,651	(11,696)	419	0	1,508	15,881
Post mortem	16,709	0	0	0	(118)	16,591
Provision for Settlement Charges	275	(158)	0	0	(12)	104
Provision for Charges of others	1,685	(883)	1,670	0	335	2,807
Provision for interim taxes	0	0	68,251	0	0	68,251
Provisions for restoration charges	0	0	0	0	0	0
Total Provision for Charges	44,319	(12,737)	70,340	0	1,712	103,635
Total Provisions for Risks and Charges	136,651	(16,742)	75,155	(641)	(166)	194,257

ACEA considers that the settlement of ongoing disputes and other potential disputes should not create any additional charges for Group companies, with respect to the amounts set aside, which represent the best estimate possible on the basis of elements available as of today.

For further information please refer to the section "Update on major disputes and litigation".

29. Non-current borrowings and financial liabilities - € 3,461,973 thousand

€ thousand	30/06/19	31/12/2018	Change	% Change
Bonds	2,753,332	2,678,392	74,940	2.8 %
Medium/long-term borrowings	708,641	695,743	12,898	1.9 %
Total	3,461,973	3,374,134	87,839	2.6 %

The figures in the table include the fair value, at 30 June 2019, of hedging instruments entered into by Acea and certain Group companies which are shown separately from the hedged instrument in the table below.

€ thousand	Hedged instrument	Derivative fair value	30.06.2019	Hedged instrument	Derivative fair value	31.12.2018
Bonds	2,730,260	23,072	2,753,332	2,656,605	21,787	2,678,392
Medium/long-term borrowings	707,088	1,553	708,641	693,682	2,061	695,743
Non-current borrowings and financial liabilities	3,437,348	24,625	3,461,973	3,350,287	23,848	3,374,134

The impact of IFRS 16 on medium/long-term loans is € 51,474 thousand (for further details see the section "Effects deriving from the introduction of new accounting standards").

Bonds

On 23 May 2019, ACEA successfully completed the placement of a non-convertible bond for a total principal amount of € 500 million, maturing on 23 May 2028 and at a rate of 1.750%, under the € 3,000,000,000 Euro Medium Term Notes (EMTN) programme, with the Base Prospectus as last amended on 18 July 2018 and subsequently supplemented on 15 May 2019. It should be noted that following the update of the EMTN programme, specifically in July 2019, it was raised to € 4,000,000,000. The bonds are governed by English law. Starting from the settlement date, the bonds are listed on the regulated market of the Luxembourg Stock Exchange, where the prospectus was filed.

The 10-year bond issued by ACEA in March 2010, maturing on 16 March 2020, was reclassified as a short-term position. Its value (including the costs associated with the stipulation) is € 422,672 thousand. Interest accrued during the period amounted to € 9,419 thousand. This residual debt, after the purchase and cancellation of bonds for a nominal value of € 77,225 thousand on 24 October 2016,

Bonds amounted to € 2,753,332 thousand (€ 2,678,392 thousand at 31 December 2018) and refer to the following:

- **€ 596,220** thousand (including the long-term portion of the contract related costs) relating to the 10-year fixed rate bond issued by ACEA in July 2014, as part of the Euro Medium Term Notes (EMTN) programme of

€ 1.5 billion. The bonds, which have a minimum denomination of € 100,000 and expire on 15 July 2024, pay an annual gross coupon of 2.625% and were placed at an issue price of 99.195%. The effective gross yield at maturity is equal to 2.718%, corresponding to a yield of 128 basis points above the 10-year midswap rate. The bonds are governed by English law. The settlement date was 15 July 2014. Interest accrued during the period amounted to € 7,810 thousand;

- **€ 493,265** thousand (including the long-term portion of the costs attached to the contract) relating to the bond issued by Acea in October 2016 for the EMTN programme for a total amount of € 500,000 with a 10-year fixed-rate duration. The bonds, which have a minimum denomination of € 100,000 and expire on 24 October 2026, pay an annual gross coupon of 1% and were placed at an issue price of 98.377%. The bonds are governed by English law. The settlement date was 24 October 2016. Interest accrued during the period amounted to € 2,479 thousand;
- **€ 162,963** thousand relating to the Private Placement which, net of the Fair Value of the hedge, a negative € 20,576 thousand, amounted to **€ 183,539** thousand. This fair value is allocated to a specific equity reserve. A suitable exchange reserve includes the exchange rate difference, a negative € 2,100 thousand, of the hedged instrument calculated on 30 June 2019. The exchange rate at 30 June 2019 amounted to € 122.66 against € 125.83 at 31 December 2018. Interest accrued during the period amounted to € 2,015 thousand. This is a private bond (Private Placement) for an amount of 20 billion Japanese Yen with a maturity of 15 years (2025). The Private Placement was underwritten entirely by a single investor (AFLAC). Coupons are paid on a semi-annual basis every 3 March and 3 September applying a fixed rate in Yen of 2.5%. At the same time, a cross currency transaction was carried out to transform the Yen currency into Euro and the Yen rate applied in a fixed rate in Euro. The cross currency transaction requires the bank to pay ACEA, with a deferred semi-annual maturity, 2.5% out of 20 billion Japanese Yen, while ACEA must pay the bank the coupons on a quarterly basis postponed to a fixed rate of 5.025%. The loan agreement and the hedging contract contain an option, respectively, for the investor and the agent bank, connected to the trigger rating: the debt and its derivative can be recalled in their entirety in the event that ACEA's rating falls below the level of investment grade or in the event that the debt instrument loses its rating. At the end of 2018 the conditions for the possible exercise of the option did not occur.
- **€ 299,318** thousand (including the long-term portion of the costs associated with the stipulation) relating to the bond loan issued by ACEA on 1 February 2018 with a maturity of 5 years at a variable rate (Euribor 3 months +0.37%) under the EMTN programme. Interest accrued during the period amounted to € 91 thousand;
- **€ 688,115** thousand (including the long-term portion of the costs associated with the stipulation) relating to the bond loan issued by ACEA on 1 February 2018, with a fixed rate of 1.5% for the duration of 9.5 years under the EMTN programme. Interest accrued during the period amounted to € 5,205 thousand;
- **€ 492,877 thousand** (including the long-term portion of the costs associated with the stipulation) relating to the bond loan issued by ACEA on 23 May 2019, with a fixed rate of 1.75% for the duration of 9.5 years under the EMTN programme. Interest accrued during the period amounted to € 932 thousand.

The following is a summary of the bonds, including the short-term portion:

€ thousand	Gross Payables ^(*)	FV hedging instrument	Interest accrued ^(**)	Total
Bonds:				
Issued in 2010	422,470	0	5,562	428,032
Issued in 2014	595,386	0	15,146	610,531
Private Placement issued in 2014	162,947	20,576	632	184,155
Issued in 2016	492,263	0	3,425	495,687
Issued in 2018	985,699	0	688	986,387
Issued in 2019	492,040	0	932	492,973
Total	3,150,805	20,576	26,385	3,197,766

^(*) including amortised cost

^(**) including rates on hedging instruments

Medium/long-term borrowings (including short-term portions)

These totalled € 784,150 thousand (€ 1,016,921 thousand at 31 December 2018) and include: (i) principal outstanding falling due beyond twelve months amounting to € 657,181 thousand (€ 695,743 thousand at 31 December 2018), (ii) the portions of the same borrowings falling due in the 12 months thereafter, totalling € 75,509 thousand (€ 321,178 thousand at 31 December 2018) including the fair value portion, negative for € 1,553 thousand, of derivative instruments opened to hedge interest and exchange rate risks; (iii) debt for the medium/long-term portion of the financial liability relating to the application of IFRS 16 as from 1 January 2019, amounting to € 51,460 thousand.

The decrease, which primarily refers to the parent company ACEA, is mainly due to the repayment of two loans maturing in January and June 2019, amounting to € 100 million and € 150 million respectively.

The following table shows medium/long-term borrowings by maturity and type of interest rate:

Bank Loans:	Total Residual Debt	By 30.06.2020	from 30.06.2020 to 30.06.2024	After 30.06.2024
fixed rate	235,039	23,888	104,769	106,382
floating rate	475,267	43,285	227,704	204,278
floating rate to fixed rate	22,384	8,336	14,048	0
Total	732,690	75,509	346,521	310,660

The fair value of ACEA hedging derivatives was a negative € 1,553 thousand, decreasing by € 508 thousand compared to 31 December 2018 (negative for € 2,061 thousand).

The Group's principal medium/long-term borrowings are subject to covenants to be complied with by the borrowing companies in accordance with normal international practices.

In particular, the loan taken out by areti is subject to a financial covenant expressed in the current agreement as a two decimal places ratio of 0.65 between net financial debt and the sum of net financial debt and shareholders' equity, which must not be exceeded at the end of each reporting period. This ratio must be complied with by both the borrowing company and the Acea Group. The ratio, calculated with the same criteria as the aforementioned agreement, has been complied with in 2018.

The loan agreements entered into by the Parent Company envisage:

- standard Negative Pledge and Acceleration Events clauses;
- clauses requiring compulsory credit rating monitoring by at least two major agencies;
- clauses requiring the company to maintain a credit rating above certain levels;
- the obligation to arrange insurance cover and maintain ownership, possession and usage of the works, plant and machinery financed by the loan through to the maturity date;
- periodic reporting requirements;
- clauses giving lenders the right to call in the loans on the occurrence of a certain event (i.e. serious errors in the documentation provided when negotiating the agreement, default on repayments, the suspension of payments), giving the bank the right to call in all or a part of the loan.

During the year there was no evidence that any of the covenants had not been complied with.

Information on the fair value of the above borrowings is provided in the section "Additional disclosures on financial instruments and risk management policies".

The table below shows the fair value of borrowings broken down by type of loan and interest rate as at 30 June 2019. The fair value of medium/long-term debt is calculated on the basis of the risk-free and the risk-adjusted interest rate curves. As regards the type of hedge for which the fair value is calculated and with reference to the hierarchies required by the IASB, given they are composite instruments, they are categorised as level 2 in the fair value hierarchy.

Bank Loans:	Amortised cost	RISK LESS FV	Delta	RISK ADJUSTED FV	Delta
	(A)	(B)	(A)-(B)	(C)	(A)-(C)
Bonds	2,753,332	3,533,236	(779,904)	3,308,720	(555,388)
fixed rate	235,039	293,579	(58,540)	279,376	(44,337)
floating rate	475,267	486,438	(11,171)	484,529	(9,262)
floating rate to fixed rate	22,384	22,615	(230)	22,362	22
Total	3,486,022	4,335,867	(849,845)	4,094,988	(608,965)

30. Other non-current liabilities - € 346,243 thousand

€ thousand	30/06/19	31/12/2018	Change	% Change
Advances received	145,454	146,229	(776)	(0.5)%
Water and electrical connection fees	74,471	54,603	19,868	36.4 %
Equipment and capital grants	125,928	119,417	6,511	5.5 %
Accrued liabilities and deferred income	390	27,899	(27,509)	(98.6)%
Total other liabilities	346,243	348,148	(1,905)	(0.5)%

Advances from end users and customers

Advances include: (i) the amount of the security deposits and consumption advances of the water companies and (ii) the amount of the deposits concerning the liabilities for advances on electricity consumption paid by the customers on the Enhanced Protection market and interest-bearing under the conditions envisaged by the rules of the ARERA (resolution no. 204/99). The following table provides the breakdown by operating segments:

€ thousand	30/06/19	31/12/2018	Change	% Change
Environment	3	2	1	47.6 %
Commercial and Trading	37,848	39,187	(1,339)	(3.4)%
Water	104,073	102,863	1,210	1.2 %
Energy Infrastructure	2,431	3,525	(1,094)	(31.0)%
Engineering and Services	1,099	652	447	68.6 %
Total	145,454	146,229	(776)	(0.5)%

Capital grants and connection fees

They amount to € 74,471 thousand (€ 54,603 thousand as at 31 December 2018) and refer mainly to the contribution grants of ACEA Ato2 for € 30,656 thousand, *areti* for € 29,330 thousand, ACEA Energia for € 9,330 thousand and ACEA Ato5 for € 4,759 thousand.

They are further comprised of € 125,928 thousand (€ 119,417 thousand on 31 December 2018) related to payments on behalf of plants registered in the liabilities annually attributed by share to the income statement in relation to the duration of the investment to which the issuance of the contribution is connected. The amount recognised as income is determined on the basis of the useful life of the asset it refers to.

31. Current liabilities - € 2,491,541 thousand

€ thousand	30/06/19	31/12/2018	Change	% Change
Financial payables	662,096	408,675	253,422	62.0%
Trade payables	1,462,028	1,524,876	(62,849)	(4.1%)
Tax Payables	19,215	27,750	(8,535)	(30.8%)
Other current liabilities	348,202	329,369	18,833	5.7%
Current liabilities	2,491,541	2,290,670	200,871	8.8%

31.a - Financial payables

€ thousand	30/06/19	31/12/2018	Change	% Change
Payables to banks for short-term credit lines	8,145	4,549	3,596	79.1%
Payables due to banks for financing	75,509	321,178	(245,669)	(76.5%)
Short-term bonds	444,434	26,088	418,346	n.s.
Payables to the parent company Municipality of Rome	79,586	420	79,167	n.s.
Payables to subsidiaries and associates	596	596	0	0
Payables to third parties	53,826	55,844	(2,018)	(3.6%)
Total	662,096	408,675	253,422	62.0%

Payables for short-term bank credit lines

These amount to € 8,145 thousand (€ 4,549 thousand at 31 December 2018) and show an increase of € 3,596 thousand, mainly attributable to the ACEA Parent Company.

Payables due to banks for financing

These amounted to € 75,509 thousand (€ 321,178 thousand at 31 December 2018), and refer to the current portion of bank loans falling due within twelve months. The change is mainly attributable to the Parent Company, in particular the combined effect of the reclassification to the short-term portion of the two financing lines of Intesa SanPaolo and UBI Banca, respectively due on 21 June and 2 January 2019 totalling € 250,000 thousand.

Short-term bonds

These amounted to € 444,434 thousand (€ 26,088 thousand at 31 December 2018). The increase in short-term bonds is due to the reclassification of the bond issue maturing on 16 March 2020.

Payables to the Parent Company Roma Capitale

These amount to € 79,586 thousand (€ 420 thousand at 31 December 2018) and increased as a result of the dividends approved by the Parent Company and ACEA Ato2.

Payables to subsidiaries and associates

These amount to € 596 thousand and have not changed since the end of the previous year.

Payables to third parties

These amounted to € 53,826 thousand (€ 55,844 thousand at 31 December 2018). The item can be represented as follows:

€ thousand	30/06/19	31/12/2018	Change	% Change
Dividends payable to shareholders	145	130	15	11.9%
Environment	97	97	0	0
Water	31	31	0	0.7%
Energy Infrastructure	0	0	0	n.s.
Engineering and Services	0	0	0	n.s.
Parent Company	17	2	15	n.s.
Payables to third parties	53,680	55,714	(2,034)	(3.7%)
Environment	663	2,784	(2,121)	(76.2%)
Commercial and Trading	14,235	17,306	(3,071)	(17.7%)
Overseas	1,203	361	842	n.s.
Water	9,732	7,782	1,950	25.1%
Energy Infrastructure	25,026	25,722	(696)	(2.7%)
Engineering and Services	443	0	443	n.s.
Parent Company	2,378	1,760	618	35.1%
TOTAL	53,826	55,844	(2,018)	(3.6%)

Payables to third parties recorded a decrease of € 2,018 thousand, mainly due to the reduction in payables to factors for the sale of receivables. IFRS 16 contributed to the increase in debt by € 5,351 thousand.

31.b - Trade payables

€ thousand	30/06/19	31/12/2018	Change	% Change
Payables to suppliers	1,338,849	1,413,928	(75,079)	(5.3%)
Payables to the parent company	118,796	107,644	11,152	10.4%
Payables to subsidiaries and associates	4,383	3,305	1,078	32.6%
Trade payables	1,462,028	1,524,876	(62,849)	(4.1%)

Payables to third-party suppliers

Payables to suppliers amounted to € 1,338,849 thousand. The decrease of € 75,079 thousand is the result of contrasting factors, as highlighted below per business segment:

- **Environment:** the growth of € 4,057 thousand is mainly attributable to Aquaser (+ € 4,391 thousand), partly offset by the reduction in ACEA Ambiente (- € 1,355 thousand);
- **Commercial and Trading:** € 42,562 thousand decrease, compared to 31 December 2018, primarily for Acea Energia;
- **Water:** the decrease of € 7,052 thousand compared to 31 December 2018 is mainly due to ACEA Ato2 (- € 19,360 thousand) and ACEA Ato5 (- € 4,316 thousand), partially offset by an increase in GORI's payables (+ € 14,671 thousand);
- **Overseas:** an increase of € 1,607 thousand mainly for Agua de San Pedro (+ € 1,343 thousand);
- **Energy Infrastructure:** decreased by € 18,310 thousand compared to 31 December 2018, mainly due to areti (+ € 21,233 thousand);
- **Engineering and Services:** a decrease of € 1,332 thousand due to Acea Elabiori
- **Parent Company:** decreased by € 11,487 thousand compared to 31 December 2018.

The Group has entered into factoring agreements, typically in the reverse factoring technical form. On the basis of the contractual structures in place the supplier has an option sell, at its discretion, the receivables from the company to a lending bank. In some cases, the payment deadline set in the invoice is further deferred by agreement between the supplier and the Group; these delays are granted against payment of a fee.

If the payment has been deferred, a quantitative analysis is performed aimed at verifying whether the change of contractual terms is material; this is made through a quantitative test in accordance with the provisions of IAS 39 AG62. In this context, the relationships for which the primary obligation with the supplier is maintained and the deferral of the payment deadline, if granted, does not involve a substantial change in payment terms, retain their nature and are therefore classified as trade payables.

Trade payables due to the Parent Company Roma Capitale

These amounted to € 118,796 thousand and are commented on with the trade receivables in paragraph 30 of these notes.

Trade payables to subsidiaries and associates

€ thousand	30/06/19	31/12/2018	Change	% Change
Payables to subsidiaries	3,664	2,549	1,115	43.8 %
Payables to associates	719	756	(37)	(4.9%)
Total	4,383	3,305	1,078	32.6 %

Payables to subsidiaries include payables to companies consolidated under the equity method, including Ingegnerie Toscane (€ 2,300 thousand), while payables to associates are mainly due to payables of the Parent Company due to the associated company Citelum Napoli Pubblica Illuminazione.

31.c - Tax payables

These amounted to € 19,215 thousand (€ 27,750 thousand at 31 December 2018) and include IRAP and IRES payables: The provision for the estimate of taxes for the period is classified under the item "Provisions for risks and charges".

31.d - Other current liabilities

These are equal to € 348,202 thousand and are represented as follows:

€ thousand	30/06/19	31/12/2018	Change	% Change
Payables to social security institutions	23,328	22,232	1,096	4.9%
Accrued liabilities and deferred income	24,894	31,407	(6,513)	(20.7%)
Other current liabilities	299,980	275,729	24,250	8.8%
Total	348,202	329,369	18,833	5.7%

Payables to social security institutions

These amounted to € 23,328 thousand (€ 22,232 thousand at 31 December 2018); their breakdown by operating segment is as follows:

€ thousand	30/06/19	31/12/2018	Change	% Change
Environment	1,117	1,202	(84)	(7.0%)
Commercial and Trading	2,202	1,968	234	11.9 %
Overseas	108	84	25	29.3 %
Water	9,267	7,966	1,301	16.3 %
Energy Infrastructure	6,307	6,572	(265)	(4.0%)
Engineering and Services	991	883	108	12.3 %
Parent Company	3,337	3,559	(222)	(6.2%)
	23,328	22,232	1,096	4.9 %

Accrued liabilities and deferred income

This item amounted to € 24,894 thousand (€ 31,407 thousand at 31 December 2018). The change is mainly due to areti.

Other current liabilities

These amounted to € 299,980 thousand, an increase of € 24,250 thousand compared to 31 December 2018. The entry is made up as follows:

€ thousand	30/06/19	31/12/2018	Change	% Change
Payables to Equalisation Fund	62,968	53,552	9,415	17.6%
Payables to municipalities for concession fees	54,913	44,502	10,411	23.4%
Payables for collections subject to verification	12,272	7,430	4,842	65.2%
Payables due to personnel	34,596	47,474	(12,877)	(27.1%)
Other payables to Municipalities	32,335	31,024	1,312	4.2%
Payables to Equitalia	3,382	2,275	1,108	48.7%
Welfare contribution payables	(71)	(126)	55	(43.6%)
Payables for environmental premium Art. 10 of ATI4 agreement of 13/08/2007	512	487	26	5.3%
Payables for purchase of surface rights	255	383	(129)	(33.5%)
Payables to end users for refund of Tariff Component as per referendum outcome	9	9	(0)	(0.1%)
Payables for the purchase of a business unit	0	1,156	(1,156)	(100.0%)
Other payables	98,807	87,564	11,243	12.8%
Other current liabilities	299,980	275,729	24,250	8.8%

The change, amounting to € 24,250 thousand, mainly refers to the combined effect of the following opposite factors:

- +€ 10,411 thousand for higher payables to municipalities for concession fees due to ACEA Ato2 (+€ 6,435 thousand) and ACEA Ato5 (+€ 3,824 thousand);
- - € 12,877 thousand for lower payables to employees for the payment of the performance bonus;
- + € 9,415 thousand in payables to the Compensation Fund mainly for areti;
- + € 4,842 thousand for higher payables for collections subject to verification mainly attributable to Acea Energia.

Commitments and contingencies

Endorsements, sureties and guarantees

At 30 June 2019 they totalled € 338,357 thousand (€ 330,901 thousand at 31 December 2018) and showed a reduction of € 7,456 thousand.

The balance is made up of:

- ✦ € 98,749 thousand for guarantees in the interest of Acea Energia mainly for Terna, Eni Trading & Shipping, ERG Power Generation, ENGIE (EX EDF) and ASM Terni relating to the contract for the electricity transport and dispatching service;
- ✦ € 68,277 thousand for the Sole Purchaser and in the interests of Acea Energia as a back-to-back guarantee relating to the electricity sale agreement signed between the parties;
- ✦ € 53,666 thousand in the form of a guarantee issued by ACEA to Cassa Depositi e Prestiti (the Deposit and Loans Account) in relation to refinancing of the loan issued to areti. This is a sole guarantee giving the lender first claim and covering all obligations linked to the original loan (€ 493 million). The sum of € 53,666 thousand refers to the guaranteed portion exceeding the loan originally disbursed (€ 439 million);
- ✦ € 30,756 thousand issued by insurance companies on behalf of Acea Ambiente (formerly ARIA) in relation to waste collection plants (€ 7,138 thousand), waste collection plants with electricity production (€ 3,933 thousand) and to the Umbria region for the management of operational and post-operative activities of the landfill (€ 16,715 thousand);
- ✦ the guarantee of € 30,000 thousand in favour of Enel Trading in the interests of Acea Energia as a back-to-back guarantee on electrical energy trading transactions;
- ✦ the guarantee of € 20,000 thousand for Enel Trade in the interest of Acea Energia as a back-to-back guarantee on electricity and gas trading transactions;
- ✦ € 15,220 thousand for the guarantees issued for areti in favour of Terna relative to the electricity transmission service contract;
- ✦ € 2,701 thousand for the bank guarantee issued in favour of Roma Capitale in relation to the "Progetto Tecnologico" contract for the construction of the new multi-service pipe network of Via Tiburtina and adjacent streets, in the interest of areti;
- ✦ € 4,000 thousand relating to the bank guarantee issued for Roma Natura in connection with works to upgrade the network in the Marcigliana Reserve;
- ✦ € 3,712 thousand for the guarantee issued in favour of Italgas SpA in the interest of Acea Energia, renewed in October 2014;
- ✦ € 1,295 thousand relating to the bank guarantee issued by Banco Bilbao Vizcaya Argentaria in favour of the GSE for the correct fulfilment of the obligation for Acea Ambiente (formerly ARIA) to make the reimbursement to the GSE;
- ✦ € 6,306 thousand concerning ACEA Ato5, and specifically a guarantee required obligatorily by art. 31 of the Technical Regulation, released by UNICREDIT in favour of the AATO, calculated on 10% of the three-year average of the Financial Plan - Tariff of the Framework Plan of the AATO.

Service Concession Arrangements

The Acea Group operates water, environmental and public lighting services under concession. It also manages the selection, treatment and disposal of urban waste produced in municipalities in ATO 4 Ternano–Orvietano through Acea Ambiente.

As for the water segment, the Acea Group provides the **Integrated Water Service (IWS)** under a concession arrangement in the following regions:

- Lazio, where Acea Ato2 S.p.A. and Acea Ato5 S.p.A. provide services in the provinces of Rome and Frosinone, respectively,
- Campania where Gori S.p.A. provides services in the area of the Sorrento Peninsula and Capri island, the Vesuvio area, the Monti Lattari Area, as well as in the hydrographic basin of the Sarno river,
- Tuscany, where the Acea Group operates in the province of Pisa, through Acque S.p.A., in the province of Florence, through Publiacqua S.p.A., in the provinces of Siena and Grosseto, through Acquedotto del Fiora S.p.A. in the province of Arezzo through Nuove Acque S.p.A. and in the province of Lucca and periphery through GEAL S.p.A.,
- Umbria where the Group operates in the province of Perugia through Umbra Acque S.p.A., and Terni through S.I.I. ScpA.

The Group is also in charge of several former CIPE services in the province of Benevento with GESESA S.p.A. and in the municipalities of Termoli and Campagnano with Crea Gestioni S.p.A.

For additional information on the legislative and regulatory framework, please refer to the Report on Operations.

Public Lighting - Rome

The service is carried out by the Parent Company based on a deed of concession issued by Roma Capitale for a period of thirty years (from 1 January 1998). No fee was paid for this concession, which is implemented through a special service agreement, which given its concessionary nature, expires on the same date of the concession (2027). The service agreement envisages, among other clauses, an annual update of the fee concerning consumption of electricity and maintenance and the annual increase of the lump-sum fee in relation to the new lighting installed.

Furthermore, the investments required for the service may be **(i)** applied for and funded by the Municipality or **(ii)** financed by ACEA. In the former case, such works will be paid based on a price list agreed by the parties (and subject to review every two years) and will result in a percentage decrease in the ordinary fee. In the latter case, the Municipality is not bound to pay a surcharge; however, ACEA will be awarded all or part of the savings expected in both energy and economic terms according to pre-established methods.

Upon natural or early expiry - also due to cases envisaged under Decree Law no. 138/2011 - ACEA will be awarded an allowance corresponding to the residual carrying amount, that will be paid by the Municipality or the incoming operator if this obligation is expressly set out in the call for tenders for the selection of the new operator.

Lastly, the contract sets out a list of events that represent a reason for advance revocation of the concession and/or termination of the contract by the will of the parties. Among these events, reference is made to newly arising needs linked with public interests, according to which ACEA has the right to receive an allowance according to the product, that is discounted based on the percentage of the annual contractual amount and the number of years until expiry of the concession.

On the basis of the number of public lighting plants as at 31 December 2009, the supplemental agreement establishes the ordinary annual fee as € 39.6 million, including all costs relative to the provision of electricity to supply the plants, ordinary operations and ongoing and extraordinary maintenance.

In June 2016, ACEA and Roma Capitale signed a private agreement aimed at regulating commitments and obligations arising from the implementation of the LED Plan and, consequently, amending Article 2.1 of the Supplementary Agreement signed in 2011.

More specifically, the agreement provides for the installation of 186,879 fittings (which became 182,556 at the request of Roma Capitale), in the number of 10,000 per month starting thirty days after the signing of the agreement; the price was set at € 48.0 million for the entire LED Plan. 10% of the price will be paid in advance and the remaining part on the basis of specific bimonthly progress certificates, to be paid by Roma Capitale within thirty days following the closing of the progress certificate for 80%, and within fifteen days after verification of the same progress certificate for the remaining 15%. The agreement also provides for incentive/penalty mechanisms based on higher/lower than planned installations every two months and for a reduction of the fee paid by Roma Capitale to the extent of 50% of the economic value of Energy Efficiency bonds due to Acea for the LED Project.

As a result of the implementation of the LED Plan, the parties partially amended Article 2.1 of the 2011 Supplementary Agreement with reference to the price list and the composition of the service management fee.

Integrated Water Service

Lazio – ACEA Ato2 S.p.A. (Ato 2 - Central Lazio - Rome)

Acea Ato2 provides integrated water services on the basis of a thirty-year agreement signed on 6 August 2002 by the company and Rome Provincial Authority (representing the Authority for the ATO comprising 112 municipalities, including Roma Capitale). In return for award of the concession, Acea Ato2 pays a fee to all the municipalities based on the date the related services are effectively acquired, which is expected to occur gradually: to date, the survey work (including that for municipalities already taken over) has been completed for 96 municipalities out of 112, equivalent to around 3,869,179 residents (source ISTAT 2011).

As at 31 December 2018 the managed territory underwent changes with respect to 31 December 2017 following the acquisition of the Municipalities of Civitavecchia and Morlupo.

With regard to the tariffs, it is known that the ARERA – in resolution 572 dated 13 November 2018 – approved the tariff update for 2018-2019 as proposed by the Conference of Mayors and the Presidents of the Provinces of ATO2 Central Lazio; the essential contents are summarised below:

- the recognition of costs for the improvement of technical quality introduced by ARERA resolution 917/2017;
- the definitive recognition of the adjustment components of the charges connected to systemic changes relating to the management/maintenance of water kiosks and to the acquisition of new contracts after the postponement of the approval of the 2016-2017 tariff;
- the recognition of the OPsocial component introduced by ARERA Resolution 918/2017 to cover the charges deriving from the possible payment of the water bonus to disadvantaged users;

On 9 January 2019 ACEA Ato2 requested ARERA to warn the Conference of Mayors of ATO2 against adopting the new tariff structure not approved by the Conference of Mayors (of 15 October and 13 December 2018). The Authority determined the maximum values of the tariff multipliers, confirming the values of 2018 and 2019, substantially confirming those established before the update when approving the 2016-2017 tariff proposal, in particular:

- ✓ 1.000 for the year 2016;
- ✓ 1.048 for the year 2017;
- ✓ 1.107 for the year 2018;
- ✓ 1.171 for the year 2019.

Pending the adoption of the new tariff structure, with effect from 1 January 2019 ACEA Ato2 applies the tariff increase of 5.96%, as approved by ARERA with resolution 674/2016, confirmed by resolution 572/2018.

On the basis of ARERA Resolution 572/2018, the revenue for the period amounting to € 298.1 million was valorised. This includes the estimate of the adjustments of passing items, the FoNI component (€ 14.5 million) and the bonus due to the Operator for achieving the improvement standards compared to that envisaged by the ARERA in Resolution 655/2015 (€ 16.8 million including customer indemnities). The bonus accrued during the period represents the best estimate made on the basis of the effective measurement of the performance level and the expected level.

Lazio – ACEA Ato5 S.p.A. (Ato5 - Southern Lazio - Frosinone)

Acea Ato5 provides integrated water services on the basis of a 30-year agreement signed on 27 June 2003 by the Company and Frosinone Provincial Authority (representing the Authority for the ATO comprising 86 municipalities). In return for being awarded the concession, Acea Ato5 pays a fee to all the municipalities based on the date the related services are effectively acquired.

The management of the integrated water service in the territory of ATO 5 - Southern Lazio-Frosinone involves a total of 86 municipalities for a total population of around 490,000 inhabitants, about 474,071 inhabitants supplied and a number of end users equal to around 200,479.

To date the completion of said process has not occurred for the Municipalities of Palliano. Below is a description of the main events during the period:

Municipality of Palliano: in November 2018 the Council of State finally decided on the appeal filed by the Municipality of Palliano against the decision of the Regional Administrative Court no. 6/2018 – which upheld the appeal filed by the Company against the Municipality of Palliano, in order to obtain the annulment of the measure by which the Municipality opposed its refusal to transfer the service – with decision no. 6635/2018 rejected the appeal filed by the Municipality of Palliano and consequently upheld the decision handed down by the Regional Administrative Court of Latina, reaffirming that the safeguard regime granted to AMEA was "limited to a period of three years from the date of signing of the Management Agreement between AATO5 and ACEA Ato5; this deadline therefore expired in 2006, so that, after that date, AMEA's management was to be considered without title".

Since ACEA Ato5 has so far failed to initiate compliance proceedings with a view to verifying the voluntary compliance of the Municipality, which is suitable for preventing the possible appointment of an acting commissioner

as has already happened in similar cases, a series of meetings have taken place at the Operational Technical Secretariat of AATO5 Lazio Meridionale - Frosinone aimed at seeking an amicable settlement of the dispute and at initiating the preparatory activities for the transfer to ACEA Ato5 of the management of the IWS in the Municipality of Paliano. In this perspective, the Parties – with minutes of 26 November 2018 and 29 November 2018 – performed the update of the previous survey of networks and existing plants in the Municipality of Paliano, necessary for the management of the IWS.

Also, following the meeting of 12 June 2019, having analysed the activities to be implemented in order to formalise the transition to ACEA Ato5 of the IWS of the Municipality of Paliano, the Parties scheduled a subsequent meeting for 25 June 2019 in order to arrive at the signing of the report of handover of the works and plants related to the management of the IWS.

With regard to the appeal filed by the Municipality of Paliano before the Lazio Regional Administrative Court - detached section of Latina (docket number 708/2018) against the provision of 27 April 2018 by which AATO5 rejected the request for protection presented by the aforesaid Municipality – served to the Company, as the other party to the proceedings, on 2 July 2018 – it should be noted that although this is an issue related to the main appeal before the Council of State, which to date has been concluded with sentence no. 6635/2018, which rejected the appeal filed by the Municipality of Paliano against sentence no. 6/2018 of the Latina Regional Administrative Court, the Company deemed it appropriate to appear before the court. Today we are still awaiting scheduling of the hearing.

Municipality of Cassino: as part of the process of aggregation of the management of Southern Lazio ATO5 – Frosinone, it should be noted that the Company, following the publication of sentence no. 2532/2017 issued by the Council of State – since 1 July 2017 has assumed the management of the IWS for users located in the centre of the Municipality of Cassino.

The aforementioned transfer of management involved approximately 13,000 users, resulting in a greater organisational impact for the manager, with particular reference to the billing and user management processes, thus determining the need for a real new census of the users.

In consideration of the elements represented above and the problems that arose, the manager found it impossible to guarantee the adaptation of the new users to the contractual quality requirements, especially with regard to the critical issues affecting billing, contractual changes, call centres and complaints (likely huge flow of incoming contacts in the first period), separate management, branches, emergency service and user management.

Therefore, on 27 February 2018, with protocol no. 48514, ACEA Ato5 submitted a request to the EGA through the Operational Technical Secretariat to present to the Regulatory Authority for Energy Networks and the Environment (ARERA), pursuant to article 3.2 of Resolution 655-2015 and with reference only to the IWS management of the Municipality of Cassino for an exemption from the application of the RQSII for a period of 12 months starting from 1 July 2017.

On 10 April 2018, with protocol no. 3869 the Operational Technical Secretariat, communicating to share the request of the Manager, asked ARERA to recognise this exemption for a period of 12 months starting from 1 July 2017.

Since the aforementioned request has a legal basis in article 3.2 of Resolution 655-2015, which expressly states that *"If the manager proves that it cannot comply with this provision, the Governing Body of the relevant territory, in agreement with the IWS manager, has the right to present a grounded request for exemption to the Authority for a maximum period of twelve (12) months, in order to guarantee the manager the necessary time to adapt its IT and management systems to the contractual provisions"*, it is likely that it will be accepted. In any case, since ARERA has not yet received a reply to this effect, in the 2018 financial statements the Company has prudently set aside the amount accrued as a commercial indemnity for the water utilities of the Municipality of Cassino for € 0.7 million.

With reference to the **tariffs**, as is known, in the session of 1 August 2018 the Mayors' Conference approved among other things the 2018-2019 tariff update and the following multipliers

2016	2017	2018	2019
1.080	1.166	1.260	1.360

The basic contents are summarised below:

- ✓ confirmation of the valorisation of the FNI component on the basis of the parameter ψ of 0.4;
- ✓ recognition of a default rate of 6.93% in partial acceptance (instead of 7.1%) of the grounded request presented by the Company
- ✓ recognition of the $Opex_{qc}$ component for the improvement of contractual quality levels
- ✓ recalculation of the values of the VRG (restriction on the admissible revenues) relating to the period from 2012 to 2017 following the ARERA prescriptions defined with Determination DSAI/42/2018/IDR.

On the basis of the tariff update approved by the Conference of Mayors on 1 August 2018, the revenues for the period have been quantified and amount to € 38.9 million including the estimate of the adjustment of passing items and the FoNI component of € 5.2 million.

Tariff adjustments amount to € 90.1 million based on the recalculation carried out as a result of the credit adjustment for bills to be issued to users after the audit carried out by ARERA for the years 2012-2017 and the subsequent tariff update of 1 August 2018 by the EGA.

With regard to **relations with AATO5**, the Company has tried to reach a settlement of the various disputes pending against the Area Authority, convinced of the need to put an end to a very long season of clear conflict between the Granting Body and the Licensee Company, culminating with the resolution passed by the Conference of Mayors of ATO5 aimed at the termination of the Management Agreement that forced the Company to appeal to the Latina Regional Administrative Court that annulled the above resolution.

In this context, in recent years and especially during 2018 an enormous effort has been made – including organisational efforts – to reconstruct the relations between the Company, the Area Authority and the individual Municipal Administrations of ATO5.

Similarly, the possibility of establishing a Conciliation Board with the Area Authority has therefore become concrete, with the aim of settling the main issues still in dispute by the parties.

In this regard, on 11 September 2018 AATO5 and the Company signed report no. 1 in which the parties expressed their mutual willingness to open a Conciliation Board on:

- case pending before the Court of Frosinone, docket no. 1598/2012 on concession fees 2006-2011. This question consists in ascertaining that the concession fees for the period 2006-2011 have been paid in full: while ACEA Ato5 claims to have paid the entire amount due, the Area Authority claims that it is still owed more (€ 1,751,437.89). The dispute is the subject of a case pending before the Court of Frosinone;
- verification of the actual use of the sums paid by ACEA Ato5 to the Area Authority as a fee pursuant to art. 13 of the Integrated Water Service Management Agreement. In the meantime this matter has been substantially settled by the parties, given the recalculation of the concession fee;
- settlement of the dispute related to the 2007 transaction, which is the subject of judgement no. 304/2017 of the Court of Frosinone, appealed by ACEA Ato5 to the Rome Court of Appeals (docket no. 6227/2017). The first hearing of the appeal proceedings is scheduled for 20 November 2020, and ACEA Ato5 – even though it considered the above sentence to be incorrect and therefore appealed it – nevertheless pointed out that ACEA Ato5 did not in any way deny the existence of the receivable claimed by the Manager and therefore claims the right to recover the receivable itself, also fearing further initiatives to protect the interests of the Company. The Operational Technical Secretariat has expressed its willingness to ask the Conciliation Board to study the Manager's claim, even from a legal point of view;
- damage suffered by ACEA Ato5 as a result of delays in the delivery of services by the municipalities of Cassino, Atina and Paliano;
- handover of the ASI and Cosilam plants;
- penalties applied by AATO5 against the Manager and annulled by the Latina Administrative Court by judgement no. 638/2017;
- interest for late payment of concession fees by ACEA Ato5;
- the Manager's repayment plan to the Area Authority for the debt positions relating to the concession fee.

Also in minutes no. 1 of 11 September 2018, the Parties shared the rules for appointing the Conciliation Board, specifying that:

7. it shall be called upon to verify the possibility of an attempt at an amicable settlement between the Parties with respect to all and/or even some of the above matters;
8. after an extensive investigation that must concern all the individual points under examination, the Conciliation Board must present the Parties with a proposal for conciliation;
9. the Parties will be free to accept or reject the conciliation proposal presented by the Conciliation Board, i.e. to accept it in full or even only in part, without any obligation to give their reasons;
10. therefore, the appointed Board will have the task of carrying out a preliminary activity on behalf of both Parties with respect to the matters entrusted to it, without prejudice to subsequent decisions that will be left to the individual Parties;
11. the conciliation proposal presented by the Board and, more generally, the report and/or deeds drawn up by the Board may not be used in judicial proceedings by one Party against the other as a possible recognition of its own reasons and/or those of others;
12. the appointed Board does not act as an Arbitration Board.

The Parties also shared the criteria for the appointment of the Board and, in particular, each Party appointed its own member.

The Chairman of the Conciliation Board was selected by the Prefect of Frosinone, at the joint request of the Parties, and was jointly appointed on 16 May 2019.

The Board was officially established on 27 May 2019.

See also the section entitled "Significant events in H1 2019 and later" for the Water industrial segment.

Campania - GORI S.p.A. (Sarnese Vesuviano)

GORI provides integrated water services in 76 municipalities in the provinces of Naples and Salerno, on the basis of a thirty-year agreement signed on 30 September 2002 by the company and the Sarnese Vesuviano Area Authority. GORI pays a fee to the grantor of the concession (the Sarnese Vesuviano Area Authority), based on the date the right to manage the related services is effectively acquired. The area of operations has remained essentially unchanged compared to the previous year, since the process of acquiring management is now complete. In fact, 76 municipalities are managed, i.e. all those falling under ATO3 in the Campania Region.

Tariffs: Litigation with ARERA

In March 2013, GORI – as well as many Italian water service operators and various consumer associations – filed an appeal before the Lombardy Regional Administrative Court, Milan, to obtain the annulment of part of the resolution of ARERA 585/2012/R/idr (Transitional Tariff Method) and subsequently part of resolution 643/2013/R/idr (Water Tariff Method), as well as further resolutions related to the latter. More specifically, some aspects of the Transitional Tariff Method and the Water Tariff Method for the first regulatory period 2012-2015 were challenged, especially in view of the fact that it was considered that these tariff methods penalised operators by not guaranteeing full coverage of costs and, more generally, the prescribed economic-financial balance of the management of the IVWS.

With sentence no. 1010 of 23/04/2014, the Milan Regional Administrative Court partially upheld the appeal, and at present the judgement is pending before the Council of State following the outcome of the appeal filed by both ARERA and the Company (for the reform of the judgement in the part that did not accept the appeal). At present, the Council of State is awaiting the filing of the ruling, having held a public hearing on 13 June 2019 to discuss the merits of the case.

The Company also appealed before the Lombardy Regional Administrative Court against the resolution of ARERA 664/2015/R/idr "Approval of the water tariff method for the second regulatory period MTI-2", the resolution of ARERA 655/2015/R/idr "Regulation of the contractual quality of the integrated water service or of each of the individual services that compose it" (subsequently, with additional grounds, the Determination of ARERA 6 December 2016, no. 5/2016 - DSID, concerning "Definition of data collection procedures for the purpose of the survey on the efficiency of the integrated water service and the related quality regulation for the year 2015 and for the first half of 2016") as well as, in continuation with the previous appeals, the resolution of ARERA 917/2017/R/idr "Regulation of the technical quality of the integrated water service or of each of the individual services that compose it (RQTI)" and the resolution of ARERA 918/2017/R/idr "Bi-annual updating of the tariff arrangements for the integrated water service"; in particular:

- with regard to Resolutions 664/2015/R/idr, 917/2017/R/idr and 918/2017/R/idr, the grounds for appeal essentially concerned the following issues: (i) financial charges/ERPs; (ii) rainwater regulation, in terms of competence and responsibility (which would be allocated to the operators of the IVWS); (iii) non-recognition of financial charges on adjustments; (iv) provision for the establishment of a cap for adjustments; (v) regulation of provisions and funds; (vi) CCN and other water activities; (vii) arrears; (viii) cost freeze to be recognised in the wholesale supply tariff;
- with regard to Resolution 655/2015/R/idr and Determination 5/2016-DSID, the grounds for appeal concerned the rules governing the point of delivery of the aqueduct.

At present, for the aforementioned judgements – with the exception of the judgement concerning resolution 917/2017/R/idr – the Administrative Judge is expected to set the public hearing for the discussion of the merits. With regard to the proceedings concerning Resolution 917/2017/R/idr, we are awaiting the filing of the sentence, given that the public hearing to discuss the merits of the case was already held on 17 April 2019.

Tariffs: ARERA resolution 63/2018/S/idr of 8 February 2018

As a result of the sanction procedure initiated against the Company by Resolution 380/2014/S/idr and considering that the Company had breached the provisions on tariff regulation, ARERA imposed a pecuniary administrative sanction of € 491,000 and prescribed the return of the amounts charged to users for a purification tariff (fixed quota and part of the variable quota) for the years 2012 and 2013, in violation of art. 9, paragraph 1, of resolution 585/2012/R/idr. The Company filed an appeal with the Lombardy Regional Administrative Court in Milan asking that this resolution be voided, and at this time the Company is waiting for a public hearing to be scheduled to discuss the merits of the case. It should be noted that GORI has already complied with the requirements established by ARERA by returning the amount specified in resolution 63/2018/S/idr to users.

AGCM: Action brought against the Measure of the Antitrust Authority served on 29 January 2016

During 2015, the Antitrust Authority (hereinafter "AGCM" or "Antitrust Authority") initiated proceedings to verify the existence of violations of articles 20, paragraphs 2-3, 21, paragraph 1, letters b), c), d), e), f), g) and 22,

paragraphs 1 and 2, 24 and 25 of Italian Legislative Decree no. 206 of 6 September 2005 ("Consumer Code") by the Company in its conduct with respect to users of the IWS of ATO 3. As a result of this procedure, pursuant to art. 27, paragraph 9, of the Consumer Code, the Authority adopted measure no. 25790 on 16/12/2015 (served on 25/01/2016) with which it sanctioned GORI for a total of € 500,000. GORI filed an objection to the ruling with the Lazio Regional Administrative Court, Rome, for which, at present, the scheduling of a public hearing to discuss the merits of the case is still pending.

With regard to the revenues for HI 2019, they have been quantified on the basis of resolution 39/2018 of the Extraordinary Commissioner and amounted to € 92.4 million with theta equal to 1.248, showing that in order to achieve equilibrium financial management of the ATO3 in compliance with the restriction on the tariff increase within the maximum limit to the annual variation established by art. 3.2 of annex A to the resolution of ARERA 664/2015/R/idr and subsequent amendments, a remodulation of the VRG has been proposed through the regulatory postponement of the portion of the costs exceeding the maximum limit.

The VRG was also updated pursuant to art. 29.1 of Annex A of ARERA resolution no. 664/2015/R/idr and subsequent amendment. In fact, the aforementioned art. 29.1 envisages that, for the purposes of determining the VRG for the 2016-2019 regulatory period, some cost items (electricity cost, balance of payments and penalties, Authority contribution, cost of wholesale supplies, activity costs connected to the IWS due to systemic changes in the conditions of the service or to the occurrence of exceptional events) are subject to a final assessment, as adjustment components (Rc), relative to the year (a-2).

Relations with the Campania Region and with the licensee Acqua Campania

Last year relations were defined and normalised between the Company and the Campania Region (as well as its concessionaire for collections, Acqua Campania S.p.A.) with regard to regional supplies of "wholesale water" and "wastewater collection and treatment services" for the period from 1 January 2013 to the second quarter of 2018.

In particular, the Region, the EIC and GORI reached an overall agreement aimed at the complete implementation of the Integrated Water Service in the Sarnese-Vesuvian District Area within a framework of economic-financial management for its entire residual duration in pursuit of the objectives of social sustainability of the IWS tariff applied to users, realisation of the investments necessary for the improvement of the service, efficient management of the IWS infrastructure within the current scope, as well as the completion of the planned transfer programme of the feeders and treatment centres, with the related management.

Tariffs: Request for economic-financial rebalancing

First of all, it should be remembered that the Regulatory Authority for Energy Networks and Environment ("Authority" or "ARERA") has established: a first transitional tariff method for the years 2012 and 2013, issued with resolution 585/2012/R/idr ("Transitional Tariff Method" or "MTT"); a second water tariff method for the years 2014 and 2015 issued with resolution 643/2013/R/idr ("Water Tariff Method" or "MTI"); a third and currently applicable water tariff method for the second regulatory period 2016-2019 implemented with resolution 664/2015/R/idr, as amended by subsequent resolution 918/2017/R/idr ("Water Tariff Method - 2" or "MTI-2"). Based on the tariff method implemented by the Authority, the Area Government Body is required to prepare the Regulatory Scheme for the period of reference, which is then approved definitively by the Authority.

In fact, the Extraordinary Commissioner of the Sarnese Vesuviano Area Authority ("Commissioner" or "Area Authority"),⁴ in execution of the ARERA 664/2015/R/idr resolution, prepared the 2016-2019 Regulatory Scheme with resolution no. 19 of 8 August 2016 and then updated it, in execution of the ARERA 918/2017/R/idr resolution, with resolution no. 39 of 17 July 2018. With this last resolution: (i) the RCappr adjustment component was valued at € 216.9 million; (ii) the Operator's Revenue Constraint ("VRG") was recognised for the years 2016 (VRG: € 167.9 million); 2017 (VRG: € 183.1 million), 2018 (VRG: € 197.0 million) and 2019 (VRG: € 206.3 million) as well as the corresponding "tariff multipliers" for the 2018 financial years (ϑ 1.247505) and 2019 (ϑ 1.309880); (iii) it was decided to allocate the FoNI quota already envisaged for the year 2017 and not yet used to finance tariff reductions of a social nature; (iv) the additional Water Bonus was established with the valuation of the OPsocial cost component for the years 2018-2019; (v) table no. 2 was updated relating to accruals, amortisation, depreciation and separate loans for Municipalities of the Sarnese-Vesuvian District ("ATO 3"), i.e. the Area where GORI operates. In addition, the 2016-2019 Regulatory Scheme updated with Resolution 39/2018 – in consideration of the fact that the

⁴It should be noted that with the regional law 15/2015, the Campania Region has established the Ente Idrico Campano ("EIC") as a government body within the meaning of art. 147 of Italian Legislative Decree 152/2006, replacing the previous Area Authority established by the previous Regional Law 14/1997. It should be noted that pursuant to the Decree of the President of the Campania Regional Government no. 142 of 7 September 2018 (published in the BURC no. 65 of 10/09/2018), as of 1 October 2018, the Ente Idrico Campano assumed the functions and responsibilities of the Ente di Governo d'Ambito. Therefore, until 30 September 2018 these functions were exercised – with regard to the Sarnese-Vesuviano District of the Campania Region where GORI operates – by the Extraordinary Commissioner of the Ente d'Ambito Sarnese Vesuviano.

equalisation loan requested by the Area Authority of ARERA with commission resolution no.19/2016 has not yet been granted together with the other rebalancing measures pursuant to the resolution of the same Authority 656/2015/R/idr – was prepared on the basis of a plan aimed at the full implementation of the IWS of the Sarnese-Vesuvian District that guarantees, concurrently with economic-financial equilibrium: (a) the social sustainability of the Integrated Water Service (IWS) tariff applied to users, (b) the investments necessary for the improvement of the service as well as (c) the recovery of accumulated tariff adjustments. For these purposes, the current ATO 3 Regulatory Scheme has established the following objectives to be achieved to ensure, as mentioned, the full implementation of the IWS: (i) the transfer and increased efficiency of the "Regional Works", and, that is, it underlines, the water infrastructure falling within ATO 3 still under the management of the Campania Region and listed in the resolution of the Regional Council no. 243 of 24 May 2016 (hereinafter referred to as "Regional Works"); (ii) re-employment and relocation - always with a view to making the IWS more efficient. – the personnel assigned to the Regional Works in accordance with the procedures set forth in the agreements with the Trade Unions on the basis of aforementioned resolution of the Regional Council 243/2016 and the relevant Framework Agreement signed between the Campania Region and the Area Authority on the date 3 August 2016, implementing the same resolution 243/2016 (ii) the provision of instalment payment plans for the debts accrued by the Company – essentially due to the inadequacy of the tariff system effectively applied until 2016 – for regional wholesale supplies disbursed from 2013 onwards and the concurrent resolution of the complex legal dispute arising from the payment of such supplies of "wholesale water" and services of "collection and treatment of waste water".

Tariffs: Biennial update of the tariff arrangements of the integrated water service

As already mentioned, with resolution no. 39 of 17 July 2018 the Extraordinary Commissioner of the Ente d'Ambito Sarnese Vesuviano: (i) pursuant to resolution ARERA 918/2017/R/idr, updated the "Regulatory Scheme" of ATO3's Integrated Water Service already approved with previous commission resolution no. 19/2016; (ii) in particular, it updated the Intervention Programme, the tariff Plan, the Cash Flow Statement and the accompanying Methodological Report pursuant to art. 13.2, letter c), ARERA resolution no. 918/2017/R/idr; furthermore, for the purposes of the obligations of the Entity pursuant to art. 13.2, letter c), ARERA resolution no. 918/2017/R/idr, the Commissioner updated the "revenue constraint recognised to the manager" ("VRG") of ATO 3's IWS and the corresponding "tariff multipliers" for the financial years 2018 and 2019. Therefore, at present, the "tariff multipliers" for the regulatory period 2016-2019 are as follows: 2016 = 1.090000, 2017 = 1.188100, 2018 = 1.247505, 2019 = 1.309880.

It should be noted that the Extraordinary Commissioner of the Ente d'Ambito Sarnese Vesuviano updated the current "regulatory scheme" to the extent strictly necessary to enable the Ente Idrico Campano (i.e., as mentioned, the Ente di Governo d'Ambito della Regione Campania set up under Regional Law 15/2015) to make the relevant decisions. In this prudential perspective, within the framework of the Regulatory Scheme approved by the aforementioned Resolution 39/2018, the Extraordinary Commissioner of the Ente d'Ambito Sarnese Vesuviano adopted the following principal decisions:

- the tariff multipliers already determined with commission resolution no. 19/2016 for the years 2016-2019 to the extent of the maximum admissible limit, equal to 9% for the two-year period 2016-2017 and equal to 5% for the two-year period 2018-2019;
- the Intervention Programme already approved by Commission Resolution 19/2016 as part of the previous tariff preparation for the four-year period 2016-2019 was updated solely to take into account the investments necessary to ensure the timely implementation of regulatory obligations that occurred in the meantime as a result of ARERA resolutions on technical quality, tariff structure and social water bonus. Consequently, with respect to the proposed Intervention Programme presented by GORI, the "Intervention Programme" approved by the Area Authority, due to the need to (exclusively) guarantee the technical quality objectives recently imposed by ARERA – has been changed from € 122.1 million to € 141.8 million for the four-year period 2016-2019. In other words, for the period 2020-2032, in line with what was previously specified the Area Authority has deemed it appropriate to maintain the level of investments to be implemented starting from 2020, according to what is already envisaged in the Intervention Plan approved by commission resolution. no. 19/2016;
- as regards the hypothesis of transfer of the regional works, the update of the deliberated regulatory scheme took into account the impossibility of a complete and timely implementation of the time schedule annexed to the Framework Agreement signed on 3 August 2016 in execution of Regional resolution no. 243/2016, due to

the failure to define the request for access to the financial equalisation measures, which was an indispensable prerequisite for covering the greater charges deriving from the planned change in the scope. Therefore, the proposed update process took into account the works and infrastructure already transferred to GORI in the years 2016-2017-2018 and has substantially maintained the methods of transferring the plants that are still in the management of the Campania Region, with a delay of twenty-four months;

- as regards rebalancing measures, the update of the Regulatory Framework took into account the proposal of GORI for an industrial agreement submitted at the beginning of 2018 to the Campania Region, also valid as an update to the rebalancing measures included in the "Regulatory Scheme" approved with Commission resolution no. 19/2016, with the consequent reduction in the financial requirements to be met with access to the equalisation system financed by the Energy and Environmental Services Fund (CSEA) from € 243.9 million to € 100.0 million, compared to the request for access to the financial equalisation institution, formulated in the context of an update of the regulatory framework pursuant to resolution 39/2018;
- the recognition of the additional costs related to the activities carried out for the purpose of adapting to the commercial quality standards referred to in ARERA resolution 655/2015/R/idr and to the technical quality standards as per resolution 917/2018/R/idr, i.e. the OpexQCa and OpexQTa components of the OPEX have been quantified to the extent required by the Manager in the respective requests for recognition of the additional costs for adaptation to the quality standards set by the authority in the aforementioned resolutions; specifically, the higher charges recognised in the context of the Regulatory Framework update are equal to € 3.2 million for the OpexQc and for both years 2018 and 2019, as well as OpexQt 2018 equal to € 2.0 million and OpexQt 2019 equal to € 2.2 million;
- pursuant to the provisions of art. 23-ter of Annex A of Resolution 918/2017/R/idr, the Op_{Social} component was quantified at € 2.0 million per year for both 2018 and 2019 to cover charges related to the maintenance of improved benefits over the minimum required by the national regulation (so-called additional water bonus) and at the same time the FoNI tariff component was set to zero;
- as regards the recognition of the additional costs of arrears in the context of the update of the approved Regulatory Framework, implemented prudentially on the basis of the foregoing concerning the nature and limits of the updates formulated by Commission Management, the value of the already recognised arrears cost has been kept unchanged pursuant to art. 30.3 of Annex A to the ARERA resolution no. 664/2015/R/idr, with the aforementioned commissioner resolution no. 19/2016, within the following limits and subject to adjustment: year 2016 = 10%; year 2017 = 9%; year 2018 = 8%; year 2019 = 7.1%. The Application for the recognition of the actual cost of arrears for the years 2016 and 2017 and the statement relating to the request for the recognition of the actual cost of arrears for the years 2014 and 2015 prepared by the Manager pursuant to art. 30.3 of Annex A to the resolution of ARERA 643/2013/R/idr instead provided for the confirmation of the "recognition of a tariff component to cover arrears for the years 2014 and 2015 commensurate at least to a value of UR24 of 10%, unless then proceeding directly with the final adjustment assigning the value of the unpaid amounts for 48 months and the recognition of a tariff component to cover default costs for the years 2016 and 2017 commensurate at least to a value of UR24 of 10%, unless proceeding with a final adjustment assigning the value of the unpaid amounts for 48 months;
- the RCappr adjustment component was valued at € 216.9 million;
- the Regulatory Framework does not include the approval of the new tariff structure drawn up in accordance with the provisions of Resolution 665/2017/R/idr containing the Integrated Text for Water Services Charges (TICSI). The new fee structure was then adopted in accordance with the provisions of TICSI, with the further resolution of the Extraordinary Commissioner of the Ente d'Ambito Sarnese Vesuviano no. 40/2018 of 17 July 2018.

Still on the subject of tariffs, the Company appealed to the Regional Administrative Court of Campania, Naples for the cancellation of some parts of resolution 19/2016 (which approved the 2016-2019 Regulatory Scheme proposal pursuant to ARERA resolution 664/2015/R/idr), considering that some of the methods envisaged by this provision for the restoration/maintenance of the financial balance of management are not suitable.

For reasons related above all to the increase in tariffs (in particular due to the presumed illegitimacy of the required acts like the Area Plan), some Municipalities of ATO 3 and Federalberghi Campania have also challenged Resolution no. 19/2016 before the Campania-Naples Regional Administrative Court. At present, the public hearing to discuss the merits of the appeal presented by the Municipalities has not yet been scheduled, while the regional administrative court, with sentence no. 2437 of 8 May 2017, declared the appeal of the Federazione Albergatori

Penisola Sorrentina inadmissible ("due to lack of standing of the Federation, which cannot be recognised – in the absence of a specific statutory provision in this regard – to have the power of representation to protect the specific interests of the individual associates in this trial"). Against this sentence, the Federazione Albergatori Penisola Sorrentina presented an appeal to the Council of State which, with sentence no. 288/2019 of 14 January 2019, rejected it, confirming the decision of the lower court.

The revenues for HI 2019 have been quantified on the basis of resolution 39/2018 of the Extraordinary Commissioner and amounted to € 92.4 million with theta equal to 1.248, showing that in order to achieve equilibrium financial management of the ATO 3 in compliance with the restriction on the tariff increase within the maximum limit to the annual variation established by art. 3.2 of annex A to the resolution of ARERA 664/2015/R/idr, a remodulation of the VRG has been proposed through the regulatory postponement of the portion of the costs exceeding the maximum limit.

It should be noted that the Commissioner's resolution recognises, among other things, the following additional costs:

- Opex_{QC} concerning the activities undertaken for the fulfilment of the service quality standards defined by the ARERA in Resolution 655/2015/R/idr, with the recognition of that requested by the Operator in the request submitted to the Authority on 23 May 2015, drafted pursuant to art. 23.3 of Annex A to the resolution of ARERA 664/2015/R/idr for the recognition of the same costs;
- Opex_{QT} relating to the costs for the activities carried out for the purpose of adapting to the technical quality standards of the service, defined by ARERA with resolution 917/17/R/idr, with the acknowledgement of what was requested by the Operator in the application submitted to the Body on 18 May 2018, drafted pursuant to art. 23-bis of Annex A to ARERA Resolution 664/2015/R/idr and subsequent amendments;
- Op_{Social} are intended to finance tariff reductions that are better than the minimum envisaged by the national regulation (so-called supplemental water bonus);
- Op_{new} relating to the systematic change in the scope of the activities of the GORI Manager, mainly as a result of the transfer and consequent launch of the management of the Regional Works according to a transfer schedule.

The verification of the parameters for the identification of the regulatory quadrant and the presence of Op_{new} relating to systematic changes in the manager's activities in the "presence of the supply of a new service (e.g. treatment or sewerage for an operator whose management was previously limited to an aqueduct service, or, in other cases, in the presence of an expansion with a supply chain upstream)" pursuant to art. 23.5, letter d) of Annex A, ARERA Resolution 664/2015/R/idr, determined the placement in the sixth regulatory quadrant.

The OP_{new} taken into account in commissioner resolution no. 39 of 17 July 2018 relate to the transfer of the Regional Works according to a transfer schedule starting from October 2016, and to the operating costs for the management of the water pumping plants called "Monaco Aiello" and "Vigna Caracciolo", already recognised and carried out within the scope of the previous tariff preparation pursuant to Commissioner resolution no. 15 of 30 June 2015 and the subsequent elaborations prepared also by the Manager, and, finally, subject to ARERA's approval with resolution 104/2016/R/idr.

It should be noted that the aforementioned transfer schedule, the effects of which were included in full in the tariff proposal pursuant to commissioner resolution no. 39/2018 was in fact overcome by the signing of the Operational Agreement of 8 November 2018 between the Campania Region, Ente Idrico Campano and GORI. Among other things, the Operating Agreement redefined the timing of the transfer of the Regional Works to the Manager pursuant to the resolution of the Campania Regional Council 243/2016.

As at 31 December 2018 the Regional Works transferred to the Manager include: Mercato Palazzo water station with transfer in October 2016, the Boscotrecase and Cercola water stations with transfer in March 2018, the water plants related to the Nolan area with transfer in September 2018 and the Campitelli and Boccia a Mauro water stations to complete the Vesuvian Area with transfer in December 2018.

Therefore, the OP_{new}s taken into account for the determination of the revenues pertaining to 31 December 2018 and that are therefore fully covered in the VRG by the full cost recovery principle relate to the management costs of the Monaco Aiello and Vigna Caracciolo plants, the Campo Pozzi Mercato Palazzo, the water centres of Cercola and Boscotrecase, the water stations of the Water Area and the water plants of Campitelli and Boccia a Mauro, as well as the ex-Ausino feeder works and the former ARCADIS sewage pumping plants.

The VRG was also updated pursuant to art. 29.1 of Annex A of ARERA resolution no. 664/2015/R/idr and subsequent amendment. In fact, the aforementioned art. 29.1 envisages that, for the purposes of determining the

VRG for the 2016-2019 regulatory period, some cost items (electricity cost, balance of payments and penalties, Authority contribution, cost of wholesale supplies, activity costs connected to the IWS due to systemic changes in the conditions of the service or to the occurrence of exceptional events) are subject to a final assessment, as adjustment components (Rc), relative to the year (a-2).

As regards the calculation in the VRG for the costs for wholesale regional water supplies for the year 2018, the official tariff determined by the Authority for the Campania Region, with resolution 338/2015/R/idr was determined to be € 0.1638954/m³.

The pertinent cost at 31 December 2018 on the CO_{ws} relating to regional water supplies, according to the principle of full cost recovery, was approximately € 16.5 million, entered for the same amount in VRG and in the related costs.

As regards the CO_{ws} relating to the provision of waste-water collection and treatment services by the Campania Region, they were also determined on the basis of the quantification of the recognised costs.

To determine the relevant costs at 31 December 2018, according to the principle of full cost recovery, amounting to approximately € 13.7 million, reference was made to the tariff for wastewater collection and purification services, equal to € 0.310422/m³, as a result of the application of the ARERA 338/2015/R/idr resolution to the regional tariffs for wholesale services, recognised by the Parties within the minutes of the meeting of 4 March 2016 between the Campania Region, the Area Authority and GORI, applying it to volumes treated by regional plants.

Relations with the Campania Region and with the regional licensee Acqua Campania S.p.A.

The 2018 financial year was characterised by the definition and normalisation of relations between GORI and the Campania Region (as well as its regional licensee for collections, Acqua Campania S.p.A.) with regard to regional supplies of "wholesale water" and "wastewater collection and treatment services" for the period from 1 January 2013 to the second quarter of 2018. In particular, the Region, the Ente Idrico Campano ("EIC") and GORI – in accordance with and based on the industrial plan provided for in the ATO3 Regulatory Scheme 2016 to 2019, as updated by the decision of the Commissioner no. 39/2018 – in November 2018 reached an overall agreement aimed at the complete implementation of the Integrated Water Service in the Sarnese-Vesuvian District Area ("Operating Agreement"), within a framework of economic-financial balance of the management for its entire residual duration and the pursuit of the related objectives of social sustainability of the IWS tariff applied to users, of making the necessary investments to improve the service, efficient management of the IWS infrastructure, as well as the completion of the planned transfer of the Regional Works together with their management. More specifically, the following objectives were intended to be achieved: (i) GORI's assumption of the management of the service and acceptance, as a concession and according to the provisions of the current IWS Management Agreement of ATO 3, of the Regional Works and their consequent efficiency improvement, including the reallocation and efficient re-utilisation of the personnel involved in IWS activities, in accordance with and in the manner prescribed by the Regulatory Scheme as well as by Regional Council Resolution 243/2016 and the relevant Framework Agreement signed between the Region and the Area Authority on 3 August 2016, implementation of the same resolution 243/2016; (ii) the approval by the Campania Region of payments in instalments of the debt accrued by the Company for wholesale supplies disbursed from 2013 onwards, and the simultaneous overcoming of the complex legal dispute before the Civil Court of Naples between the concessionaire for regional collections Acqua Campania S.p.A. and GORI (RG No. 33575/2016) relating to regional supplies of "wholesale water", on the one hand and between the Region and GORI (RG no. 3878/2017) regarding the regional services of "collections and treatment of waste water", on the other hand; (iii) the Company's access to the credit market in order to implement these objectives; (iv) the commitment of each of the Parties that signed the Operating Agreement to restore/maintain the economic-financial management of the IWS of ATO 3 were it to fail, also functionally to the satisfaction of the general bankability measures required to ensure the loans requested from the credit market, given the failure by ARERA until the end of 2018 to grant financing as an equalisation. In this regard, it should be noted that immediately after the stipulation of the Operating Agreement, the Company immediately engaged with the credit market and, as further specified below, obtained total loans in the amount of € 100 million in 2019.

With regard to tariff adjustments, it should be noted once again that the Extraordinary Commissioner of the Ente d'Ambito Sarnese Vesuviano, with Resolution no. 39/2018, ordered the universal recovery of regulatory adjustments accrued within the scope of the Regulatory Scheme, including those accrued before 2012, within the limits of the applicable tariff increases, starting from the 2018 financial year. In fact, in 2018 there was a recovery of adjustments equal to € 33.6 million. Therefore, as at 31 December 2018 the tariff adjustments totalled € 162.4

million, of which € 129.2 million based on the recovery forecasts envisaged by the aforementioned, expiring beyond the following year.

As planned, in order to ensure the necessary resources for the realisation of the planned investments, the company used a competitive procedure to obtain financing from one or more banks, also with related financing from the direct parent company of GORI, Sarnese Vesuviano S.r.l. and indirect ACEA S.p.A.

In **financial terms**, in light of the agreement with Banca Intesa Sanpaolo, on 23 April 2014 a contract was signed to reschedule the loan which matured in June 2011 into a multi-year loan with maturity on 31 December 2021. The loan has an interest rate equal to the 6-month Euribor plus a spread of 5.5 percentage points maturing on 30 June and 31 December each year. Furthermore, as already mentioned, in order to secure the resources necessary to carry out the planned investments, on 18 July 2019 the Company – following a specific competitive procedure – successfully concluded the structured long-term financing operation of € 80 million, on a project basis, granted by UBI Banca, Intesa Sanpaolo, MPS Capital Services Banca per le Imprese, Banco BPM, Banca del Mezzogiorno - MedioCredito Centrale, Banca di Credito Popolare di Torre del Greco and Banca IMI as agent, together with the loan of € 20 million granted by ACEA S.p.A. through the shareholder of GORI "Sarnese Vesuviano S.r.l.". This represents the most important structured finance operation on a project basis in the Integrated Water Service sector in Campania. The Company will thus be able to carry out important interventions on water, sewerage and purification infrastructure: in fact, up to 2032, about € 400 million of new investments are expected.

The operation was carried out thanks to the commitment of the public partners and the Parent Company Acea, which shared a path that began with the aforesaid Operating Agreement and the increasing industrial and strategic involvement of the Parent Company ACEA.

Campania – GESESA S.p.A. (Ato I - Calore Irpino)

The Company operates in ATO I Calore Irpino which promotes and develops the initiative for the management of the Integrated Water Service in Municipalities in the Province of Avellino and Benevento. The Company manages the Integrated Water Service of 22 Municipalities in the Province of Benevento with a resident population served of approximately 125,000 inhabitants over an area of approximately 710 km² and 59,000 users. The sewerage service is provided to approximately 83% of users while the purification service to about 40%.

On 1 July 2018 the IWS of the Municipality of Morcone was acquired, a shareholder returning after a few years of economic management, with about 5,000 inhabitants and 2,200 users, while several contacts are under way with new Municipalities for the management of the related IWS.

From 17 July 2018 the company redefined the Management Agreement with the Municipality of Benevento by extending its management to the entire IWS, adding Sewerage and Water Treatment to the services provided. As far as the Municipality of Benevento is concerned, an important agreement was reached for the construction of sewerage treatment plants for the city, with agreements with the extraordinary national commissioner being stipulated that should entrust the design phase to the company.

Currently, the Authority – governed by the Extraordinary Commissioner referred to in DGR no. 813/2012 and merged into the regional EIC at the end of 2018 – has not yet assigned the management of the Integrated Water Service.

During 2019, the Company began to establish the foundations consistent with the resolutions of the Board for a new path of growth and development aimed at achieving strategic objectives that provide for company growth. In this regard, a capital increase operation was already approved to aggregate new operations with the direct assignment of the Integrated Water Service by new municipalities, using an instrument that is given by the regulatory provisions contained in Italian Legislative Decree 175/2016 containing the "Consolidated Law on companies in which the public administration participates". Art. 4 of the aforementioned regulation allows municipalities to acquire company shareholdings in activities producing a service of general interest, subject to the body's verification of the economic convenience of the direct or externalised management of the service entrusted to private operators.

This gives the Company the opportunity to proceed with new acquisitions of IWS and therefore to continue its development in the territory falling under ATO I, pending the identification of the single operator, implementing a management development that, upon reaching at least 25% of the population served, would establish the Company as an interlocutor able to request the direct awarding of the entire territory as Sole Manager.

During 2018 all the data and documentation for updating the tariff for the 2016-2019 period were presented to the relevant Area Authority, which subsequently submitted them for consequent activities to the regional EIC, which has assumed control and management functions. At present, the 2018-2019 tariff proposal submitted on 22 May 2019 is in the process of being approved by the EIC and will subsequently be sent to ARERA for ratification.

As a result of the above, revenues were recognised on the basis of the VRG currently being approved by the EIC. The Tariff Proposal for 2016-2019, approved by AATOI in Extraordinary Commissioner's Resolution no. 8 dated 29 March 2017, envisages the following tariff multipliers:

- ✓ 6.10% for 2016;
- ✓ 6.30% for 2017;
- ✓ 6.0% for 2018;
- ✓ **4.00% for 2019.**

Approval by the ARERA is awaited.

With regard to the bi-annual updating of the 2018-2019 tariffs, the activity was conditioned by the taking over of the Ente Idrico Campano (hereinafter EIC) in the legal relations established by the Ente di Governo dell'Ambito Territoriale Calore Irpino as from 1 October 2018.

The Company prepared the 2016 and 2017 summaries and the Intervention Programme for the preparation of the proposed tariff revision with the definition of the VRGs and Thetas for the years 2018-2019, reviewing the investment planning for the years 2018-2019, also taking into account the results of the audit of 16-20 October 2017 contained in ARERA determination no. DSAI/26/2018/IDR of 10 April 2018 concerning the initiation of proceedings for the adoption of sanctions and prescriptive measures concerning the tariff regulation of the Integrated Water Service as described below.

As the 2018-2019 tariff proposal is currently being approved by the EIC, revenues and related customer receivables have been recorded in the financial statements on the basis of the Revenue Constraint of the Manager currently being approved by the EIC.

It should be noted that ARERA, with Resolution dated 29 January 2019 34/2019/R/idr, initiated a procedure aimed at defining the water tariff method for the third regulatory period (MTI-3), with unification with the procedure set out in Resolution 518/2018/R/idr of the Authority relating to the control of the implementation of the planned investments in the Integrated Water Service.

At the moment we are waiting for the approval of the Authority and for the submission of the consequent proposed update tariff for the period 2018-2019 to ARERA which, on the basis of the revised data, guarantees the economic balance of the management with the recognition of higher revenues linked to the new management of the years 2015-2018.

Tuscany - Acque S.p.A. (Ato2 - Basso Valdarno)

The management agreement, which came into force on 1 January 2002 with an initial twenty-year duration was signed on 28 December 2001, then in November 2018 it was extended to 2031. In accordance with said agreement, the Operator took over the exclusive integrated water service of ATO2, comprising all public water collection, abstraction and distribution services for civil use, sewage systems and the treatment of waste water. The Area includes 57 municipalities. In return for award of the concession, Acque pays a fee to all the municipalities, including accumulated liabilities incurred under previous concessions awarded.

With regard to **tariffs**, with Resolution no. 6/2018 of 22 June 2018 concerning the "Update of the tariff structure 2018-2019", the Board of Directors of the Tuscany Water Authority modified, with the same tariff multipliers, the composition of the 2016 and 2017 tariffs approved by resolution AIT no. 32/2017 of 5 October 2017 providing for a remodulation of the recovery of tariff adjustments for approximately € 9.7 million in the period 2022-2023.

With the same resolution the Board of Directors of the Tuscany Water Authority approved the 2018-2019 tariff proposal, the update of the works programme, the updating of the economic and financial plan and the extension of the duration of the concession of service from the previous deadline of 31 December 2026 to the new deadline of 31 December 2031.

The new Tariff plan with the end of the concession on 31 December 2031, compared to the previous plan with the end of the concession on 31 December 2026, contains the forecast of greater investments in service infrastructure and more contained tariff increases.

Therefore, as a result of the new tariff proposal, the 2019 tariff multiplier was equal to 1.50%, whereas in 2018 it was equal to 5.39%.

The new 2018-2019 tariff proposal, as well as the updating of the 2016-2017 annual tariff and all the related documents (intervention programme, updating of the economic-financial plan, extension of the concession duration by a further 5 years) approved by the AIT with resolution 6/2018, were approved by the ARERA with resolution 502/2018/R/idr of 9 October 2018 with modification with respect to the AIT proposal of the OPEXqc recognised in the tariff but without changes to the tariff multiplier to be applied to the tariffs of the year.

The revenues for the period amount to a total, including the adjustment of passing items, of € 81.5 million (Group share € 36.7 million) and represent the best estimate made on the basis of the tariff proposal approved by the AIT in June 2018 and ARERA in October 2018.

Finally, it is noted that on 24 January 2019, with the submission of the required documentation, with the termination of the previous loan and the related hedging contracts and with the stipulation of the new interest rate hedging contracts, the suspensive conditions were met and, therefore, the new loan agreement became effective. The new loan was stipulated with a pool of banks and envisages two lines of credit: (i) Term Line of € 200.0 million disbursed in a single use and with final single maturity of 29 December 2023 and, (ii) RCF Line equal to € 25.0 million payable in one or more uses within the period of use and final maturity on 29 December 2023. This line must be used exclusively to meet the financial needs of the Company for its ordinary business.

At the same time the new loan agreements were entered into, 6 new interest rate hedging contracts were entered into. The new contracts envisage the Company's semi-annual payment of a fixed rate to the counterparties starting from 24 January 2019 and in correspondence with a payment by the counterparties to Acque of a variable rate.

With reference to the main **disputes** of the Company, it should be noted that:

- the case before the Court of Florence (specialised section for companies) was concluded favourably, the Company being ordered to pay as a fee/compensation € 1.9 million for the use of water networks built by the plaintiff company in a Municipality of the area served, before the assignment of the concession of the service. With sentence no. 1447/18 the Judicial Authority did not accept the request of the plaintiff and ordered it to reimburse each of the defendants – including Acque spa – for the costs of litigation. To date, Consiag S.p.A. has filed an appeal, in whose proceedings Acque appeared;
- with regard to the judgement pending before the Council of State, the appeal against the sentence of the regional administrative court for the rejection of Acque's appeal against resolution no. 60 of 27 April 2011 of Co.N.Vi.Ri, referring to the review of the correct drafting of the Area Plan of AATO2 Tuscany - Basso Valdarno, the Company presented a motion to withdraw on 18 December 2018 in order to prevent the appeal from being quashed. With regard to the possible risks deriving from the outcome of the appeal, in previous years Acque has set aside an adequate sum in the provision for risks. However, in the event of a loss, the effect would be temporally limited; in fact, with the law of December 2011, the responsibilities of Co.N.Vi.Ri were transferred to ARERA, which introduced new criteria for the formation of the tariff, also destined to affect the issues under discussion.

Tuscany - Publiacqua S.p.A. (Ato3 - Medio Valdarno)

The management agreement, which came into force on 1 January 2002 with a twenty-year duration, was signed on 20 December 2001. In accordance with said agreement, the Operator took over the exclusive integrated water service of ATO 3, comprising all public water collection, abstraction and distribution services for civil use, sewage systems and the treatment of waste water. The Area includes 49 municipalities, of which 6 managed via agreements inherited from the previous operator, Fiorentinagas. In return for awarding the concession, the Operator pays a fee to all the Municipalities, including accumulated liabilities incurred prior to the awarding of the related contracts. In June 2006, Acea, via the vehicle Acque Blu Fiorentina S.p.A., completed the acquisition of an interest in the Company's capital.

With regard to the **tariffs**, with resolution no. 29/2016 of 5 October 2016 the AIT approved the tariffs for the second 2016-2019 regulatory period (MTI-2) pursuant to the ARERA resolution no. 664/2015.

With resolution 687/2017R/idr ARERA approved the tariffs proposed by the Tuscany Water Authority on 12 October 2017. Following the approval of the new tariff structure envisaged by the ARERA Resolution no. 665/2017R/idr (TICSI), Publiacqua has billed according to the new structure since August.

Finally, also note that with resolution no. 24 of 7 December 2018 the AIT approved the 2018-2019 tariffs, with extension of the concession for three years. Currently approval by the ARERA is awaited.

Total revenues for the year, including adjustments to pass-through items, amounted to € 125.7 million (€ 50.4 million in the Group). Revenues also include the Fo.NI. component for € 15.2 million (Group share € 6.1 million).

From the point of view of **funding sources**, it should be noted that: (i) on 5 May 2015 a loan of € 50 million was signed with the EIB, maturing at the end of 2020; (ii) on 30 March 2016 a loan contract of € 110 million was signed with BNL and Banca Intesa, maturing on 30 June 2021; the funds were partly allocated to the repayment of existing loans and mortgages. The repayment plans agreed to were scheduled on the basis of the cash flows available for repayment, according to the Economic and Financial Plan used for tariff purposes, and the instalments falling due on 30 June 2018 and 31 December 2018 were duly repaid. Following EGA's approval of the extension of the concession to 2024, the Company began a market survey with the main financial institutions, aimed at verifying the availability and economic conditions to proceed with the disbursement of a medium/long-term bank loan of € 140.0 million aimed in part at extinguishing existing financial exposures and in part at supporting the investments provided for in the new approved Intervention Plan. On 18 June 2019 the banks were invited to submit a binding offer on the basis of a term sheet for a maximum amount of € 140.0 million, to be received by 8 July.

Tuscany - Acquedotto del Fiora S.p.A. (Ato6 - Ombrone)

Based on the agreement signed on 28 December 2001, the operator (Acquedotto del Fiora) is to supply integrated water services on an exclusive basis in ATO 6, consisting of public services covering the collection, abstraction and distribution of water for civil use, sewerage and waste water treatment. The concession term is twenty-five years from 1 January 2002.

In August 2004, Acea – via the vehicle Ombrone S.p.A. – completed its acquisition of an interest in the Company's capital.

With reference to **tariffs**, 2019 is the second year of the second two-year period in which the water regulatory cycle 2016-2019 is divided (so-called MTI-2) scope of application of Resolution ARERA 664/2015/R/Idr (so-called MTI-2) of 28 December 2015 "Approval of the Water Tariff Method for the second regulatory period MTI-2", with which ARERA definitively regulates the tariffs for the period 2016-2019 and the recent Resolution 918/2017/R/Idr on the bi-annual updating of the tariffs for the period 2018-2019.

With regard to the aforementioned bi-annual update of the tariffs for the period 2018-2019, on 27 July 2018, based on the actual data collected referring to the years 2016 and 2017 and the Investment Plan, the Tuscan Area Authority (AIT) approved the tariff revision proposal, setting the VRG and the Teta of the years 2018-2019 and also redesigning the entire tariff profile until the end of the IWS concession (Deliberation of the Executive Council of the AIT no.17/2018 of 27 July 2018). Currently, this tariff proposal of the Tuscan EGA is being examined by the National Authority (ARERA) and only after its ratification will the approval process be definitively concluded.

Revenues for the period were determined based on the tariff update proposal 2018-2019 in the context of MTI-2, recently approved by the Board of Directors and total, including adjustments for pass-through items, € 55.8 million (Group share € 22.3 million) and a share of FoNI equal to € 4.8 million (Group share € 1.9 million). Currently approval by the ARERA is awaited.

From a **financial viewpoint**, Acquedotto del Fiora signed a loan contract for € 143 million in June 2015 maturing at the end of 2025. The loan is a variable rate loan with guarantee on the Company's current accounts and receivables and upon pledge of Ombrone's shares in Acquedotto del Fiora.

In order to protect the Company from excessive market volatility, in line with the term sheet, in consideration of the principles of economical convenience and financial risk, the Company contracted a plain vanilla type rate equal to 70% of the loan with some Lenders until final maturity, through Interest Rate Swap operations to transform the current variable rate into a fixed rate. In December 2016 the repayment of the principal instalments began: at 30 June 2018 the remaining loan totalled € 130.1 million (long-term instalment of € 120.1 million and short-term instalment of € 9.9 million). The Company has punctually serviced the debt (principal and interest) as established in the repayment plan agreed to with the Lenders.

Umbria - Umbra Acque S.p.A. (Ato1 - Umbria 1)

On 26 November 2007 Acea was definitively awarded the tender called by the Area Authority of Perugia ATO 1 for selection of the minority private business partner of Umbra Acque S.p.A. (concession expiry 31 December 2027). A stake in the company (40% of the shares) was acquired on 1 January 2008. The company performed its activities in all 38 Municipalities constituting ATOs 1 and 2.

The tariff applied to users for the year 2019 is the rate applied to users was determined by Resolution No. 489 2018/R/Idr of 27 September 2018 with which ARERA approved the updating of tariff arrangements for the two-year period 2018-2019, previously proposed by the Assembly of Mayors of the AURI with Resolution no. 9 of 27 July 2018. Finally, we inform you that on 29 December 2018 the request to extend the duration of the assignment to 31 December 2031 pursuant to art. 5.2 and 5.3 of the Convention and Resolution 656/2015/R/IDR.

It should be noted that with Resolution of the Executive Council no.62 of 28 December 2018, AURI approved the new tariff structure, as defined by the Integrated Water Services Considerations (TICSI) approved by ARERA with Resolution no. 665/2017/R/id on 28 September 2017. On the basis of the determinations of the ARERA, the revenues for the period were valorised, amounting to a total of € 39.7 million (Group share € 15.9 million) inclusive of the adjustment of passing items and include the FoNI component of € 5.2 million (Group share € 2.1 million).

With reference to the debt situation of Umbra Acque towards the Municipalities for the fee due under the Convention for the repayment of the loan instalments contracted by the same Municipalities for the realisation of IWS works, note that the Company has continued the virtuous course already started in the last three years, respecting the commitments included in the tariff proposal for the 2016-2019 four-year period approved by the relevant AT11 and AT12 on 30 June 2016 and by ARERA with Resolution no.764/2016/R/Idr dated 15 December 2016 relating to the repayment plan lasting five years with fixed instalments to cover the residual debt owed to the Municipalities for charges past due, starting in 2017 and ending in 2021.

With regard to the appeal before the Umbria Regional Administrative Court arising from the disputes filed by the Umbrian Public Water Committee and concerning the appeal of the provision with which the Government of the Area (in this case the ATI Umbria sub-sector 1) resolved and then validated the recognition of tariff adjustments due to Umbra Acque for the past services of 2003-2011, before the advent of national regulation under ARERA. Rejection by the Judicial Authority involved continues to represent a step of significant importance for the Company. The desired rejection by the appropriate Judicial Authority continues to be of significant importance for the Company. It should be noted that the Regional Administrative Court of Umbria, with sentence no. 243/2019 published on 9 May 2019, rejected the appeals presented by the "Comitato Umbro Acqua Pubblica", confirming the legitimacy of the aforesaid resolutions adopted by EGA on the basis of which the Company charged the recovery of the items prior to 2012 in the bill.

To date, the Committee has not yet appealed the decision that was favourable to Umbra Acque, so, once the time limit for appeal (6 months) has expired, the decision will become final and the case will be closed.

Progress of the procedure for approving the tariffs

The progress of the procedure for approving tariffs and the approval of the two-year update (2018 - 2019) of the IWS tariff provisions for the Group companies is shown below.

Company	Approval status (up to MT12 "2016 - 2019")	Biennial update status (2018 - 2019)
ACEA Ato2	On 27 July 2016, the EGA approved the tariff inclusive of the bonus as per art. 32.1, subsection a) of Resolution 664/2015/R/idr. <u>The ARERA then approved them in Resolution 674/2016/R/idr. with some changes compared to the EGA proposal: quality bonus confirmed.</u>	The Mayors' Conference approved the tariff update on 15 October 2018, and at the same time postponed the approval of the TICS1 (Integrated text on water fees) setting out the criteria for the rate structure to be applied. On 13 November 2018, the ARERA approved the 2018-2019 tariff update with Resolution 572/2018/R/idr. The Conference of Mayors adopted the provisions of the ARERA resolution on 10 December 2018.
ACEA Ato5	Tariff proposal submitted by the Operator on 30 May 2016, with request for recognition of the Opex _{qc} . ARERA warned the EGA on 16 November 2016 and the EGA approved the tariff proposal on 13 December 2016, rejecting, among others, the request for recognition of the Opex _{qc} . Approval by the ARERA is awaited.	The Conference of Mayors approved the 2018-2019 tariff update on 1 August 2018. Currently approval by the ARERA is awaited.
GORI	On 1 September 2016, the Extraordinary Commissioner of the EGA approved the tariff with Opex _{qc} as of 2017. Approval by the ARERA is awaited.	On 17 July 2018 the Extraordinary Commissioner of the EGA approved the 2018-2019 tariff update. Currently approval by the ARERA is awaited.
Acque	On 5 October 2017, the AIT approved the tariff with recognition of the Opex _{qc} . Approved by ARERA on 9 October 2018 (as part of the approval of the 2018-2019 update).	On 22 June 2018 the AIT Board of Directors approved the 2018-2019 tariff update and, at the same time, the request to extend the duration of the 5-year contract, that is until 31 December 2031. With resolution 502 of 9 October 2018, the ARERA approved the 2018-2019 tariff update.
Publiacqua	On 5 October 2016, the AIT approved the tariff with recognition of the bonus as per art. 32.1, subsection a) of Resolution 664/2015/R/idr. <u>With resolution 687/2017/R/idr. on 12 October 2017 ARERA approved the specific regulatory frameworks for the 2016-2019 period proposed by the AIT.</u>	On 7 December 2018 the AIT approved the 2018-2019 tariffs with the extension of the 3-year concession. Currently approval by the ARERA is awaited.
Acquedotto del Fiora	On 5 October 2016, the AIT approved the tariff with recognition of the Opex _{qc} . <u>On 12 October 2017, with resolution 687/2017/R/idr. ARERA approved the specific regulatory frameworks for the 2016-2019 period proposed by the AIT.</u>	The AIT Board of Directors approved the 2018-2019 tariff update in the session of 27 July 2018. Currently approval by the ARERA is awaited.
Geal	On 22 July 2016, the AIT approved the tariff with recognition of the Opex _{qc} . <u>With resolution 726/2017/R/idr. on 26 October 2017 ARERA approved the specific regulatory frameworks for the 2016-2019 period proposed by the AIT.</u>	On 12 July 2018 the ARERA approved the 2018-2019 tariff update proposed by the AIT.
Crea Gestioni	Following Resolution 664/2015/R/idr, as neither the Municipalities where the service is provided nor the Area Authorities of reference had any tariff proposal for the 2016-2019 regulatory period, the Company submitted its own tariff proposals. Today approval by the ARERA is awaited.	The Company submitted the tariff update data to the competent/EGA parties, unless still in progress for the technical quality part. Considering the substantial inertia of the persons in charge, the Company submitted the request to the Municipalities on 21 December 2018, with a request sent to ARERA on 11 January 2019 and request for a warning to the EGA on 18 January 2019.
Gesesa	On 29 March 2017 with resolution no. 8 of the Extraordinary	The Company sent the documentation relating to the 2018-2019

Company	Approval status (up to MT12 "2016 - 2019")	Biennial update status (2018 - 2019)
	Commissioner the AATO1 approved the tariffs for the years 2016-2019. Today approval by the ARERA is awaited.	tariff review to the Area Authority and the preliminary investigation was initiated by the EGA with the expectation of reaching the approval of the tariffs by April 2019.
Nuove Acque	On 22 June 2018, the AIT Board of Directors approved the rates	On 16 October 2018 with Resolution 520 the ARERA approved the 2018-2019 tariff update proposed by the AIT.
Umbra Acque	On 30 June 2016, the AIT approved the tariff with recognition of the Opex _q . The ARERA then approved them in Resolution <u>764/2016/R/idr dated 15 December 2016.</u>	In its session of 27 July 2018, the AURI Meeting approved the 2018-2019 tariff update. The ARERA approved the 2018-2019 tariffs with resolution no. 489 of 27 September 2018

Related Party Transactions

ACEA GROUP AND ROMA CAPITALE

Trading relations between Acea Group companies and Roma Capitale include the supply of electricity and water and provision of services to the Municipality.

Among the principal services are the management, maintenance and upgrading of public lighting facilities and, with regard to environmental-water services, the maintenance of fountains and drinking fountains and the additional water service, as well as contract work.

Such relations are governed by appropriate service contracts and the supply of water and electricity is conducted by applying the tariffs in force on the market adjusted to the supply conditions.

Acea and Acea Ato2, respectively, provide public lighting and integrated water services under the terms of two thirty-year concession agreements. Further details are provided in the section "Service concession arrangements".

As better detailed in the notes to the consolidated financial statements as at 31 December 2018, in 2019, Roma Capitale and the Acea Group began a technical round table to define some previous positions regarding the services provided under water service and public lighting contracts. At present, the parties are continuing to reconcile their respective items.

For further information regarding relations between the Acea Group and Roma Capitale, reference should be made to the disclosures regarding receivables and payables from and to the Parent Company in note 24 of this document.

The following table shows details of the main revenues and costs at 30 June 2019 of the Acea Group (compared to those of the previous year) deriving from the most significant financial relations.

€ thousand	Revenues		Costs	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
Supply of fresh water	19,063	18,502	0	0
Supply of electricity	51	0	0	0
Public lighting service contract	21,841	22,009	0	0
Public lighting contract interest	2,014	2,488	0	0
Water maintenance service contract	93	119	0	0
Monumental fountain service contract	93	119	0	0
Concession fee	0	0	13,057	19,424
Lease fees	0	0	55	0
Taxes and duties	0	0	3,022	5,287

Reference should be made to note 24.b for details on the impact of these transactions, while the table below summarises the changes in receivables and payables.

€ thousand	31/12/2018	Collections / payments	Accruals 2019	30/06/19
RECEIVABLES	155,993	0	44,238	200,231
PAYABLES	(108,063)	0	(90,319)	(198,382)

ACEA GROUP AND ROMA CAPITALE GROUP

The Acea Group also maintains trading relations with other companies, special companies and entities owned by Roma Capitale, mainly concerning the supply of electricity and water.

The supply of services to entities owned by the Roma Capitale Group is also conducted by applying the tariffs in force on the market adjusted to the supply conditions. The prices applied to sales of electricity to free market users are in line with the sales policies of Acea Energia.

The following table shows the most significant amounts of revenues, costs, receivables and payables deriving from relations between the Acea Group and entities owned by the Roma Capitale Group.

Roma Capitale Group	Trade payables	Costs	Trade receivables	Revenues
AMA S.P.A.	2,185	506	3,259	2,561
ATAC S.P.A.	510	198	6,182	705
ROMA MULTISERVIZI S.P.A.	2	0	0	0
Total	2,697	704	9,442	3,266

ACEA GROUP AND MAIN CALTAGIRONE GROUP COMPANIES

The Acea Group companies maintain trading relations that mainly concern the supply of electricity and water.

The supply of services to entities owned by this company is conducted by applying the tariffs in force on the market adjusted to the supply conditions. The prices applied to sales of electricity to free market users are in line with the sales policies of Acea Energia.

The following table shows the most significant amounts relating to financial relations between the Acea Group and the main entities owned by the Caltagirone Group at 30 June 2019.

€ thousand	Revenues	Costs	Receivables	Payables
Caltagirone Group	2,015	189	883	1,288

ACEA GROUP AND SUEZ ENVIRONMENT COMPANY SA GROUP

There were no relations with companies in the Suez Group as at 30 June 2019.

It must also be noted that the financial balances described above do not include relations with companies in the Group consolidated under the equity method, which are included in the financial statements

List of significant related party transactions

It should be noted that no non-recurring significant transactions with related parties were carried out during the period. The table below shows the percentage weight of transactions with related parties on the statement of financial position, the income statement and the cash flow statement.

Impact on the Statement of Financial Position

€ thousand	30.06.2019	Of which with related parties	Impact	31.12.2018	Of which with related parties	Impact
Financial assets	51,772	29,145	56.30%	32,697	30,880	94.40%
Trade receivables	1,046,759	115,093	11.00%	965,697	83,982	8.70%
Current Financial Assets	248,790	112,017	45.00%	113,960	86,612	76.00%
Trade payables	1,462,028	116,571	8.00%	1,524,876	124,499	8.20%
Borrowings	641,133	79,794	12.40%	408,675	627	0.20%

Impact on the Income Statement

€ thousand	30.06.2019	Of which with related parties	Impact	30.06.2018	Of which with related parties	Impact
Consolidated net revenues	1,553,113	63,787	4.1%	1,454,278	61,355	4.2%
Consolidated operating costs	1,070,051	33,220	3.1%	1,022,894	29,134	2.8%
Total Financial (costs)/income	(42,745)	7,655	(17.9%)	(42,381)	10,189	(24.0%)

Impact on the Cash Flow Statement

€ thousand	30.06.2019	Of which with related parties	Impact	30.06.2018	Of which with related parties	Impact
Increase in receivables included in the working capital	(112,063)	31,111	(27.8%)	(110,189)	16,146	(14.7%)
Increase/decrease in payables included in the working capital	(63,053)	(7,928)	12.6%	(55,832)	(15,100)	27.0%
Collections/payments deriving from other financial investments	(130,773)	23,670	(18.1%)	(218,996)	8,880	(4.1%)
Collected dividends	10,950	10,950	100.0%	(0)	0	0.0%
Decrease / increase in other short-term financial debts	8,466	79,167	935.2%	72,611	(107)	(0.1%)
Dividends paid	(73,795)	(73,795)	100.0%	(74,323)	(74,323)	100.0%

Update on major disputes and litigation

The Acea Group is a party to civil, administrative and criminal proceedings and legal actions related to the normal course of its business. On the basis of the information currently available and taking into account the existing risks, the Group believes that these proceedings and actions will not have a significant negative effect on its consolidated financial statements, compared to what is already shown in the consolidated financial statements. Below is a summary of the most significant proceedings for which there have been significant developments compared to the 2018 consolidated financial statements, including new and closed proceedings.

Tax issues

areti tax audit

In the Report on Findings (PVC) concerning the general inspection for 2010, an assessment was also made for the years from 2008 to 2012 on the taxation treatment of some items that were previously inspected and had a multi-annual validity.

On the basis of the report in the PVC, the Lazio DRE - Major Taxpayer's Office, notified on 23 December 2014 two separate notifications of assessment for 2009, once concerning the direct taxes (IRES and IRAP) and once concerning the indirect taxes (VAT). The Company filed a preventive request on 17 February 2015 and the Office recognised the validity of the reasons submitted by areti in relation to its own operations and ordered the complete annulment of the deed concerning the direct taxes. As regards the VAT inspection, the Office partially recognised the reasons put forward by the Company and consequently ordered the partial annulment of the deed of assessment, bringing the total request to € 129 thousand plus sanctions. The Company has deemed it opportune, as regards the VAT inspection, to undertake a tax-related lawsuit.

On the basis of the same presupposition of the notification made in the PVC, the Lazio DRE - Major Taxpayers' Office served other four notifications of assessment concerning VAT for 2011, 2012, 2013 and 2014 for € 950 thousand including fines and interest. The assessment notices received for the years 2009 to 2012 are pending at the Lazio CTR. Remember that the commission of first instance cancelled the notices of assessment for 2011 and 2012 and partially confirmed the notice for 2009. Finally, for the years 2013 and 2014, the date of the first instance hearing has not yet been set. With regard to the tariff concessions granted to employees and former employees the tax commission cancelled the notices and ordered the Office to pay the costs.

Tax audit of ACEA S.p.A.

On 17 April 2018 the Regional Directorate of Lazio - Large Taxpayers Office initiated a general tax audit of the Company. The audit was concluded on 31 October 2018 with the drafting of the PVC (Audit Report) that alleged substantial VAT violations by the Company for the 2014 tax period.

It is also noted that as part of the controls carried out, on 12 October 2018 the Inland Revenue sent Company questionnaire no. Q00044/2018 relating to the determination of non-deductible costs, with the aim of extending the audit to the 2013 tax period. The Company's response was sent to the relevant bodies on 7 December 2018.

Finally, it is acknowledged that following a joint consultation report, with an assessment with acceptance on 8 May 2019 the Company accepted pursuant to and for the purposes of art. 6, para. 1 of Italian Legislative Decree no. 218/97 the proposal made by the Revenue Agency, which, pursuant to art. 54, paragraph 4, of Italian Presidential Decree 633/1972, defined without prejudice to further possible audits under the terms established by art. 57 of the same decree, VAT due for € 485 thousand for undue deduction of VAT in violation of art. 19, paragraphs 2 and 4 of Italian Presidential Decree no. 633/1972. Penalties were calculated on the taxes due for a total amount of € 182 thousand along with interest equal to € 71 thousand. Subsequently, on 17 May 2019 the Company fully paid the sums due for the 2014 tax period.

Other issues

ACEA Ato5 - 2016-2019 Tariffs

On 9 February 2017, the Company filed an appeal at the Lazio Regional Administrative Court in Latina for the annulment of Resolution no. 6 dated 13 December 2016, in which the Conference of Mayors of AATO 5 approved the tariff proposal for the IWS for the regulatory period 2016-2019, envisaging period adjustments less than those envisaged in the Operator's proposal (€ 77 million compared to about € 35 million), as a consequence of the different quantification by the Operational Technical Secretariat, essentially on four regulatory items: (i) the amount of the FNI (psi coefficient of 0.4 rather than 0.8 proposed by the Company); (ii) the recognition of arrearage costs (3.8% of the returns rather than 7.1%); (iii) the recognition of quality costs (opex qc), zeroed and not recognised by the Operational Technical Secretariat; (iv) fines for approximately € 11 million.

On 22 March 2018 sentence no. 135/2018 was published with which the Latina administrative court rejected the appeal brought by ACEA Ato5 against the aforementioned resolution of the Conference of the Mayors no. 6 of 13 December 2016. With this ruling, now final, the administrative court did not enter into the merits of the complaints raised by the Company, but confined itself to stating the inadmissibility of the appeal, on the assumption that the resolution of the Conference of Mayors would be a mere end-procedural act.

Furthermore, as regards the topic of penalties, which resulted in a tariff reduction of over € 10 million, the administrative court recalled the previous ruling no. 638/2017 which, it is worth remembering, already cancelled the imposition of penalties on ACEA Ato5. It should be noted that the effect of these penalties, considered by the EGA for tariff purposes, was not included in the financial statements of the Company in view of the valuations made also on the basis of the opinion of its lawyers regarding the probability of success of the aforementioned appeal to the Regional Administrative Court. Following the aforementioned ruling of the Regional Administrative Court, on the occasion of the 2018/2019 tariff update the EGA also cancelled these penalties.

For accounting matters, reference is made to the information given in the section entitled “Service concession arrangements”.

Acea Ato5 - Injunction Order requested for credit collection on the settlement agreement of 2007 with AATO5.

With regard to the € 10,700,000 receivables for higher costs incurred in the 2003-2005 period, pursuant to the Settlement agreement of 27 February 2007, on 14 March 2012, ACEA Ato5 lodged an appeal for an injunction order concerning the receivables recognised by the AATO to the company.

Accepting the appeal, the Court of Frosinone issued Injunction Order no. 222/2012, enforceable immediately, notice of which was served to the Area Authority on 12 April 2012.

By notice dated 22 May 2012, the AATO sent notice of its opposition to the injunction order, requesting the cancellation of the order and, as a precautionary measure, the suspension of its provisional enforcement. Moreover, as a counter-claim, it submitted a claim for the payment of concession fees totalling € 28,699,699.48.

ACEA Ato5 appeared before the court in the proceedings against the injunction order, challenging the adversary's demands and in turn formulating a counter-claim for the payment of the entire amount of higher costs incurred by the Operator and originally requested, totalling € 21,481,000.00.

Following the hearing on 17 July 2012, the Judge – in an Order filed on 24 July – suspended the temporary enforcement of the injunction order, and postponed to a later date the discussion of the merits of the issue.

The judge also rejected the request for an order of payment of the concession fees submitted by the AATO.

During the hearing on 21 November 2014, the judge withdrew the reservations on the motions for admission of evidence filed by the parties and fixed the hearing for the final statements on 15 November 2016. During the hearing, the judge granted the terms for the conclusions and replies and deferred the decision on the case. In sentence 304/2017, published on 28 February 2017, the civil judge revoked the injunction decree issued in 2012, rejected the subordinate re-conventional request by Acea Ato5 and ordered the deferral of the case in the preliminary proceedings concerning the re-conventional request by the AATO as regards the payment of the concession fees.

At the hearing of 17 November 2017, the Court, having acknowledged the counterparty request, postponed the hearing to 27 February 2018. At the outcome of the aforementioned hearing, the new Judge who took charge of the case, having noted the discrepancies that emerged in the respective accounts of ACEA Ato5 and AATO, granted a postponement to 4 May 2018, inviting the parties to clarify the reasons for such discrepancies and specifying that if they could not the court would appoint an expert to do so. At this hearing there was a further postponement until 21 September 2018.

At this meeting, in light of the Conciliation Panel established on 11 September 2018 with AATO5 – pursuant to art. 36 of the Management Agreement to which the question concerning the determination of concession fees was also referred, among others – the Parties asked the judge for a postponement, the hearing being scheduled for 15 February 2019, then postponed to 17 September 2019.

Linked to this judgement must be considered the appeal against the sentence of the Court of Frosinone that revoked the injunction order of € 10,700,000 initially issued by the same Court.

The first hearing was automatically postponed to 11 May 2018. On this occasion the Court, having heard the respective positions of the parties, postponed the case to 20 November 2020 for the oral discussion and the ruling of the sentence pursuant to art. 281 sexies of the code of civil procedure.

The Company did not consider it necessary to cancel the receivable or to set aside any provisions for risks, also on the basis of the legal assessments made by its lawyers who noted, on the one hand, the validity of the appeal and, on the other hand, the circumstance that the nullity of the transaction does not determine the non-existence of the receivable.

On the other hand, the assessment that the Company launched together with the Operational Technical Secretariat, which is still being assessed by the Conciliation Board established by the Area Authority and the Manager, in accordance with the provisions of art. 36 of the Management Agreement, on the amount of the concession fee for 2012-2018, would seem to demonstrate that the assessment of the Area Authority, which, in

Resolution no. 4/2007, noted the identification of financial resources to proceed with the liquidation of the total amount envisaged in the 2007 transaction through "savings on concession fees to be paid to municipalities", is well-founded and plausible.

With reference to the issues covered by the Conciliation Board set up between the Company and the Area Authority, reference should also be made to the Significant events in HI 2019 and later" described in the section "Water Industrial Segment" with regard to ACEA Ato5.

ACEA Ato5 - ASI Consortium

The ASI Consortium filed two injunction decrees for the reimbursement of the portion of the treatment service carried out on behalf of ACEA Ato5 (case value € 14,181,770.45). The two decrees were opposed by the Company which, in turn, submitted an application for the supply of water for industrial use provided to the Consortium. Specifically:

- With regard to the proceedings instituted following appeal 3895/2013 (value of the judgement € 7,710,946.06), the parties to the proceedings approved the settlement plan and on 15 May 2018 the final settlement agreement was signed between Consorzio ASI, ACEA Ato2 and ACEA Ato5;
- with reference to the judgement following appeal no. 3371/2016 (judgement value € 6,470,824.39), the judge postponed the hearing until 8 February 2019. On that occasion, as negotiations are still in progress between the parties for the settlement of the case, a further postponement was ordered to 25 June 2019 and subsequently to 22 November 2019;

At the same time, during the aforementioned settlement discussion, the opportunity emerged to transactively define reciprocal debit/credit positions for the 2016-2017 period, as well as the opportunity to reach the settlement of a framework agreement aimed at regulating – starting from 2018 and for the future – the water supply service provided by ACEA Ato5 to the ASI Consortium, as well as the sewerage and treatment service rendered by ASI for ACEA Ato5. With regard to this last aspect, on 9 January 2019 an agreement was signed by the Parties.

Acea S.p.A., Acea Ato2 S.p.A. and AceaElectrabel Produzione S.p.A. (today Acea Produzione S.p.A.) – ERG HYDRO S.r.l. (formerly E.ON. Produzione S.p.A.)

In a sentence published on 10 January 2019 the Supreme Court declared the appeal brought by ERG HYDRO S.r.l. to be inadmissible, ordering it to pay legal costs.

Acea S.p.A. - Milano '90

By judgement no. 3258, published on 13 February 2018, the Court of Rome rejected the opposition and confirmed the court order in full, sentencing Milano '90 to pay for the costs of the dispute.

Judgement of Appeal

On 26 April 2018, Milano '90 filed an appeal and the hearing was set for 13 September 2018.

As a result of this hearing, with an order dated 25 October 2018 the Court of Appeals rejected the request for suspension, postponing the specification of the conclusions to 16 July 2020.

Executive procedure

Following the favourable first instance ruling, on 27 March 2018 Acea filed the appeal for the resumption of the enforcement procedure against Milano '90 and the garnishment order and the hearing was postponed to 9 October 2018 for the appearance of the parties and the prosecution. As a result of this hearing, the Judge ordered a postponement for the possible assignment of the foreclosed sums to 12 March 2019, pending the decision of the Court of Appeals on the injunction of the contested judgement. The hearing was postponed again to 27 November 2019.

Acea S.p.A. - Trifoglio S.r.l.

In sentence no. 11436/2017 dated 6 June 2017, the Court of Rome declared the nullity of the sale contract, substantially accepting the demand by ACEA aimed at terminating the contractual relations with Trifoglio and recovering ownership of the area, ordering the restitution to Trifoglio of the deposit received (amounting to € 4 million), and rejecting the demand for damages compensation made by Trifoglio and excluded any liability of ACEA with regard to the truthfulness of the contractual guarantees offered by Trifoglio. On 8 August 2017, Trifoglio filed an appeal and the first hearing was scheduled for 8 February 2018. At the hearing, it was decided to postpone the proceedings for a hearing on 13 September 2018, which was then postponed to 13 June 2019, and then to 28 November 2019.

Acea S.p.A. – Former COS rulings

Currently the following rulings are connected to the COS dispute, concerning the ascertainment of the illegality of the contract between ALMAVIVA Contact (formerly COS) and Acea and the consequent right of its workers to be recognised as having a subordinate employment relationship with ACEA.

It should be noted that the majority of the cases in which ACEA was unsuccessful were settled, and that of the six workers only two were brought before the Court of Cassation to assess the existence of a claim (i.e. the assessment of the right to establish a relationship), both scheduled for a hearing on 4 April 2019 for discussion in chambers of the Council. These judgements were concluded with rejection orders dated 2 and 10 July 2019; the establishment of an employment contract between ACEA and the defendant parties is therefore confirmed.

On the basis of the judgements relating to the an debeatour, victorious workers (who were recognised as having a subordinate employment relationship with Acea) then petitioned for quantification of the claim, with which Acea was ordered to pay the salaries due as a result of the relationship established. Given that there are multiple cases, and that they were undertaken by the same six workers, but referring to different periods in which the presumed receivables matured and have led to differing sentences pending at various levels of jurisdiction. In detail, with regard to the number of cases currently pending at the Court of Cassation, a first judgement was settled with a sentence in favour of ACEA on 31 October 2018, against which the counterparties appealed for revocation by means of a document served on 30 April 2019. Two further quantification judgements are still pending with the Court of Justice.

Finally, another judgement filed by the same six workers is pending before the Court of Appeals of Rome, and during the last hearing, held on 25 June 2018, the Court of Appeals considered it appropriate to suspend its judgement while awaiting the rulings of the Cassation on the validity of the claim, rulings that arrived in July 2019.

Acea S.p.A. and areti S.p.A. – MP 31 S.r.l. (formerly ARMOSIA MP S.r.l.)

This is a challenge to the injunction issued by the Court of Rome - General Docket 58515/14 against areti for the amount of € 226,621.34, requested by Armosia MP by way of lease payments for the months of April-May-June of 2014 in relation to the property in Rome - Via Marco Polo 31. The injunction was declared provisionally enforceable by order of 8 July 2015.

In the hearing on 17 February 2016, the Judge adjoined this case with the other pending and filed under RG no. 30056/2014 before the Court of Rome, taken by ACEA and areti (transferee of the lease contract) in order to obtain the termination of the lease contract.

In this latter case, MP 31 has also filed an unconventional remand for compensation for the damages incurred in consideration of the degrading condition of the building when it was released by areti. With sentence no. 22248/2017 of 27 November 2017 the Court upheld the application of MP 31 against areti, condemning it to the payment of the previous rent in the amount of € 2,759,818.76 plus interest from the individual deadlines, as well as the payment of the rent up to contract expiry (29 December 2022). As a result, there are no further charges to the company.

Acea filed an appeal, served on 2 January 2018.

The hearing to discuss the appeal initially set for March 15th was postponed to 19 April 2018. As a result of this hearing, considering the case ready for a decision, the Court of Appeals postponed discussion until 16 April 2020.

Acea S.p.A. and ACEA Ato2 S.p.A. - CO.LA.RI

With a writ of summons served on 23 June 2017, Co.La.Ri. Consortium and E. Giovi S.r.l. - manager of the landfill at Malagrotta (RM) and executor respectively - summoned ACEA and ACEA Ato2 in order to obtain from the defendants the payment of the portion of the tariff for accessing the landfill to be allocated to hedge the thirty-year management costs for same - established by Legislative Decree no. 36/2003 - assertively due for the conferment of waste during the period of contractual validity 1985-2009.

The main request stands at over € 36 million for the entire period of contract validity. Subordinately, in the event that the law disposing the tariff is considered by the judge to be applicable retroactively, the plaintiffs request the recognition of the right to receivables of approximately € 8 million for the period March 2003 - 2009, and the ascertainment, by expert appraisal, of the receivables for the previous period 1985-2003.

The first hearing, initially set for 23 February 2018, was postponed to 8 October 2018 to add the dispute against the Optimal Territorial Area Authority 2 Central Lazio - Rome. As a result of this hearing, the judge granted the terms under 183 of the Code of Civil Procedure and scheduled the subsequent preliminary hearing for 28 March 2019, then postponed until 12 November 2019.

ACEA Ato2 S.p.A. - Regulation of the hydrometric level of Lake Bracciano

The Ordinances issued by the Director of the Regional Directorate for Water Resources, Soil Protection and Waste no. 0375916 of 20 July 2017 and no. 0392583 of 28 July 2017 concerning the Regulation of the hydrometric level of Lake Bracciano were both challenged by ACEA Ato2 before the Superior Court of Public Waters (TSAP) with separate appeals.

At the hearing before the Investigating Judge held on 24 January 2018, it was requested that the matter of the dispute be dismissed, in consideration of the subsequent Determination of the Regional Director for Water Resources, Soil Protection and Waste no. G18901 of 29 December 2017 concerning "Supply of the basin of Lake Bracciano as a strategic water reserve and seasonal compensation for drinking water. Taking note of the will of Acea Ato2 not to activate the derivation of the Lake of Bracciano". The hearing before the Court for the

declaration of the dismissal of the dispute is scheduled for 28 November 2018 and as a result of the same the TSAP declared, for both judgements, the impossibility to proceed with the appeal due to supervening lack of interest. The same for the aforementioned regional provision no. G18901 dated 29 December 2017, ACEA Ato2 proposed an appeal, with a request for suspension, before the TSAP. At the hearing to discuss the injunction with a ruling dated 27 July 2018, the Managing Director, cancelling the previous conditions established at the hearing, rejected the precautionary petition submitted by ACEA Ato2 and set the hearing for 7 November 2018. At this hearing the case was postponed to the panel hearing of 3 July 2019. The decision is currently pending.

ACEA Ato2 S.p.A. - Challenge to Regional deliberations concerning the identification of the Optimal Territorial Areas of the Hydrographic Basin

With an appeal lodged before the Superior Court of Public Waters of Rome, ACEA Ato2 challenged the regional resolutions concerning the identification of the Optimal Territorial Areas of the Hydrographic Basin (GRL resolution no. 56 of 6 February 2018, GRL resolution no. 129 of 20 February 2018, GRL resolution no. 152 of 2 March 2018). A similar appeal was also proposed by the Optimal Territorial Area Authority no. 2 Central Lazio. With resolution no. 218 of 8 May 2018, the Lazio Region suspended the effectiveness of the challenged resolutions, delegating to the Regional Director of Water Resources and Soil Defence any activity useful for achieving a new governance model for the IWS during the following six months. Therefore, at the hearing of 11 July 2018 the case was postponed to 6 February 2019, pending the new assessments of the Region on the matter, announced in the provision that suspended the contested acts. Subsequently, the Region issued resolution no. 682 of 20 November 2018 with which it has extended the deadline for the definition of the new IWS model, confirming the suspension of the effectiveness of the challenged resolutions. Finally, the first hearing was automatically postponed to 3 March 2019, and then to 11 December 2019.

areti S.p.A. - GALA S.p.A.

The pending disputes generated by the complex matter are summarised below.

Precautionary measures

Against the enforcement of guarantees issued, on 12 April 2017 GALA filed a cautionary appeal as per art. 700 of the Civil Procedures Code against the collection on 12 April, obtaining a decree *inaudita altera parte*, which initially prevented areti from exercising its right to collect the guarantees. This decree was thereafter revoked by court order of 30 May 2017, which fully recognised the rights of areti.

On 1 June 2017, given the continuation of the serious breach of contract, areti notified the termination of the transport contract and also the collection of the additional contractual guarantees.

On 6 June, GALA appealed against the cautionary ordinance of 30 May and, again, on 9 June, submitted a second independent appeal for urgent measures before the Court of Rome, requesting a declaration of invalidity of the termination ordered on 1 June 2017 and initially obtaining the issuing of a decree *inaudita altera parte* in its favour.

On completion of both legal proceedings, the reasoning of areti was again completely recognised, with the issuing on 12 July of a board ordinance rejecting the appeal, following which the judge, called upon to decide on the second appeal as per art. 700 of the Civil Procedures Code, asked the parties not to appear at the hearing, declaring that the appeal could not continue by ordinance of 13 July 2017.

The first judgement filed by the guarantor Euroins Insurance plc and the injunction issued in favour of GSE S.p.A.

In July 2017, Euroins Insurance plc, guarantor of GALA, independently introduced assessment proceedings to have declared the non-existence of its guarantee obligation; areti requested right from the first hearing of appearance of 28 December 2017 to have that judgement consolidated with the ordinary judgement of opposition to the injunction order of the GSE (see below): the hearing of first appearance was set for March 2019.

GSE S.p.A., after notifying areti to pay the general system charges due by Gala, even if it has not been paid, requested and obtained from the Court of Rome an injunction, not immediately enforceable, against areti for payment of part of these charges. The injunction was promptly opposed by areti with a writ of summons served to GSE and inscribed in the rolls in December 2017, with the simultaneous summons, as a guarantee, of GALA and its guarantors (China Taiping Insurance (UK) Co. Ltd and Insurance Company Nadejda), the first hearing scheduled for March 2019.

Note that in July 2018, in view of access to the mechanism provided for by ARERA resolution no. 50/2018/R/EEL of 1 February 2018 for "recognition of charges that would otherwise not be recoverable for failure to collect general system charges", areti paid the GSE the sum specified in the opposed injunction.

Both cases, not yet joined, are currently pending before Section XVII of the Court of Rome, same appointed judge. At the hearing of 5 July 2018, scheduled for the decision on the request for unification, the Judge decided to order a postponement, for the same parties, to March 2019, ordering – for the judgement of opposition to the GSE injunction – the renewal of notifications to GALA and its guarantors by areti. For both judgements, at the hearings

of last March the judge ordered a postponement for the possible admission of evidence to the hearings of 9 October 2019.

GALA's citation to areti, Acea Energia S.p.A. and Acea S.p.A.

By means of a summons served in March 2018, GALA requested the Court of Rome to declare the invalidity of some clauses of the transport contract stipulated with areti in November 2015 and the consequent invalidity/ineffectiveness of the termination of the contract by areti, ordering the latter to pay the corresponding damage, for a total of about € 200,000,000.00.

GALA also requested that the behaviour of areti and other defendant companies - Acea S.p.A. and Acea Energia S.p.A. - be declared acts of unfair competition, condemning them to pay the corresponding damages.

The companies of the Acea group that were sued acted within the terms of the law, denying the opposing claims and requesting their rejection.

In addition, as a counter-claim, areti has requested to declare the contract legitimately terminated, as well as to ascertain and declare the non-fulfilment of GALA of the payment and guarantee obligations assumed under the transport contract with consequent order to pay the related amount, plus interest and without prejudice to the additional amounts being accrued.

The judgement is currently pending before the 17th civil section of the Court of Rome and on 5 November 2018 the Designated Judge assigned to the Parties the terms for the presentation of their briefs pursuant to art. 183, paragraph 6 of the Code of Civil Procedure starting from 9 December 2018 and set the hearing for 12 May 2021 for the clarification of the conclusions, without prejudice to any preliminary investigation to be carried out. By decree of 13 June 2019, the Investigating Judge ordered an official technical consultancy. The start of the expert operations was scheduled for 17 September 2019.

Appeal for Cassation against sentence no. 5619/2017 of the Council of State on System Charges.

It should also be noted that with sentence no. 5619/2017, the Council of State pronounced itself on general system charges, general ARERA regulation and traders' obligations; this sentence was challenged by areti with recourse to the United Sections of the Court of Cassation in January 2018, pursuant to articles 111, paragraph 8 of the Italian Constitution, 362 and 382 of the Italian Code of Civil Procedure and 110 of the Italian Civil Code, for overriding the jurisdictional function. The meeting in the council chamber is scheduled for 14 October 2019.

GORI S.p.A. – ABC

On 21 December 2018, a settlement was signed between GORI and ABC for the purpose of defining and regulating reciprocal relations and overcoming disputes arising as a result of divergent positions assumed by the parties regarding the tariff applied by ABC on water sub-supplies. The sums to be paid to ABC were therefore settled by transacting a lump sum of around € 8.3 million for the fees invoiced throughout 31 December 2015 and an amount equal to about € 1.3 million for the period from 1 January 2016 to 30 September 2018 on the basis of the tariff referred to in the resolutions of the Commissioner of ATO2 no.27 of 17 October 2017 and no. 28 of 24 October 2017.

GORI S.p.A. Update of the 2016-2019 regulatory framework of the Sarnese-Vesuvian District of the Campania Region

Preliminarily, it is clarified that the ARERA has determined: a first transitional tariff method for the years 2012 and 2013 (which entirely replaced the previous "normalised method" referred to in Italian Ministerial Decree LL.PP. 1 August 1996), issued with resolution 585/2012/R/idr ("Transitional Tariff Method" or "MTT"); a second water tariff method for the years 2014 and 2015 issued with resolution 643/2013/R/idr ("Water Tariff Method" or "MTI"); a third and currently applicable water tariff method for the second regulatory period 2016-2019 implemented with resolution 664/2015/R/idr, as amended by subsequent resolution 918/2017/R/idr ("Water Tariff Method - 2" or "MTI-2").

Based on the tariff method implemented by the Authority, the Area Government Body is required to prepare the Regulatory Scheme for the period of reference, which is then approved by the Authority.

In fact, the Extraordinary Commissioner of the Sarnese Vesuviano Area Authority, in execution of the ARERA 664/2015/R/idr resolution, prepared the 2016-2019 Regulatory Scheme with resolution no. 19 of 8 August 2016 and then updated it, in execution of the ARERA 918/2017/R/idr resolution, with resolution no. 39 of 17 July 2018. With this last resolution: (i) the RCappr adjustment component was valued at € 216,948,037; (ii) the Operator's Revenue Constraint ("VRG") for the years 2016 was recognised (VRG: € 167,958,694); 2017 (VRG: € 183,072,979), 2018 (VRG: € 197,001,101) and 2019 (VRG: € 206,352,671) as well as the corresponding "tariff multipliers" for the 2018 financial years (∅ 1.247505) and the 2019 financial year (∅ 1.309880); (iii) it was decided to allocate the FoNI quota already envisaged for the year 2017 and not yet used to finance tariff reductions of a social nature; (iv) the additional Water Bonus was established with the valuation of the OPsocial cost component for the years 2018-2019; (v) table no. 2 was updated relating to accruals, amortisation and separate loans for Municipalities of ATO3. In addition, the 2016-2019 Regulatory Scheme updated with Resolution 39/2018 was prepared on the basis of a plan aimed at the full implementation of the IWS of the Sarnese-Vesuvian District that guarantees, concurrently with

economic-financial equilibrium: (a) the social sustainability of the IWS tariff applied to users, (b) the investments necessary for the improvement of the service as well as (c) the recovery of accumulated tariff adjustments. For these purposes, the current ATO 3 Regulatory Scheme has established the following objectives to be achieved to ensure, as mentioned, the full implementation of the IWS: (i) the transfer and increased efficiency of the "Regional Works", and, that is, it underlines, the water infrastructure falling within ATO 3 still under the management of the Campania Region and listed in the resolution of the Regional Council 243/2016; (ii) re-employment and relocation – always with a view to making the IWS more efficient – the personnel assigned to the Regional Works in accordance with the procedures set forth in the agreements with the Trade Unions on the basis of aforementioned resolution 243/2016 and the relevant Framework Agreement of 3 August 2018 specified above; (iii) the provision of instalment plans for the debts accrued by the Company – essentially due to the inadequacy of the tariff system effectively applied until 2016 – for wholesale supplies disbursed from 2013 onwards to the Campania Region and the concurrent resolution of the complex legal dispute arising from the payment of regional supplies of "wholesale water" and services of "collection and treatment of waste water".

The 2018 financial year was characterised by the definition and normalisation of relations between the Company and the Campania Region (as well as its concessionaire for collections, Acqua Campania S.p.A.) with regard to regional supplies of "wholesale water" and "wastewater collection and treatment services" for the period from 1 January 2013 to the second quarter of 2018.

Refer to the entire contents of the paragraph "Service Concession Arrangements" also for information on the financial effects deriving from the conclusion of the recognition of equalisation measures.

Proceeding AGCM A/513

On 8 January 2019, the Antitrust Authority notified Acea S.p.A., Acea Energia S.p.A. and Areti S.p.A. of the final order for Proceeding A/513.

With this order, the Authority ruled that the aforementioned Group companies had committed an abuse of a dominant position – qualified as very serious and of duration quantified in 3 years and 9 months – consisting in the adoption of a broad exclusionary strategy realised through the illegitimate use of a series of prerogatives possessed solely by virtue of its position as an integrated operator in distribution, in order to compete with its competitors in the acquisition of electricity sales contracts in free market conditions.

In view of the gravity and duration of the infringement, the Authority ordered Acea S.p.A., Acea Energia S.p.A. and areti S.p.A. to pay an overall pecuniary administrative fine of € 16,199,879.09.

In consideration of the fact that the preliminary investigations made it possible to ascertain that the disputed conduct fell within the more general context of the strategic plan defined and controlled at the Parent Company level, and, nevertheless, the two commercial companies involved carry out their activities under the direction and coordination of Acea S.p.A., and, finally, since the Authority did not define the amount of the fine for each individual entity, the entire amount was recorded in the financial statements of the Parent Company.

It should be noted that the companies involved consider the assessment to be groundless and illegitimate and that they intend to challenge it before the administrative judge pursuant to the law.

The Directors consider that the settlement of the ongoing dispute and other potential disputes should not create any additional charges for Group companies, with respect to the amounts set aside (note 26 a on the Provision for risks and charges).

These allocations represent the best estimate possible based on the elements available today.

Annexes

- A. List of consolidated companies

- B. Remuneration of Directors, Statutory Auditors and Key Managers

- C. Segment information: statement of financial position and income statement

A. List of consolidated companies

Company name	Location	Share Capital (in €)	Shareholding	Group consolidation quota	Method of Consolidation
Environment Segment					
Acea Ambiente S.r.l.	Via G. Bruno 7 - Terni	2.224.992	100,00%	100,00%	Integral
Aquaser S.r.l.	Piazzale Ostiense 2 - Rome	3.900.000	93,06%	100,00%	Integral
Bioecologia S.r.l.	Via Simone Martini 57 - 53100 Siena	2.382.428	100,00%	100,00%	Integral
Iseco Sp.A.	Loc. Surpian 10 - 11020 Saint-Marcel (AO)	110.000	80,00%	100,00%	Integral
Acque Industriali S.r.l.	Via Bellacalla 1 - Ospedaletto (Pisa)	100.000	73,05%	100,00%	Integral
Commercial and Trading Segment					
Acea Energia Sp.A.	Piazzale Ostiense 2 - Rome	10.000.000	100,00%	100,00%	Integral
Acea8centro S.r.l.	Piazzale Ostiense 2 - Rome	10.000	100,00%	100,00%	Integral
Cesap Vendita Gas S.r.l.	Via del Teatro 9 - Bastia Umbra (PG)	10.000	100,00%	100,00%	Integral
Umbria Energy Sp.A.	Via B. Capponi 100 - Terni	1.000.000	50,00%	100,00%	Integral
Acea Energy Management S.r.l.	Piazzale Ostiense 2 - Rome	50.000	100,00%	100,00%	Integral
Parco della Mistica S.r.l.	Piazzale Ostiense 2 - Rome	10.000	100,00%	100,00%	Integral
Overseas					
Acea Dominicana S.A.	Avenida Las Americas - Esquina Mazoneria, Ensanche Ozama - Santo Domingo	644.937	100,00%	100,00%	Integral
Agua de San Pedro S.A.	Las Palmas, 3 Avenida, 20y 27 calle - 21104 San Pedro, Honduras	6.457.345	60,65%	100,00%	Integral
Acea International S.A.	Avenida Las Americas - Esquina Mazoneria, Ensanche Ozama - 11501 Santo Domingo	8.850.604	99,99%	100,00%	Integral
Acea Peru S.A.C.	Cal. Amador Merino Reyna, 307 MIRAFLORES - LIMA	1.000	100,00%	100,00%	Integral
Consortio ACEA-ACEA Dominicana	Av. Las Americas - Esq. Mazoneria - Ens. Ozama	67.253	100,00%	100,00%	Integral
Consortio Servicios Sur	Calle Amador Merino Reyna - San Isidro	233.564	51,00%	100,00%	Integral
Water Segment					
ACEA Ato2 Sp.A.	Piazzale Ostiense 2 - Rome	362.834.320	96,46%	100,00%	Integral
ACEA Ato5 Sp.A.	Viale Roma snc - Frosinone	10.330.000	98,45%	100,00%	Integral
Acque Blu Arno Basso Sp.A.	Piazzale Ostiense 2 - Rome	8.000.000	76,67%	100,00%	Integral
Acque Blu Fiorentina Sp.A.	Piazzale Ostiense 2 - Rome	15.153.400	75,01%	100,00%	Integral
CREA Gestioni S.r.l.	Piazzale Ostiense 2 - Rome	100.000	100,00%	100,00%	Integral
CREA Sp.A. (in liquidation)	Piazzale Ostiense 2 - Rome	2.678.958	100,00%	100,00%	Integral
Gesesa Sp.A.	Corso Garibaldi 8 - Benevento	534.991	57,93%	100,00%	Integral
GORI Sp.A.	Via Trentola 211 - Ercolano (NA)	44.999.971	37,05%	100,00%	Integral
Lungiana Sp.A. (in liquidation)	Via Nazionale 173/175 - Massa Carrara	750.000	95,79%	100,00%	Integral
Ombrone Sp.A.	Piazzale Ostiense 2 - Rome	6.500.000	99,51%	100,00%	Integral
Pescara Distribuzione Gas S.r.l.	Via G. Carducci 83 - Pescara	120.000	51,00%	100,00%	Integral
Sarnese Vesuviano S.r.l.	Piazzale Ostiense 2 - Rome	100.000	99,16%	100,00%	Integral
UmbriaDue Servizi Idrici S.c.a.r.l.	Strada Sabbione zona ind. A72 - Terni	100.000	99,20%	100,00%	Integral
Energy Infrastructure Segment					
areti Sp.A.	Piazzale Ostiense 2 - Rome	345.000.000	100,00%	100,00%	Integral
Acea Produzione Sp.A.	Piazzale Ostiense 2 - Rome	5.000.000	100,00%	100,00%	Integral
Acea Liquidation and Litigation s.r.l.	Piazzale Ostiense 2 - Rome	10.000	100,00%	100,00%	Integral
Ecogena S.r.l.	Piazzale Ostiense 2 - Rome	1.669.457	100,00%	100,00%	Integral
KT 4 S.r.l.	Viale SS Pietro e Paolo 50 - Rome	110.000	100,00%	100,00%	Integral
Acea Solar S.r.l.	Piazzale Ostiense 2 - Rome	10.000	100,00%	100,00%	Integral
Acea Sun Capital S.r.l.	Piazzale Ostiense 2 - Rome	10.000	100,00%	100,00%	Integral
Engineering and Services Segment					
ACEA Elaboni Sp.A.	Via Vitorchiano - Rome	2.444.000	100,00%	100,00%	Integral
Technologies For Water Services SPA	Via Ticino 9 - 25015 Desenzano Del Garda (BS)	11.164.000	100,00%	100,00%	Integral

Companies accounted for using the equity method as from 1 January 2014 in accordance with IFRS 11

Company name	Location	Share Capital (in €)	Shareholding	Group consolidation quota	Method of Consolidation	Value 30.06.2018
Environment Segment						
Ecomed S.r.l.	Piazzale Ostiense 2 - Rome	10.000	50,00%	50,00%	Shareholders' Equity	0
Overseas						
Consortio Agua Azul S.A.	Calle Amador Merino Reina 307 - Lima - Peru	17.371.834	25,50%	25,50%	Shareholders' Equity	7.135.957
Water Segment						
Acque Sp.A.	Via Garigliano 1 - Empoli	9.953.116	45,00%	45,00%	Shareholders' Equity	71.281.134
Acque Servizi S.r.l.	Via Bellacalla 1 - Ospedaletto (Pisa)	400.000	100,00%	45,00%	Shareholders' Equity	4.089.077
Acquedotto del Fiora Sp.A.	Via Mameli 10 - Grosseto	1.730.520	40,00%	40,00%	Shareholders' Equity	39.377.830
Geal Sp.A.	Viale Luporini 1348 - Lucca	1.450.000	48,00%	48,00%	Shareholders' Equity	7.784.881
Intesa Aretina S.c.a.r.l.	Via B.Crespi 57 - Milan	18.112.000	35,00%	35,00%	Shareholders' Equity	1.081.916
Nuove Acque Sp.A.	Patrignone Loc. Cuculo - Arezzo	34.450.389	46,16%	16,16%	Shareholders' Equity	11.479.825
Publiacqua Sp.A.	Via Villamagna - Florence	150.280.057	40,00%	40,00%	Shareholders' Equity	108.680.699
Umbra Acque Sp.A.	Via G. Benucci 162 - Ponte San Giovanni (PG)	15.549.889	40,00%	40,00%	Shareholders' Equity	16.297.357
Engineering and Services Segment						
Ingegnerie Toscane S.r.l.	Via Francesco de Sanctis 49 - Florence	100.000	42,52%	42,52%	Shareholders' Equity	9.013.929
Visano S.c.a.r.l.	Via Lamarmora 230 - 25124 Brescia	25.000	40,00%	40,00%	Shareholders' Equity	10

The following companies are also consolidated using the equity method:

Company name	Location	Share Capital (in €)	Shareholding	Group consolidation quota	Method of Consolidation	Value 30.06.2018
Environment Segment						
Amea S.p.A.	Via San Francesco d'Assisi 15C - Palano (FR)	1.689.000	33.00%	33.00%	Shareholders' Equity	0
Coema	Piazzale Ostiense 2 - Rome	10.000	33.50%	33.50%	Shareholders' Equity	0
Overseas						
Aguazul Bogotá SA	Calle 82 19°-34 - Bogotá- Colombia	1.162.872	51.00%	51.00%	Shareholders' Equity	1.548.855
Water Segment						
Azga Nord S.p.A. (in liquidation)	Piazza Repubblica Palazzo Comunale - Pontremoli (MS)	217.500	49.00%	49.00%	Shareholders' Equity	0
Sogea S.p.A.	Via Mercatanti 8 - Rieti	260.000	49.00%	49.00%	Shareholders' Equity	587.836.00
Le Soluzioni Scrl	Via Gargliano 1 - Empoli	250.678	34.32%	24.62%	Shareholders' Equity	83.727.00
Servizi idrici Integrati SCPA	Via I Maggio 65 - Terni	19.536.000	25.00%	24.80%	Shareholders' Equity	7.904.049
Energy Infrastructure Segment						
Citelum Napoli Pubblica Illuminazione S.c.a.r.l.	Via Monteverdi Claudio 11 - Milan	90.000	32.18%	32.18%	Shareholders' Equity	0
Sienergia S.p.A. (in liquidation)	Via Fratelli Cairoli 24 - Perugia	132.000	42.08%	42.08%	Shareholders' Equity	0
Umbria Distribuzione Gas S.p.A.	Via Bruno Capponi 100 - Terni	2.120.000	15.00%	15.00%	Shareholders' Equity	471.409.00
Other						
Marco Polo Srl (in liquidation)	Via delle Cave Ardeatine 40 - Rome	10.000	33.00%	33.00%	Shareholders' Equity	0

B. The following companies are also consolidated using the equity method:

Board of Directors and Board of Statutory Auditors

€ thousand	Remuneration due				Total
	Remuneration for the office	Non-monetary benefits	Bonuses and other incentives	Other compensation	
Board of Directors	104	39	140	298	581
Board of Statutory Auditors	182	0	0	0	182

Key Managers

Fees due to executives with strategic responsibilities for the first half of 2019 amount to:

- ✚ salaries and bonuses € 826 thousand,
- ✚ non-monetary benefits € 73 thousand.

Remuneration paid to key managers is established by the Remuneration Committee based on average levels of pay in the labour market.

C. Segment information: statement of financial position and income statement

Please note the following for a better understanding of the breakdown provided in this section:

- + sales refer to the Commercial and Trading Segment which, from an organisational standpoint, is responsible for Acea Energia, Acea8cento, AEMA, Umbria Energy, Parco della Mistica and Cesap Vendita Gas,
- + distribution and public lighting refer to the Networks segment which, from an organisational standpoint, is responsible for Acea Produzione, Ecogena, Acea Liquidation and Liquidation, areti, Acea Sun Capitale, Acea Solar and KT4,
- + analysis and research services refer to the Engineering and Services Segment, which, from an organisational standpoint, is responsible for Acea Elabori and TWS,
- + Overseas refers to the Industrial Segment of the same name which, from an organisational standpoint, is responsible for operations overseas,
- + Water refers to the Industrial Segment of the same name, which, from an organisational standpoint, is responsible for the water companies operating in Lazio, Campania, Tuscany and Umbria,
- + Environment refers to the Industrial Segment of the same name which, from an organizational standpoint, is responsible for Acea Ambiente, Aquaser, Acque Industriali, Iseco and Bioecologia.

Balance Sheet Assets 2018

	Environment	Commercial & Trading	Overseas	Water	Electricity generation	Distribution	Public lighting	Engineering and Services	Corporate	Group total	Total consolidation adjustments	Consolidated Total
Investments	19,987	24,639	6,588	342,120	15,503	218,413	4,419	1,573	10,030	643,272	(12,442)	630,831
Tangible Fixed Assets	233,026	(3,267)	34,533	52,193	209,623	1,735,371	5,116	3,394	97,978	2,367,969	(461)	2,367,508
Intangible Fixed Assets	14,780	152,986	11,191	2,560,968	290	84,076	(895)	(2)	11,887	2,835,281	(412,045)	2,423,236
Non-current financial assets measured at equity	-	-	-	-	-	-	-	-	-	-	-	279,085
Financial assets	-	-	-	-	-	-	-	-	-	-	-	2,614
Other non-current trade assets	-	-	-	-	-	-	-	-	-	-	-	607,240
Other non-current financial assets	-	-	-	-	-	-	-	-	-	-	-	55,831
Inventories	5,608	401	945	9,217	440	29,853	-	2,325	(0)	48,789	-	48,789
Trade receivables from third parties	95,554	238,263	8,238	458,875	20,149	157,280	782	25,642	534	1,037,715	(142,116)	863,200
Trade receivables from Parent Company	124	11,709	-	42,881	4,519	(12,079)	15,187	60	28	67,893	(9,917)	52,513
Receivables from subsidiaries and associates	4	1,544	26	4,016	-	-	420	6,971	87,729	100,711	(88,589)	12,122
Other current trade assets	-	-	-	-	-	-	-	-	-	-	-	262,643
Other current financial assets	-	-	-	-	-	-	-	-	-	-	-	113,960
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	-	1,068,138
Non-current assets held for sale	-	-	-	-	183	-	-	-	-	183	-	183
Total Assets												8,157,061

Amounts in € thousand

Balance Sheet Liabilities 2018

	Environment	Commercial and Trading	Overseas	Water	Generation	Distribution	Public lighting	Engineering and Services	Corporate	Group Total	Total consolidation adjustments	Consolidated Total
Segment liabilities												
Trade payables to third parties	47,930	392,419	2,950	647,353	17,329	336,159	4,610	12,259	95,322	1,556,331	(142,403)	1,413,928
Trade payables to Parent Company	2,011	26,188	892	136,005	1,597	26,329	637	461	2	194,123	(86,480)	107,644
Trade payables to subsidiaries and associates	-	3,968	-	59	-	-	3,031	120	6,770	13,949	(10,644)	3,305
Other current trade liabilities	-	-	-	-	-	-	-	-	-	-	-	357,119
Other current financial liabilities	-	-	-	-	-	-	-	-	-	-	-	408,675
Employee severance indemnity and other defined benefit plans	6,837	4,744	340	29,970	2,247	33,032	-	3,246	23,512	103,930	-	103,930
Other provisions	19,266	19,308	1	38,966	19,025	20,312	12	2,513	(6,570)	118,298	23,818	136,651
Provision for deferred taxes												-
Other non-current trade liabilities												348,148
Other non-current financial liabilities												3,374,134
Liabilities directly associated with assets held for sale	-	-	-	-	37	-	-	-	-	37	-	37
Shareholders' Equity												1,903,491
Total liabilities and shareholders' equity												8,157,061

Amounts in € thousand

Income Statement 30.06.2018

	Environment	Commercial and Trading	Overseas	Water	Electricity generation	Distribution	Public Lighting	Engineering	Corporate	Group total	Consolidation adjustments	Group total
Revenues	83,866	822,153	17,304	364,920	40,073	283,968	22,912	35,938	59,939	1,731,072	(276,793)	1,454,278
Personnel costs	9,743	12,610	4,167	33,205	2,476	16,018	2,804	14,280	29,033	124,336	(14,409)	109,927
Purchase of electricity	1,503	728,312	-	12,330	4,658	77,193	4,110	34	478	828,619	(125,984)	702,635
Sundry costs of materials and overheads	40,841	37,103	6,328	144,152	7,748	35,660	17,720	12,619	42,165	344,338	(134,006)	210,331
Costs	52,087	778,026	10,495	189,688	14,882	128,871	24,634	26,933	71,676	1,297,292	(274,399)	1,022,894
Income/(Costs) from equity investments of a non-financial nature	(4)	-	538	17,085	-	-	-	904	-	18,523	-	18,523
EBITDA	31,775	44,127	7,347	192,317	25,191	155,097	(1,722)	9,909	(11,737)	452,303	(2,395)	449,908
Depreciation/amortisation	15,358	25,800	3,679	84,971	9,003	54,506	457	791	4,622	199,186	-	199,186
Operating profit/loss	16,417	18,327	3,668	107,346	16,188	100,591	(2,178)	9,118	(16,360)	253,116	(2,395)	250,722
Financial (costs)/income												(42,381)
(Costs)/Income from Equity Investments			323	492				8,902	(306)	9,411		9,411
Profit/(loss) before tax												217,751
Taxes												67,093
Net result												150,659

Amounts in € thousand

Balance Sheet Assets 2019

	Environment	Commercial & Trading	Overseas	Water	Electricity generation	Distribution	Public lighting	Engineering and Services	Corporate	Group total	Total consolidation adjustments	Consolidated Total
Investments	10,642	18,533	3,613	173,623	5,529	126,341	1,556	831	6,617	347,285	(5,300)	341,985
Tangible Fixed Assets	227,858	(3,410)	36,008	68,841	209,668	1,806,628	7,680	3,542	94,548	2,451,363	(461)	2,450,902
Intangible Fixed Assets	18,913	157,927	12,144	2,649,645	1,718	97,816	(368)	1,361	31,965	2,971,122	(415,350)	2,555,771
Non-current financial assets measured at equity	-	-	-	-	-	-	-	-	-	-	-	286,843
Financial assets	-	-	-	-	-	-	-	-	-	-	-	2,616
Other non-current trade assets	-	-	-	-	-	-	-	-	-	-	-	617,787
Other non-current financial assets	-	-	-	-	-	-	-	-	-	-	-	51,772
Inventories	5,470	137	954	13,525	435	28,669	-	3,965	(0)	53,155	-	53,155
Trade receivables from third parties	86,907	234,899	6,067	534,672	23,042	175,871	1,402	36,683	204	1,099,748	(140,851)	958,896
Trade receivables from Parent Company	279	12,907	-	62,882	2,337	3,754	0	34	37	82,230	(9,307)	72,924
Receivables from subsidiaries and associates	125	1,384	50	4,386	-	-	119	7,098	72,769	85,931	(70,992)	14,939
Other current trade assets	-	-	-	-	-	-	-	-	-	-	-	199,311
Other current financial assets	-	-	-	-	-	-	-	-	-	-	-	248,790
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	-	980,973
Non-current assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets												8,494,679

Amounts in € thousand

Balance Sheet Liabilities 2019

	Environment	Commercial and Trading	Overseas	Water	Generation	Distribution	Public lighting	Engineering and Services	Corporate	Group Total	Total consolidation adjustments	Consolidated Total
Segment liabilities												
Trade payables to third parties	51,522	357,095	4,564	633,478	14,104	317,011	8,692	10,948	83,926	1,481,340	(142,491)	1,338,849
Trade payables to Parent Company	1,054	21,256	912	146,661	809	15,640	637	262	76	187,309	(68,513)	118,796
Trade payables to subsidiaries and associates	-	3,174	-	90	-	-	5,087	264	5,786	14,401	(10,018)	4,383
Other current trade liabilities	-	-	-	-	-	-	-	-	-	-	-	388,380
Other current financial liabilities	-	-	-	-	-	-	-	-	-	-	-	641,133
Employee severance indemnity and other defined benefit plans	7,214	5,167	326	30,915	2,207	32,482	-	3,262	23,207	104,781	-	104,781
Other provisions	24,448	19,853	3	58,534	24,161	40,490	-	5,130	(2,118)	170,501	23,757	194,257
Provision for deferred taxes												-
Other non-current trade liabilities												346,243
Other non-current financial liabilities												3,461,973
Liabilities directly associated with assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-
Shareholders' Equity												1,895,884
Total liabilities and shareholders' equity												8,494,679

Amounts in € thousand

Income Statement 2019

	Environment	Commercial and Trading	Overseas	Water	Electricity generation	Distribution	Public Lighting	Engineering	Corporate	Group total	Consolidation adjustments	Group total
Revenues	98,309	788,376	23,029	505,469	43,639	270,705	23,102	33,260	57,724	1,843,614	(269,598)	1,574,016
Revenues	98,311	788,376	22,451	487,547	43,639	270,705	23,102	32,323	57,724	1,824,178	(269,598)	1,554,580
Personnel costs	10,664	12,709	5,255	47,271	2,688	13,176	2,767	14,004	30,112	138,646	(14,352)	124,295
Purchase of electricity	2,394	705,314	-	24,533	6,637	56,870	2,248	19	565	798,581	(119,511)	679,070
Sundry costs of materials and overheads	51,748	39,146	9,864	189,627	8,974	32,425	18,384	12,765	40,860	403,793	(135,735)	268,058
Costs	64,806	757,168	15,119	261,431	18,299	102,471	23,399	26,789	71,537	1,341,020	(269,598)	1,071,422
Income/(Costs) from equity investments of a non-financial nature	(2)	-	578	17,922	-	-	-	937	-	19,435	-	19,435
EBITDA	33,502	31,208	7,909	244,039	25,340	168,234	(297)	6,471	(13,813)	502,594	-	502,594
Depreciation/amortisation	14,442	27,399	5,388	116,718	9,511	58,965	999	774	8,175	242,371	-	242,371
Operating profit/loss	19,060	3,808	2,521	127,321	15,829	109,270	(1,296)	5,697	(21,988)	260,223	-	260,223
Financial (costs)/income												(42,745)
(Costs)/Income from Equity Investments			2,731	842					(7)	3,565		3,565
Profit/(loss) before tax												221,043
Taxes												66,379
Net result												154,664

Amounts in € thousand