



FINANCIAL STATEMENTS

Report on Operations

Separate financial statements as at 31 December 2019

Dear Shareholders, in compliance with the provisions of Art. 2428 of the Italian Civil Code, in the Notes to the Financial Statements to the financial statements as at 31 December 2019 we provide you with information regarding your company's position and its operating performance.

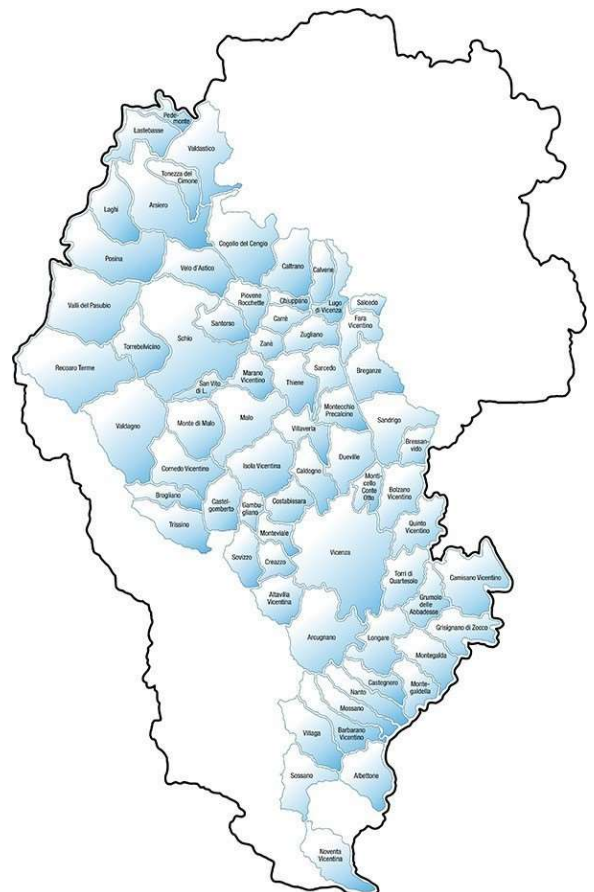
This report, however, prepared with values expressed in Euro, is presented as accompaniment to the financial statements in order to provide income, equity, financial and operating information about the company, if possible with the addition of past elements and forward-looking assessments.

Information about the company

Viacqua is a 100% public participation joint stock company which guarantees the integrated water service (water supply, sewerage and treatment) pursuant to Veneto Regional Law 17/2012 and Italian Legislative Decree no. 152/2006. The operations involve 68 municipalities in the province of Vicenza with a catchment area of over 550,000 residents, as a result of the merger of Alto Vicentino Servizi S.p.A. into Acque Vicentine S.p.A., with effect from 31 December 2017, with same-time change of the company name to Viacqua S.p.A.

The 68 local municipalities served are:

Albettono, Altavilla Vicentina, Arcugnano, Arsiero, Barbarano Mossano, Bolzano Vicentino, Breganze, Bressanvido, Brogliano, Caldogno, Caltrano, Calvene, Camisano Vicentino, Carrè, Castegnero, Castelgomberto, Chiappano, Cogollo del Cengio, Cornedo Vicentino, Costabissara, Creazzo, Dueville, Fara Vicentino, Gambugliano, Grisignano di Zocco, Grumolo delle Abbadesse, Isola Vicentina, Laghi, Lastebasse, Longare, Lugo di Vicenza, Malo, Marano Vicentino, Montecchio Precalcino, Monte di Malo, Montegalda, Montegaldelta, Monteviale, Monticello Conte Otto, Nanto, Noventa Vicentina, Pedemonte, Piovene Rocchette, Posina, Quinto Vicentino, Recoaro Terme, Sandrigo, San Vito di Leguzzano, Salcedo, Santorso, Sarcedo, Schio, Sossano, Sovizzo, Thiene, Tonezza del Cimone, Torrebelvicino, Torri di Quartesolo, Trissino, Valdagno, Valdastico, Valli del Pasubio, Velo d'Astico, Vicenza, Villaga, Villaverla, Zanè and Zugliano.



The registered office is at Viale dell'Industria 23, Vicenza. It also has an important operations centre in Thiene and other minor facilities in Arsiero, Noventa Vicentina and Valdagno.

The Company operates under the regulated tariffs system as regards its core business (water supply, domestic sewerage and waste treatment services and industrial sewerage and waste treatment service), and must guarantee binding standards of service for user-demand activities and technical quality of the service provided, in accordance with provisions of the extensive regulations in force, the ATO governing body and ARERA (Italian Regulatory Authority for Energy, Networks and Environment).

The ATO governing body (EGA) is Consiglio di Bacino Bacchiglione, a consortium covering the area of sixty municipalities in the province of Padua, seventy-nine municipalities in the province of Vicenza and one in the province of Venice.

Other activities, complementary to those listed above, include the provision of services at the individual request of integrated water service users, such as leak detection, even downstream of the meters, cleaning of roadside drains and rainwater channels on behalf of a number of local authorities, parcelling works and compliance opinions on sewerage systems as part of municipal building procedures. The complementary activities are of residual value to the business operations, consistent with legal provisions which, for in-house management, envisage maintaining economic prevalence of the services provided to the participating local authorities.

The Company provides the service in accordance with in-house providing methods in the area of the authorities with participating interests, based on the concession awarded in 2007 by what was then the ATO Bacchiglione, with duration established at that time until 31 December 2026. The concession awarding regulations were updated on 21 March 2017, whilst the duration of the concession was extended to 31 December 2036 by Consiglio di Bacino Bacchiglione Decision no. 4 of 16 April 2019.

The Company is subject to control by the participant local authorities, similar to that applied to their own offices, in line with the provisions of European regulations and the Articles of Association. Such similar control is carried out jointly by the local authorities in accordance with methods envisaged in the Agreement pursuant to Art. 30, Italian Legislative Decree no. 267/2000, signed by 66 of the 68 participating municipalities.

The Area Plan is the main technical, economic and financial planning instrument prepared by Consiglio di Bacino Bacchiglione and approved by ARERA. It provides a snapshot of the service status at area level and, for the entire duration of the concession, establishes the goals in terms of service levels to be pursued, technical and organisational standards, necessary investments and funding available for their implementation.

The company also has a three-year action plan which envisages specific actions, with related necessary funding and timing, to implement the Area Plan and the guidelines provided by the participating municipalities. The 2019-2021 three-year action plan was approved by the General Coordination Meeting of 19 December 2018, whilst the 2020-2022 update was approved on 21 January 2020.

The legal and regulatory framework of the integrated water service

Legal framework

The general legal framework in which our company operates comprises the general regulations on local public services, pursuant to the Consolidated Local Authorities Act, Italian Legislative Decree no. 267/2000, and the sector regulations, the main regulation being the Consolidated Environmental Act, Italian Legislative Decree no. 152/2006.

Viacqua S.p.A. is also subject to the reference regulations on public participation companies, the most recent legal framework for which is Italian Legislative Decree no. 175 of 19 August 2016, issued in implementation of Articles 16 and 18 of Law no. 124 of 7 August 2015 (the "Madia Law"). As part of the Viveracqua Hydrobond transaction, in 2014 Viacqua S.p.A. issued financial instruments in the form of a bond loan, fully subscribed by the SPV Viveracqua Hydrobond 1 S.r.l. In turn, the latter issued a bond loan listed on the Luxembourg regulated market. Supported by its legal advisors, the company considers this situation is attributable to qualification as a listed company pursuant to Art. 2, paragraph 1, letter P of Italian Legislative Decree no. 175/2016, and is therefore subject to the decree only where specifically envisaged.

Regulatory framework

The integrated water service is regulated by the Italian Regulatory Authority for Energy, Networks and Environment (ARERA). Through its resolutions, the Authority defines the national regulatory framework for management of the integrated water service and its individual components, with a view to essential and prompt care for the end user, given the natural monopoly nature of the service. Among the activities specific to the Authority is the approval of tariffs proposed by the ATO governing bodies (EGAs) identified by the Regional or Autonomous Provincial governments.

For the Company, the EGA is Consiglio di Bacino dell'ATO Bacchiglione, pursuant to Veneto Regional Law 17/2012.

Between 2019 and January 2020, ARERA issued 73 documents regarding the integrated water service. Of note among these are:

On social bonuses

Resolution 14/2020/R/com of 28 January 2020. Launch of the procedure for the implementation of provisions on automatic social bonus recognition per Italian Law Decree no. 124 of 26 October 2019, converted with amendments to Law no. 157 of 19 December 2019.

Resolution 3/2020/R/idr of 14 January 2020. Amendments to the integrated text of social bonus application methods for the supply of water to domestic users in economic hardship (TIBSI), in line with Art. 57-bis, Italian Law Decree no. 124 of 26 October 2019, converted with amendments to Law no. 157 of 19 December 2019. Through this document, the water social bonus is enhanced, with a higher billing discount and extending the reductions also to costs related to the sewerage and treatment services. It is also extended to include the recipients of Italian income support and pensions.

On the national plan of action for the water sector

Resolution 512/2019/R/idr of 3 December 2019. Launch of the disbursement of funding for implementation of the actions referred to in Annex 1 to the Prime Minister's Decree of 1 August 2019, on "Adoption of the first part of the national plan of action for the water sector - water supply section". By this resolution, the Authority authorises the energy and environmental services fund to disburse the first portion of the loan to implement the actions contained in Art. 1 of the Prime Minister's Decree of 1 August 2019. None of these actions involve Viacqua.

Resolution 425/2019/R/idr of 23 October 2019. Regulations on the disbursement methods for funding to implement the actions contained in Annex 1 to the Prime Minister's Decree of 1 August 2019, on "Adoption of the first part of the national plan of action for the water sector - water supply section", adopted pursuant to Art. 1, paragraph 516, Italian Law 205/2017.

Report 252/2019/I/idr of 20 June 2019. First list of necessary and urgent actions for the water sector for the purpose of defining the "water supply" section of the national plan, pursuant to Art. 1, paragraph 516, Italian Law 205/2017.

Resolution 51/2019/R/idr of 12 February 2019. Integration of the procedures launched by Authority Resolution 25/2018/R/idr, relating to necessary and urgent actions for the water sector for the purpose of defining the "water supply" section of the national plan, pursuant to Art. 1, paragraph 516, Italian Law 205/2017.

With regard to the water system works guarantee fund

Resolution 8/2020/R/idr of 21 January 2020. Definition of the management methods of the water system works guarantee fund. By Resolution 8, the Authority governs the methods for management and use of the water system works guarantee fund, which aims to facilitate operators' access to credit, guarantee the risk associated with transfer of operations from one operator to another and to limit the impact of tariffs. The funding allocated to the guarantee fund originate from a specific UI4 equalising component, introduced with effect from 1 January 2020 as part of the tariff calculation rules for the third regulatory period MTI-3, and determined as 0.4 euro cents per cubic metre. The measure was launched with Resolution 353.

Resolution 353/2019/R/idr of 30 July 2019. Launch of the procedure for definition of the allocation and management methods for the water system works guarantee fund, pursuant to Art. 58, Italian Law 221/2015, in line with the criteria indicated in the Prime Minister's Decree of 30 May 2019.

Also of note:

Resolution 311/2019/R/idr of 16 July 2019. Regulation of default positions in the integrated water service From 1 January 2020, the resolution introduces specific and equal rules applying throughout Italy in the event of non-payment by water sector users. Standard timing and methods are defined for classification as in default, division of amounts into instalments, suspension of supply and termination of the contract, safeguarding vulnerable users in a documented state of economic and social hardship and public users that cannot be disconnected (such as hospitals and schools).

Resolution 142/2019/E/idr of 16 April 2019. Methods for implementing the protection system in the water sector for complaints and disputes of customers and end users in regulated sectors. By Resolution 142/2019/E/idr, ARERA identifies the water sector operators obliged to participate, from 1 July 2019, in the procedures initiated voluntarily by end users before the Conciliation Service. The obligation refers to operators serving a portion of the population equal to a minimum 300,000 residents.

Among the past significant regulatory measures, also in terms of their economic, organisational and operational effects and the periodic reporting obligations involved, note:

Resolution 665/2017/R/idr of 28 September 2017 - Approval of the consolidated law on water service prices (TICSI), containing the tariff breakdown criteria applied to users.

The measure includes provisions on the criteria for defining the tariff breakdown applied to integrated water service users, which the EGAs or other competent bodies are required to adopt in reorganising the pricing structure for end users, in compliance with the consolidated law on water service prices (TICSI), Annex A to the resolution. The TICSI establishes:

1. general provisions (Title 1);
2. the tariff breakdown for domestic users (Title 2);
3. the tariff breakdown for non-domestic users (Title 3);
4. the collection and treatment of industrial waste authorised for dumping in the public sewer system (Title 4);
5. governance of the effects on operator revenues (Title 5);
6. elements of a contractual nature and metering regulations (Title 6).

In application of this resolution, with its own Resolution 17 of 13 December 2018 the Consiglio di Bacino Bacchiglione determined the new tariff structure for water services to be applied to users in the Bacchiglione ATO.

Resolution 917/2017/R/idr of 27 December 2017 - Integrated Water Service Technical Quality Regulation (RQTI) or each of its component services..

The measure defines minimum levels and objectives of technical quality in the integrated water service, through the introduction of: i) specific *standards* to be guaranteed in the service provided to each user, ii) general *standards* describing the technical conditions for provision of the service, iii) prerequisites representing the necessary conditions of eligibility for the incentive mechanism associated with the general *standards*.

Resolution 655/2015/R/IDR RQSII. The resolution introduced quality rules, also envisaging penalty mechanisms, through limitations on tariff increases recognised to the operator and through user indemnities. Specific and general levels of IWS contractual quality were established, by identifying maximum times and minimum quality standards, applying throughout Italy, for all services to be guaranteed to users, in addition to methods for recording services provided by operators at the request of a user.

Resolution 218/2016/R/IDR (TIMSII). The measure of 5 May 2016 governs the IWS utility metering service, defining responsibilities, installation obligations, meter maintenance and checks, metering procedures (including remote reading), as well as for the validation, estimation and reconstruction of data. Storage obligations, availability of metering data to entitled parties and the recording and disclosure of information to the Authority were established.

With regard to tariff aspects

Resolution 664/2015/R/IDR. By Resolution 664 of 28 December 2015, ARERA adopted the water tariff method (MTI-2) for determining tariffs in the period 2016-2019 (later amended and supplemented by Resolution 918/2017/R/idr of 27 December 2017).

The method envisages tariffing that applies the EU principle of *full cost recovery* for the operation, investment, environmental application and use of the resource; for the operator, the cost recovery is the Minimum Guaranteed Revenue (VRG), divided into its various components:

- capex – capital expenditure, equal to amortisation, financial expense and tax liabilities;
- opex – operating expense to provide the service;
- FoNI – component as an advance on the financing of new investments;
- ERC – component as environmental cost recovery and for use of the resource;
- balancing – VRG adjusting components determined by ARERA on the basis of changes in volumes invoiced and costs incurred.

By general meeting resolution no. 12 of 18 July 2018, the EGA approved the VRGs for 2018 and 2019, separately for the former concessions of Alto Vicentino Servizi and Acque Vicentine, also updating the action plan and the economic and financial business plan. Later, by **Resolution 35/2019/IDR of 29 January 2019** ARERA approved the updated tariffs for 2018 and 2019 with the following tariff multipliers (based on 2015):

- former concession Alto Vicentino Servizi: 1.003 for 2018 and 1.088 for 2019;
- former concession Acque Vicentine: 1.032 for 2018 and 1.063 for 2019.

By **Resolution 580/2019/R/IDR**, ARERA approved the Water Tariff Method for the third regulatory period 2020-2023 (MTI-3). The basic principles for constructing the VRG remain in line with MTI-2. New tools are introduced to improve operating efficiency and control of the Action Plan implementation, in addition to measures to encourage energy and environmental sustainability. The EGA must: i) prepare the tariff for the period 2020-2023 and the Business Plan; ii) prepare the Strategic Works Plan and update the Action Plan. The deadline for fulfilling these obligations was extended to 30 June 2020 by Resolution 59/2020/R/COM.

Resolution 137/2016/R/IDR UNBUNDLING

By the resolution of 24 March 2016, the accounts unbundling obligations for IWS operators were equated to those already in force for energy service operators, standardising the related reporting obligations, also through the identification of methods for structuring the accounts unbundling at ATO level. This measure supplements the TIUC, Consolidated Law on Unbundling of Accounts of 2014.

The separate annual accounts (CAS) are subject to audit by the entity appointed to the statutory audit of the financial statements, which then prepares a report pursuant to Art. 22 of the TIUC. The deadline for online submission of the separate annual accounts is envisaged in the TIUC as 90 days after the date of approval of the financial statements by the shareholders' meeting or the date of opening of the ARERA data portal.

Upload of the aforementioned CAS to the Authority's portal for 2018 was completed on 6 August 2019.

Position of the company

Viacqua S.p.A. continues its management of the integrated water service in the two sub-areas awarded by the General Meeting of Consiglio di Bacino Bacchiglione to the previous companies, respectively Alto Vicentino Servizi in 2006 and Acque Vicentine in 2007.

This was an *in-house providing award*, given that:

- the share capital is 100% publicly owned and held by 89 Municipalities in the area in which the company operates;
- the participants exercise control over the company similar to that over its own offices, through a specific signed Agreement;
- almost all the revenues derive from the Integrated Water Service management governed by the Agreement with Consiglio di Bacino.

A breakdown of the share capital as at 31 December 2019 can be found in the Notes to the Financial Statements.

Corporate governance

The members of the Board of Directors, appointed by the shareholders' meeting of 29 January 2018, are the Chairman Angelo Guzzo and the Directors, Giuseppe Leopoldo Bortolan, Paola Campagnolo, Pia Clementi and Luigi Schiavo.

The members of the Board of Statutory Auditors, appointed by the shareholders' meeting of 29 January 2018, are Maurizio Salomoni Rigon as Chairman and the standing auditors Cinzia Giaretta and Giuseppe Mannella.

Management and coordination activity

Pursuant to Art. 2497-bis, paragraph 5, of the Italian Civil Code, it is confirmed that the company is not subject to management and coordination by another entity.

Similar control

The Articles of Association envisage similar control characteristics as described in Art. 30 of the TUEL.

In compliance with the Articles of Association, the participating local authorities signed an Agreement pursuant to Art. 30 of the Italian Legislative Decree no. 267/2000 (TUEL), which also governs operations of the Coordination Meeting, with quorum and decision-making powers based on the number of residents in the participating municipalities and not based on their participating interests.

All the main ordinary and extraordinary reports on Company operations are submitted to the Coordination Meeting for prior approval.

Business crisis risk assessment

Also in compliance with requirements of the Code on Business Crises, the Company arranged measurement of the 2019 financial statements ratios as proposed by the Italian Accounting Body (CNDCEC).

The results of these ratios are provided below:

ALERT	2019 result	2018 result
Operating performance of the company was negative for three consecutive years	NO	NO
The losses accumulated in the last three years, net of any use profit in the same period, have reduced equity by more than 20%	NO	NO
The report of the independent auditor, the statutory accounts auditor or Board of Statutory Auditors express doubts regarding going concern	NO	NO
The ratio measured as the Net Financial Position (NFP) against EBITDA, is higher than 6.5 (value of the related covenant on bonds issued)	3	3
The weight of financial expense, measured as EBITDA against financial expense, is lower than 4 (value of the related covenant on bonds issued)	9.9	10.7

Indicated below are the business crisis alerts as per CNDCEC instructions for the sector, i.e. "WATER AND SEWER NETWORK SERVICE PROVIDERS" (document dated 20 October 2019):

ALERT	2019 result	2018 result
Negative equity	+€ 76 mln	+€ 66 mln
Efficiency ratio (financial expense/sales revenues%) - Alert triggered if \geq 2.6	3.08	3.14
Capital adequacy ratio (equity/total debt %) – Alert triggered if \leq 6.7	36.6	31.4
Return on Assets ratio (cash flow/total assets%) – Alert triggered if \leq 1.9	7.2	7.6
Current ratio (total assets/total current liabilities%) – Alert triggered if \leq 84.2	116	139
Welfare or tax expense ratio (total welfare or tax expense/total assets%) - Alert triggered if \geq 6.5	0.6	1.3

As illustrated in the table, all the limits suggested in the CNDCEC document are all fully compliant except for the efficiency ratio: financial expense/sales revenues. It is considered that, overall, there are no significant signs of a business crisis.

INTERNAL REGULATIONS AND CONTROL

Viacqua has adopted the following regulations and controls:

- Organisation, management and control model pursuant to Italian Legislative Decree no. 231/2001
- Code of Ethics
- Three-Year Corruption Prevention and Transparency Plan
- Purchasing regulation
- Regulation for the setup and management of a Suppliers Register
- Disciplinary code

- Document access regulation
- Personnel recruitment regulation

To guarantee internal control:

- a Supervisory Body was appointed pursuant to Italian Legislative Decree no. 231/2001
- a Corruption Prevention and Transparency Manager was appointed.

Participation in Viveracqua scarl

Viveracqua, a limited liability consortium, was established by notary deed in June 2011 as an organisational means to pool certain activities to achieve economies of scale and purpose (central contracting on behalf of its consortium members, financing acquisition, implementation of common projects) and to develop common general services.

To date, all 12 of the 100% public participation operators in the Veneto region are consortium members, which together provide the integrated water service to 4.8 million residents in 593 municipalities in Veneto and Friuli.

The general purposes of the consortium are (i) to create synergies between members; (ii) to reduce and/or optimise operating costs, in particular pursuing economic savings; (iii) pooled management of certain business phases; (iv) to provide and/or acquire services and/or raw materials for its businesses; (v) to provide services and instrumental activities, also on behalf of third parties, that are complementary or accessory to its core business.

Activities on behalf of members continued normally during 2019, in coordination with the numerous technical work groups on all issues for which joint development benefits individual companies, the provision of services to members, mainly management of the common procurement system (joint contracting, common services, IT platform and suppliers register management), as well as the continuation of initiatives and projects to implement common phases in the business activities of the operators.

VIVERACQUALAB Laboratory Network

Creation of a region-wide single testing hub, able to perform over 100,000 tests per year on drinking water and waste water, in effect constituting one of the largest sector hubs in Italy that will allow the achievement of economies of scale and bargaining power on the procurement market for materials and equipment, optimise workload distribution, improve the use of human resources and equipment, share the development and dissemination of technological and process innovation, enhance and pool expertise, knowhow and resources, develop innovation-related skills also through pool investments.

The Network Contract envisages that, for drinking water and waste water testing services, member operators use the Laboratory Network, which currently includes 5 labs located in various Veneto provinces.

Sludge Processing Project

Through Viveracqua, the operators are developing a common project for the processing and disposal of treatment sludge, with the objectives of energy enhancement and reduction with a view to environmental sustainability and compliance with emerging regulations on pollutants.

Smart Metering Project

The SMART.MET Project, launched in 2017, has allowed identification of the common needs of European utilities in managing the service to users. 90% financed through the Horizon 2020 research programme with a total budget of € 4.4 million, the project involves Italy, France, Spain, Belgium and Hungary. Its aim is to promote research and innovation in smart metering, seeking to identify new technologies to be applied to smart meters to ensure that they fully satisfy the needs of water companies in terms of readability, energy autonomy, interoperability and reduced costs.

Water Safety Plan Project

Sharing of the expertise acquired during preparation of the Plan for the water supply systems contaminated by PFAS, with training/support for consortium contacts responsible for developing the WSPs in their own areas; direction and coordination activities with the Veneto Regional Government and partner institutions (local health authorities, Arpav, etc.).

Viacqua S.p.A. has a 12.05% participating interest, for € 12,665, in Viveracqua scarl. The breakdown of Viveracqua share capital at 31 December 2019 was as follows:

Shareholders	Share capital	
	Subscribed	% interest
Veritas S.p.A.	18,823	17.90%
Acque Veronesi s.c. a r.l.	18,285	17.39%
Etra S.p.A.	12,976	12.34%
Viacqua S.p.A.	12,665	12.05%
acquevenete S.p.A.	12,447	11.84%
Alto Trevigiano Servizi S.p.A.	11,208	10.66%
Piave Servizi S.r.l.	7,652	7.28%
Bim Gestione Servizi Pubblici S.p.A.	5,069	4.82%
AGS S.p.A.	2,199	2.09%
Acque del Chiampo S.p.A.	2,131	2.03%

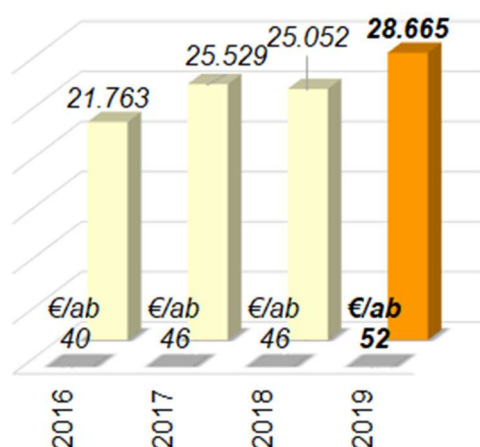
Livenza Tagliamento Acque S.p.A.	1,424	1.35%
Medio Chiampo S.p.A.	255	0.24%
Subscribed capital paid	105,134	100%

Based on a service agreement with Viveracqua, Viacqua provides administrative, secretarial, personnel management and IT system services.

Operating performance

Investments in extraordinary maintenance and new works

Investments in 2019 totalled € 28.7 million, more than € 3.5 million higher than in 2018 (+15%) and recording a decisive increase (approx. +20%) compared to the investments average in 2016-2018.



It is important to point out the significance of the company's investment plan, with specific indicators at the highest levels in the Veneto region and in Italy. At national level, the investments made in 2017 averaged € 40 per resident per year (ref. REF Research laboratory). The figure for Viacqua in 2019 was € 52 per resident per year and in the three-year period 2020-2022 will increase to around € 100 per resident per year, thus reaching the level of the most virtuous EU countries.

There was a delay, however, with respect to the 2019 investment budget for € 42.8 million; the forecast for this budget in the 2019-2021 Three-Year Plan had considered in particular two actions that should have allowed it to be achieved:

- new recruitments for the technical and works contract departments;
- definition of a Framework Agreement for works on the standard networks.

With regard to recruitments, these are still being defined for the works contract department, whilst the definition for the technical department came only in the second part of the year because of the time necessary to identify the correct profiles for inclusion in the workforce, hence the lack of impact on the investments made.

In terms of the Framework Agreement to be used specifically for the works, it was decided during the year not to make further progress with this tool for reasons concerning a number of perplexities over its legitimacy in relation to the purpose it aimed to pursue (carry out new works and not only maintenance), with possible repercussions on tender procedures.

Another action that began later than forecast is the mass replacement of utility meters, an activity that was insourced and for which recruitment of operating technicians was concluded after the summer rather than at the beginning as expected.

Lastly, other elements adding to the delay in carrying out planned actions were associated with recourse to the tender procedure for the "Well feed pipe at Moracchino-Viale Trento unit" and the "Sewer and water supply system extension in Ancignano, Sandrigo".

With specific regard to activities carried out in 2019, note:

- the approval by Consiglio di Bacino Bacchiglione of 53 projects for amounts higher than € 100,000, of which 20 feasibility studies (51% of the total approved by Consiglio di Bacino), 32 final (62% of the total) and 1 executive, and 40 feasibility studies for amounts lower than € 100,000 (75% of the total);
- as regards the PFAS problem that affected the Almisano water supply site and which sees Viacqua as the implementing entity in the "Search for new supply sources and source tapping works for connection to the existing Valle dell'Agno conduit", fully financed for € 2.9 million (off-tariff), participation has continued in the Planning Commission identified by the Commissioner along with other implementing entities for the purpose of technical verification of projects and variants they have proposed regarding implementation of the Emergency Action Plan. During the year, works also began in relation to our action with laying of the supply pipe in correspondence with the cycle lane under construction by the Municipality of Recoaro Terme;
- works on the new "cylindrical reservoir feed pipe in Cogollo del Cengio" (almost 3 km of network for € 0.9 million), started towards the end of the summer and almost complete, which allow replacement of the existing and only feed pipe for the Municipality that in correspondence with the Astico artery is in poor condition, putting service continuity at risk (Resolution 917/17 - ARERA, macro-indicator M2 "Service interruption");
- works for the "New Masare reservoir and Crosara relaunch in the Municipality of Creazzo" (5,000 m³ tank and 1.3 km of network for € 2.5 million, involving 20,000 residents), started in the autumn and due to continue for almost all 2020, which will offer a stronger guarantee of service continuity for the municipalities of Monteviale, Creazzo, Sovizzo and Gambugliano (Resolution 917/17 - ARERA, macro-indicator M2 "Service interruption");

- works for the "Sewer separation and water supply enhancement to serve Staro in Valli del Pasubio" (5 km of network and 2 imhoffs for € 1.6 million, serving over 200 residents) now nearing completion, which will allow extended coverage of the sewerage and treatment service (Resolution 917/17 - ARERA, treatment service coverage indicator compared to users served by the water supply" (G5.2), associated with macro-indicator M5 "Sludge output disposal" and macro-indicator M1 "Water leaks");
- works for the "Systems integration of the water supply pipe - by-pass conduit from Lugo to the Cavallo reservoir" (2 km of network for € 0.6 million and involving 5,000 residents), started in the spring and now completed to link up the water supply for Fara and Salcedo with the "Piasan" water supply to guarantee service continuity (Resolution 917/17 - ARERA, macro-indicator M2 "Service interruption");
- works for the "Expansion of the Vicenza water supply network in Creazzo" (2 km of network for € 0.6 million and involving 10,000 residents), started in the spring and now nearing completion, to limit Water leaks and improve service conditions (Resolution 917/17 - ARERA, macro-indicator M1 "Water leaks" and macro-indicator M2 "Service Interruption");
- works for "Connection of the "Colli Berici" consortium water supply to the "Riviera Berica" consortium conduit, municipalities of Sossano, Campiglia dei Berici and Agugliaro" (7 km of network and 1 new system relaunch for € 4.2 million and involving 5,000 residents), started in the autumn and due for completion by the end of 2020, to connect the Sossano, Campiglia and Agugliaro water supply (acquevenete) with the Vicenza water supply via the Riviera Berica consortium with a view to replacing the current feed supply from the Almisano plant affected by the PFAS problem (Resolution 917/17 - ARERA, macro-indicator M1 "Water leaks" and macro-indicator M3 "Quality of water supplied");
- works for the "operational upgrading and expansion of the Thiene treatment plant" (expansion to 140,000 PE for € 6.2 million), in progress and due for completion in 2020, which envisage system upgrading to match the agglomerated load (Resolution 917/17 - ARERA, macro-indicator M5 "Sludge output disposal" and macro-indicator M6 "Quality of treated water");
- works for "Expansion of the "Grisignano di Zocco" treatment plant - Phase I" (expansion to 43,000 PE for € 5.7 million), in progress but nearing completion, which envisage plant upgrading to match the agglomerated load (Resolution 917/17 - ARERA, macro-indicator M5 "Sludge output disposal" and macro-indicator M6 "Quality of treated water");
- works for "Separation of the sewer network of Povolaro, Municipality of Dueville" (4 km of network for € 2.2 million), in progress and due for completion by the end of 2020, envisaging separation of the entire zone currently served by hybrid sewers (Resolution 917/17 - ARERA, macro-indicator M4 "Sewer system adequacy");
- works for "Vallugana sewer connection in the municipalities of Malo and Isola Vicentina" (3.7 km of network for € 0.8 million, serving 260 residents), in progress and nearing completion, which envisage extension of the sewer and treatment service in Vallugana (Resolution 917/17 - ARERA, "Treatment service coverage indicator compared to users served by the water supply" (G5.2), associated with macro-indicator M5 "Sludge output disposal");
- works for "Decommissioning of imhoff tanks in Giacomoni and Piana Cattiva and connection to the Trissino sewer network" (3 km of network for € 0.8 million, serving 380 residents), now completed, which allowed the decommissioning of two imhoff tanks and further extension of the sewer and treatment service (Resolution 917/17 - ARERA, "Treatment service coverage indicator compared to users served by the water supply" (G5.2), associated with macro-indicator M5 "Sludge output disposal");

- works for "Extension of the sewer network and enhancement of the water supply network in Via Terminon and Via Cà Storta, Municipality of Castegnero" (2.3 km of network for € 0.9 million and 220 residents, completed except for protection surfacing, which have allowed extension of the sewer and treatment service (Resolution 917/17 - ARERA, "Treatment service coverage indicator compared to users served by the water supply" (G5.2), associated with macro-indicator M5 "Sludge output disposal");
- the project "Reorganisation of the Vicenza agglomerate treatment system" (expansion to 280,000 PE for € 77 million) with approval obtained through the Services Conference to construct a single treatment hub in Casale di Vicenza in which to concentrate waste from the catchment area relating to the "Sant'Agostino" plant and that relating to minor plants due to be decommissioned (Resolution 917/17 - ARERA, macro-indicator M5 "Sludge output disposal" and macro-indicator M6 "Quality of treated water");
- the project "Doubling of the Arsiero-Piovene water feed pipeline and pressurised sewer transfer for Alta Valle dell'Astico" (8 km of network and 1 sewerage lifting plant for € 13 million, serving 100,000 residents) that has seen definition of the final project under assessment as regards impact of the lifting system (Resolution 917/17 - ARERA, macro-indicator M2 "Service interruption" and macro-indicator M4 "Sewer system adequacy");
- completion of the unification of the area information system from the existing systems in the two pre-merger companies and launch of the works management activities, currently in the test phase;
- start-up of management activities through the GIS of planned water service interruptions (Resolution 917/17 - ARERA, macro-indicator M2 "Service interruption");
- modelling of the Piovene Rocchette sewer network, designed to identify hydraulic critical issues also in view of the impact of the project relating to upgrading of the Valle dell'Astico consortium sewer system, which envisages greater collection;
- launch of the hydrological and hydraulic hillside modelling in the municipalities of Santorso and Piovene, designed to identify actions that could mitigate the effect of intense rainfall on these hillsides on the urban sewer network due to the heavy surface flooding with solid material and run-off water that can give rise to such conditions;
- completion of the intense rainfall study extended to all pluviometer stations located in the area served by Viacqua, which led to definition of the potential pluviometric curves for various return times for the correct sizing of hydraulic flow regulation works in the area, to be agreed for this purpose with the various local governing bodies concerned;
- launch of the hydraulic modelling project and water supply zoning in Valle dell'Agno, for pre-detection of leaks (Resolution 917/17 - ARERA, macro-indicator M1 "Water leaks");
- hydraulic modelling of the feed pipe networks and wide-scale distribution of the water supply systems of Riviera Berica and the former Euganeo Berico water supply (eastern section of the Viacqua area), designed to identify project tasks to improve reliability, increase the area covered by the Vicenza water supply (interconnecting Sossano, Campiglia and Agugliaro) and optimise operations, with specific reference to the zoning planned to limit leaks (Resolution 917/17 - ARERA, macro-indicator M1 "Water leaks").

Lastly, it is worth mentioning that investments made in the water sector offer significant local returns in environmental and economic terms.

The amounts of investments made in 2019 are indicated in the following tables (in Euro):

SERVICE	AMOUNT
Water supply	12,882,883
Treatment	4,777,999
Sewers	9,955,040
Grand total	27,615,922

With specific reference to technical quality indicators in ARERA Resolution 917

M1 "Water leaks"	7,174,595
Physical upgrading works on networks and systems	6,055,503
Action to replace the meters of users	658,320
Surveys, monitoring and modelling of water supply networks	460,772
M2 "Service interruption"	2,961,700
Physical upgrading works on networks and systems	1,781,041
Upgrading works on water feed pipe infrastructures and guarantee of system flexibility	1,180,658
M3 "Quality of the water supplied"	521,970
Works to upgrade the quality of supply sources	521,970
M4 "Sewer system adequacy"	4,948,593
Surveys, inspections and monitoring of sewer networks	99,467
Network separation and replacement, upgrading of overflows and lifting systems	4,849,126
M5 "Sludge output disposal"	3,791,436
Extension of the service to zones not yet served	3,791,436

M5 "Sludge output disposal" - M6 "Quality of treated water"	5,694,462
Inadequacy of design, physical conditions, monitoring systems, elimination treatment	2,612,192
Absence of secondary treatment or equivalent treatment pursuant to Art. 4, Directive 91/271/EEC	2,110,843
Extreme fragmentation of the treatment service	971,427
Other	2,523,166
Extension of water supply networks, connections and site allotment	2,523,166
Grand total	27,615,922

 Major **water supply** works (in Euro)

Water supply	12,882,883
Cogollo del Cengio, new supply pipe to the cylindrical reservoir	548,704
Creazzo, new Masare reservoir and relaunch of Crosara	387,094
Valli del Pasubio, sewerage and water supply in Staro (imhoff)	321,813
Lugo-Fara-Salcedo, integration of water supply pipelines	316,640
Creazzo, enhancement of the Vicenza network	300,218
Sossano, connection to the Riviera Berica consortium water supply	296,309
Vicenza, renovation and enhancement of the water supply network in Corso SS Felice e Fortunato	284,856
Vicenza, renovation and enhancement of the water supply network in Viale d'Alviano and Via Pajello	270,745
Vicenza, extraordinary maintenance of "Monte Crocetta" reservoir	252,168

Leak detection	237,135
Montegalda, replacement of the "Bonna" waters supply conduit and enhancement of the distribution network in Via Zocco	234,764
Torri di Quartesolo, renovation and enhancement of the Vicenza water supply and separation of the Via Roma sewer network	215,535
Schio-Malo, extension of the dell'Astico consortium water supply - Schio-Malo connection	187,017
Castegnero, extension of the sewer network and enhancement of the water supply network Via Terminon and Cà Storta	177,042
Valle dell'Agno, new supply sources and source tapping works for connection to the existing consortium conduit	151,305
Montegaldella, network renovation Via Ghizzole	133,086
Area Information System	130,767
Zugliano, replacement of water supply in Via Villa di Sopra	87,237
Sandrigo, extension of sewer in Ancignano	79,868
Barbarano Mossano, extraordinary maintenance on "Merlin" plant	79,782
Vicenza, extraordinary maintenance on "Riviera Berica" plant	77,044
Arcugnano, phase III replacement of conduit in Via Soghe	75,534
Vicenza, replacement of conduit in Via Battaglione Tirano	73,649
Cornedo, restoration of water supply, Tezze di Cereda	71,656
Torrebelvicino, replacement of water supply in Via 29 Aprile	69,060
Arcugnano, replacement of conduit in Via Giardini	65,989
Torrebelvicino, enhancement of water supply in Laghetto	62,061
Vicenza, well feed pipe at Moracchino-Viale Trento unit	61,606

Valdagno, extension of water supply Via Albieri	61,392
Longare, network renovation in Via Bugano and Via Colderuga	60,500
Monticello Conte Otto, replacement of conduit in Via Astico	58,292
New electrical system panels "Ore", "Pignare", "Madonna delle Grazie", "Crosara", "Pozzetti", "Morosini", "San Benedetto"	56,312
Vicenza, replacement of water supply in Via del Sole	55,971
Grisignano di Zocco, replacement of water supply in Via Serenissima	53,419
Zanè, replacement of conduit in Via Corte	52,536
<i>Restoration and enhancement plan for water supply networks in poor condition throughout the area</i>	<i>3,340,479</i>
<i>Water supply connections</i>	<i>1,633,091</i>
<i>Extraordinary maintenance works on systems and reservoirs</i>	<i>954,895</i>
<i>Meter replacement</i>	<i>658,320</i>
<i>Site allotment</i>	<i>283,407</i>
<i>Extension of the water supply network throughout the area</i>	<i>272,715</i>
<i>Infrastructure reconnaissance, zoning and leak detection</i>	<i>92,870</i>

 Major **treatment** works (in Euro)

Treatment	4,777,999
Thiene treatment plant, operational upgrading and expansion	1,191,851
Grisignano di Zocco treatment plant, system expansion	802,329
Thiene treatment plant, extraordinary maintenance	457,178

Schio treatment plant, extraordinary maintenance	292,774
Isola Vicentina treatment plant, extraordinary maintenance	278,500
Casale treatment plant, extraordinary maintenance	204,410
Grisignano di Zocco treatment plant, extraordinary maintenance	193,331
New fotovoltaic systems at treatment plants	171,098
Trissino treatment plant, alternate cycle upgrading	158,230
"Sant'Agostino" treatment plant in Vicenza, extraordinary maintenance	150,533
Sossano treatment plant, system upgrading	111,082
Works on small treatment units and imhoff tanks	92,336
Noventa Vicentina treatment plant, system upgrading	80,134
Castegnero treatment plant, system enhancement	73,668
Trissino treatment plant, extraordinary maintenance	62,562
Casale treatment plant, reorganisation of the Vicenza agglomerate treatment system	54,963
<i>Extraordinary maintenance works on plants</i>	<i>403,019</i>

 Major **sewer** works (in Euro)

Sewers	9,955,040
Dueville, separation of Povolaro sewer network	734,901
Malo-Isola Vicentina, Vallugana sewer connection	675,840
Valli del Pasubio, sewerage and water supply in Staro (imhoff)	673,828

Trissino, sewer and water supply Giacomoni and Piana Cattiva	551,707
Castegnero, extension of the sewer network and enhancement of the water supply network Via Terminon and Cà Storta	412,340
Arcugnano, renovation of water supply network and optimisation of sewer system in Via S. Giovanni Battista	406,230
Noventa Vicentina, extension of sewer network in Via Crearo and Via Are	351,689
Montegalda, decommissioning of Montegalda treatment plant	319,740
Cornedo Vicentino, extension of sewer network and restoration of water supply in Cereda and Cracchi	282,071
Torri di Quartesolo, renovation and enhancement of the Vicenza water supply and separation of the Via Roma sewer network	268,009
Dueville, separation of sewer network eastern section of Piazza Monza, phase I	255,696
Monticello Conte Otto, decommissioning of Progreso treatment plant	246,464
Noventa Vicentina, new backbone network in Via Godicello and connecting streets	243,644
Vicenza, decommissioning of sewer discharge pipes and replacement of water supply pipes in Melette area	218,212
Zugliano, extension of sewer network in Via Villa di Sopra and Via Tovari	210,384
Montegalda, decommissioning of treatment plant and extension of water supply network in Colzè	154,849
Vicenza, separation of sewer network in Via dell'Edilizia	154,099
Nanto, decommissioning of treatment unit	152,530
Malo, extraordinary maintenance on Leogra consortium collector at the Orolo Stream	129,697
Torrebelvicino, separation of sewers in Via Busato	111,894
Cogollo del Cengio, sewer extension and renovation of the water supply in Via Zanella and Via Berti	100,465

Vicenza, restoration of sewer network in Viale Trieste	91,681
Brogliano, extension of sewer in Via Pozza and Via Palladio	75,148
Monticello Conte Otto, decommissioning of sewer discharge pipes in Via Marco Polo and connecting streets	52,940
<i>Extraordinary maintenance of sewer lifting systems</i>	<i>1,248,712</i>
<i>Restoration plan for sewer networks throughout the area and upgrading of overflows</i>	<i>1,231,576</i>
<i>Sewer connections</i>	<i>298,547</i>
<i>Extension and completion of sewer networks throughout the area and decommissioning of treatment plants</i>	<i>202,680</i>
<i>Infrastructure reconnaissance, network monitoring and sewer network modelling</i>	<i>99,467</i>

Other investments functional to the integrated water service totalled € 1 million and include:

Investment category	Amount in Euro
Software	480,042
Vehicles	181,651
Equipment	176,315
Other property, plant and equipment	44,749
Other systems	22,095
Office machines and mobile radio devices	144,420
Grand total	1,049,274

Procurement management

Works, goods and services procurement activities continued in 2019 to support the company's operations and, in particular, to implement works contracts necessary for execution of the

extensive investment plan. All of this taking into account the increasingly onerous bureaucratic formalities, also as a result of continuous updates to the Contracts Code.

Awards of works, services and supply contracts are subject to ANAC supervision (Italian National Anti-Corruption Authority) through the issue of CIGs (tender ID codes) that track the entire process from tender procedure to supplier payments. Every award is therefore monitored and made public through the company web site and the annual submission of data to ANAC ("Transparency" - art. 1, paragraph 32, Italian Law 190/2012, as amended).

Tenders with a value of more than € 40 thousand and part of the procedures for less than € 40 thousand were implemented through the Viveracqua scarl IT platform and, again through Viveracqua, the centralised contract activities continue so as to exploit economies of scale and procurement synergies.

At the end of 2019, the company adopted the new Regulation for management of the Suppliers Register, shared with many operators in the Viveracqua consortium, which focuses on micro and small businesses and the option for larger to participate in contracted works commensurate with their size.

User management, billing and credit collection

ARERA resolutions and legal obligations that entered into force from January 2019

The issue of electronic invoices was launched from 1 January 2019 as required by the Italian Revenue Agency.

In effect, nothing changed for domestic customers, who continued to receive a copy of invoices through the usual hard copy or e-mail system. However, the documents sent are a copy of the original electronically filed on the Revenue Agency portal. To comply with provisions, it was necessary to obtain and update all the tax codes of private B2C users and all the VAT numbers of B2B users.

During the year, the Revenue Agency changes its VAT number, tax code and details checking systems, requiring continuous realignments. This called for constant upgrading of our database, with repeated contacting of certain types of user.

In 2019, the Authority's Resolution 665/2017 - TICSI - entered into force, in relation to water service pricing and containing criteria for the tariff breakdown applied to users. By Resolution no. 17 of 13 December 2018, Consiglio di Bacino Bacchiglione redefined the tariff breakdown for the area served by Viacqua. In order to apply this tariff system, it was necessary to change all the "uses" previously applied to contracts and reclassify them under the new names approved by ARERA. The new tariffs were then applied and, for each active contract, a backdated balancing was carried out starting from 1 January 2018.

New ARERA resolutions approved in 2019 regarding User management

Resolution 311/2019/R/IDR Regulation of default positions in the integrated water service

Resolution 547/2019/R/IDR Integration of current regulations on contractual settlement of the integrated water service and provision for the strengthening of protections for end users in cases of billing of amounts referring to consumption dating back more than 2 years

Resolution 580/2019/R/IDR Approval of the water tariff method for the third regulatory period MTI-3

Mass billing activity

During 2019, the goal of issuing invoices according to methods and frequencies established by ARERA was achieved with regard to regulations specific to the water sector.

The entry into force of ARERA Resolution 665/17 and subsequent Consiglio di Bacino Bacchiglione resolutions changed the usage types previously applied and led to the application of backdated balancing from 1 January 2018. The start-up of electronic billing, which requires perfect compilation of the dataflow to the SDI, at the same time as calculation of invoices with the new breakdown, made this goal even more complex to achieve.

A total of 804,103 bills were issued in 2019 for a total amount of € 93,889,997, including VAT.

Credit collection on unpaid bills and invoices

The credit collection activity undertaken in 2019 continued the procedures adopted by Viacqua from 2018. After the publication of ARERA Resolution 311/2019, Annex A (REMSI) was analysed and changes were made to procedures, and consequently to the billing records system currently in use. These changes envisage the issue of a "friendly reminder" before placing in default and, for domestic users, it is necessary to arrange a "flow reduction" prior to any disconnection of supply. Users defined as "not disconnectable" cannot have their supply sealed off, which is in any event consolidated practice in Viacqua. Likewise, supplies to users that receive a direct or indirect Bonus cannot be disconnected. All such action has to be tracked and reported to Consiglio di Bacino and then to the Authority.

As regards users with other usage, reminders and default action continued normally in 2019.

Summary of credit collection activities carried out in 2019, all performed in-house:

Collection notices issued for:	€ 12,545,357
Total no. of collection notices:	42,648
Sealed disconnection notices issued for:	€ 2,532,090
Total no. of sealed disconnection notices:	6,005

Total no. of sealed disconnections:	1,102
Total no. of reconnections:	470
Total collected:	€ 1,192,256

Through a specialist credit collection company, to which a package of long past due receivables was assigned, a total of € 165,758 was collected in 2019, in addition to the € 52,262 collected in 2018.

Significant events

Temporary extension of the concession duration

By Resolution no. 4 of 16 April 2019, Consiglio di Bacino Bacchiglione approved the application for economic and financial balance submitted by Viacqua S.p.A. on 17 December 2018, applying the option of temporary extension of the concession duration.

The duration of the concession will now, therefore, be until 31 December 2036.

Merger of Sibet Srl and Sibet Acqua Srl

By deed dated 8 October 2019, the merger was finalised of the participations Sibet S.r.l. and Sibet Acqua S.r.l. into Viacqua S.p.A.

The merger plan formed part of the streamlining of participations held by public administrations undertaken some time ago by the Italian legislator. Sibet Acqua and Sibet were participations that respectively managed water supply systems and networks and a number of sewerage networks and treatment plants in the eastern section of the area served.

The accounting effects of the merger began from 1 January 2019.

Financial position

For a better understanding of the company's financial position, the reclassified Balance Sheet is provided below.

RECLASSIFIED BALANCE SHEET

			Change	%
Assets	31/12/2019	31/12/2018	31/12/2019- 31/12/2018	change 31.12.201 9 - 31.12.201 8

Current assets	47,384,698	60,720,533	-13,335,835	-22.0%
Cash and cash equivalents	16,316,244	21,540,358	-5,224,113	-24.3%
Trade and other receivables:	-			
Trade receivables	26,880,966	31,885,544	-5,004,579	-15.7%
Other receivables	2,604,389	6,054,391	-3,450,002	-57.0%
<i>Total trade and other receivables</i>	<i>29,485,355</i>	<i>37,939,936</i>	<i>-8,454,581</i>	<i>-22.3%</i>
Total current assets (closing balance)	1,583,098	1,240,239	342,859	27.6%
Non-current assets	241,587,645	219,515,176	22,072,469	10.1%
Intangible assets	1,935,219	1,983,718	- 48,498	-2.4%
Property, plant and equipment	227,629,761	206,969,678	20,660,083	10.0%
Non-current receivables and equity	12,022,664	10,561,780	1,460,884	13.8%
Invested capital	288,972,342	280,235,709	8,736,633	3.1%
Liabilities	31/12/2019	31/12/2018	Change 31/12/2019- 31/12/2018	% change 31.12.201 9 - 31.12.201 8
Current liabilities	40,932,073	43,723,361	-2,791,288	-6.4%
Current financial liabilities (bonds)	2,200,000	2,200,000	-	0.0%
Current financial liabilities (bank payables)	9,871,187	10,225,322	-354,135	-3.5%
Trade payables	18,867,026	17,742,493	1,124,532	6.3%

Other payables	9,993,860	13,555,545	-3,561,685	-26.3%
Non-current liabilities	172,017,684	170,493,961	1,523,723	0.9%
Non-current financial liabilities (bonds)	35,512,781	37,619,265	-2,106,484	-5.6%
Non-current financial liabilities (bank payables)	42,089,261	51,920,402	-9,831,141	-18.9%
Post-employment benefits	2,574,291	2,768,001	-193,710	-7.0%
Other payables	91,841,351	78,186,293	13,655,058	17.5%
Equity	76,022,587	66,018,387	10,004,200	15.2%
Sources of invested capital	288,972,342	280,235,709	8,736,633	3.1%

Financial highlights

The table below shows the company's net financial position.

Financial data	31/12/2019	31/12/2018	Change 2019 Financial Statements - 2018 Financial Statements	% Change 2019 Financial Statements - 2018 Financial Statements
Bank deposits	16,301,744	21,520,469	-5,218,725	-24.3%
Cash on hand	14,501	19,889	-5,388	-27.1%

Treasury shares			-	
Cash and cash equivalents and treasury shares	16,316,244	21,540,358	-5,224,113	-24.3%
Current financial assets				
Bonds and convertible bonds (within 1 year)	2,200,000	2,200,000	-	0.0%
Due to shareholders for loans (within 1 year)				
Bank payables (within 1 year)	9,871,187	10,225,322	- 354,135	-3.5%
Due to other lenders (within 1 year)				
Advances for foreign payments				
Short-term portion of loans				
Short-term financial debt	12,071,187	12,425,322	- 354,135	-2.9%
Short-term net financial position	-4,245,058	-9,115,036	4,869,978	-53.4%
Bonds and convertible bonds (beyond 1 year)	35,512,781	37,619,265	- 2,106,484	-5.6%
Due to shareholders for loans (beyond 1 year)				
Bank payables (beyond 1 year)	42,089,261	51,920,402	- 9,831,141	-18.9%
Due to other lenders (beyond 1 year)				
Advances for foreign payments				
Long-term portion of loans				
Medium/long-term financial debt	77,602,042	89,539,667	- 11,937,625	-13.3%
Financial receivables	7,166,749	7,185,148	- 18,399	-0.3%
Medium and long-term financial receivables	7,166,749	7,185,148	-18,399	-0.3%
Medium/long-term net financial position	70,435,293	82,354,519	-11,919,226	-14.5%

Net financial position	66,190,236	73,239,484	-7,049,248	-9.6%
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The financial receivables consist of credit enhancements correlated with the bonds issued (refer to the notes for further details).

Main financial position indicators

For a better reading of the Company's financial position, some financial statement indicators are provided below.

Ratios	2019
NFD/EBITDA	3.0
EBITDA/Financial costs	9.9

The values are calculated as set forth in the bond loan agreement in force:

- NFD equal to the Net financial position. In calculating the NFP, non-current financial receivables are taken into account (credit enhancement);
- EBITDA calculated net of the allocation to the bad debt provision.

The ratio between the Net Financial Position and the Gross Operating Profit (EBITDA) and the ratio between the Gross Operating Profit (EBITDA) and financial costs, remain broadly within the limits established.

The statement of financial position as at 31 December 2019 has a value of invested capital 3.1% higher than that reported as at 31 December 2018: property, plant and equipment were up (from 207 to 227 million); the decline in current assets derived from the decrease in trade receivables thanks to the recovery of invoicing and the tariff adjustment trend and the collection of receivables for grants (trade and other receivables). Equity was up, non-current liabilities decreased (from 89.5 to 77.6 million) due to the repayment of principal on loans according to the amortisation schedules; current liabilities were down by 3% due to lower payables to lenders, the tax authorities and shareholders.

FINANCIAL RATIOS

The financial analysis by ratios has the objective of evaluating the balance between temporally correlated monetary inflows and outflows: to verify that balance, the analysis may be performed according to a short-term time horizon, through liquidity margins, or a long-term horizon, using structural margins. The company's overall debt exposure is lastly summarised by three debt ratios: overall, short and medium/long-term.

"VIVERACQUA HYDROBOND 1 AND 2" TRANSACTIONS

In light of the strategic importance and given their impact on several financial parameters analysed in this section of the Report, it is deemed necessary to briefly mention the "Viveracqua Hydrobond 1 and 2" long-term loan transactions coordinated by the Viveracqua Consortium (in which the company participates). In July 2014, eight companies, all participants in the Viveracqua consortium, which run the integrated water service in several Veneto provinces, decided to place just as many mini-bonds for a total of € 150 million, soon renamed 'hydro-bonds' in the market and listed on the ExtraMOT PRO index. The only subscriber of the mini-bonds issued was the vehicle company Viveracqua Hydrobond 1 Srl which obtained financing through the issue of Series 1 of asset backed securities (ABS, listed in Luxembourg) for € 150 million (of which € 42 million reserved to AVS and Acque Vicentine, now Viacqua), the majority of which subscribed by the European Investment Bank (EIB) along with other institutional investors. The transaction (the first in Italy for the securitisation of mini-bonds) was structured by the Finint Group. In January 2016, again under the guidance of the Finint Group, Viveracqua Hydrobond Srl subscribed an additional five mini-bonds (all with an annual fixed coupon of 3.9% and with an unsolicited rating certified by Crif) for a total of € 77 million approved by four new issuers (and a previous issuer) that are members of the Viveracqua consortium. The new subscriptions were financed through the issue of a second series of senior ABS (Series 2, with an annual fixed coupon of 3.6%), pari passu with those issued in July 2014 and with the same maturity. The underwriters of Series 2 are Banca Finint and the EIB. All of the securitised securities are partially guaranteed by a credit enhancement fund equal to 20% of the two issues (for a total of € 45.4 million) provided in part by the Veneto Region and in part by the issuing companies themselves. The total amount raised through the two "Hydrobond" transactions equal to a total of € 227 million is used to finance part of the infrastructural investments planned by the consortium, which will reach at least € 450 million by the end of 2020. The securitisation made it possible to aggregate various issues, reducing the risk for the end investors (including through the credit enhancement mechanism) and reaching a critical mass of capital otherwise difficult to obtain (necessary to attract the interest of institutional investors like the EIB). The transaction confirms the validity of the financial instrument, inaugurated for the first time at European level in July 2014, systematically responding to a long-term financial requirement on the part of public operators which, also as such, may be subject to spending and investment restrictions.

Viacqua, along with other Viveracqua consortium operators, has expressed its interest in repeating similar transactions in the future in order to finance its considerable investment plan.

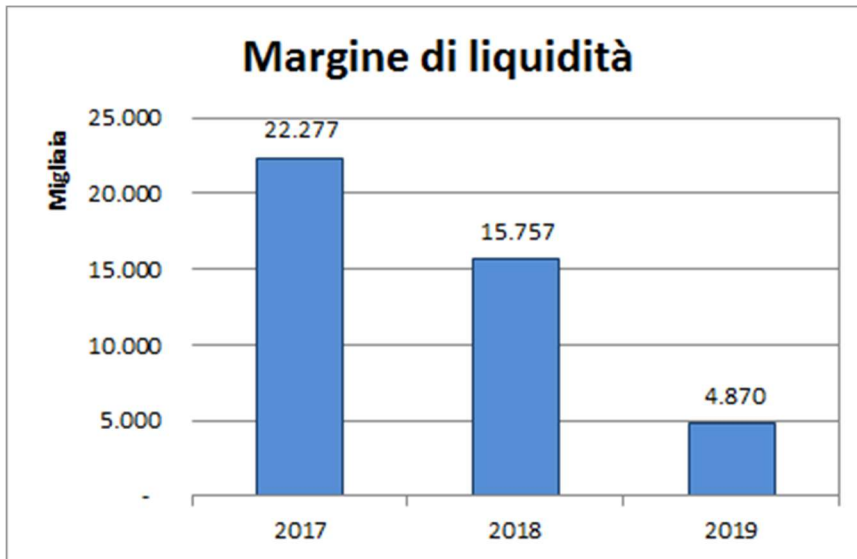
Lastly, with Board of Directors resolution no. 93 of 5 August 2019, the decision was made to take out a € 10 million long-term unsecured loan. The application process is still ongoing.

LIQUIDITY MARGINS

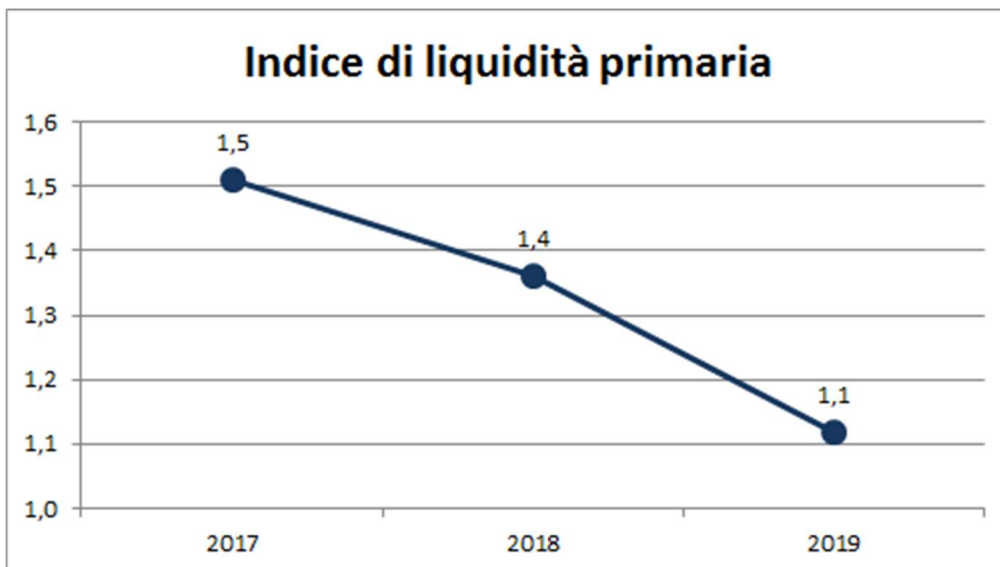
As mentioned above, these ratios evaluate the capacity of Viacqua to maintain an acceptable short-term financial balance, i.e., to cover outflows expected in the short term (current liabilities) with existing liquidity (cash and cash equivalents) and with inflows expected in the short term (trade and other receivables). Therefore, assuming that a balanced financial structure should show temporal consistency between uses and sources, a judgement of the company's liquidity can be developed based on the following ratios.

Treasury or liquidity margin

(Ld+Li)-pb [€]

**Treasury or liquidity ratio**

(Quick Ratio) (Ld+Li)/pb

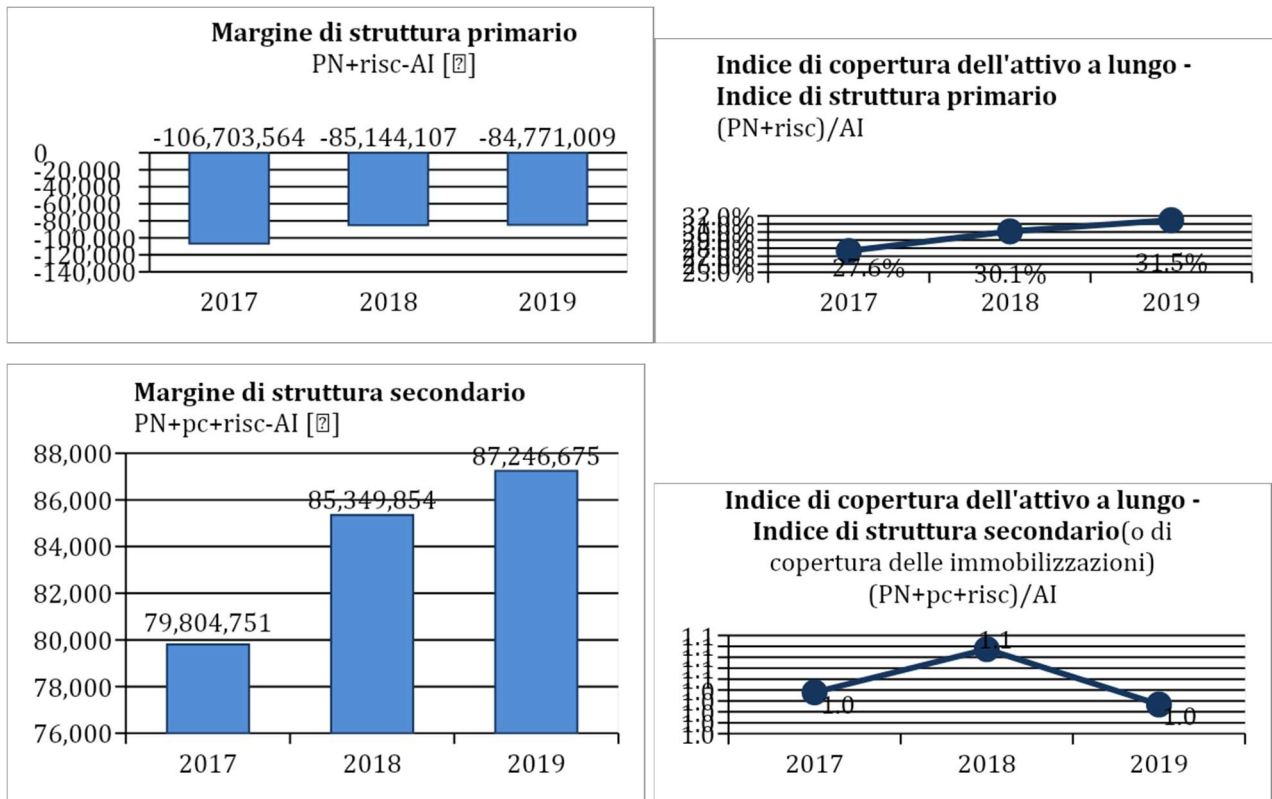


The Quick Ratio continues to remain higher than one (ideal theoretical reference). The debt structure is confirmed as particularly solid, with a high incidence of the share of medium/long-term exposure. Roughly half of current loans have a variable rate: in any case, the relative risk is low given that a significant rise in rates is unlikely in the short term; the company has benefitted from Euribor trends (constantly negative in 2019 and added to the spread on loans which appear to be at a good level). The part of long-term debt represented by bonds (Hydrobonds) also enjoys a limited twenty-year fixed rate.

STRUCTURAL MARGINS

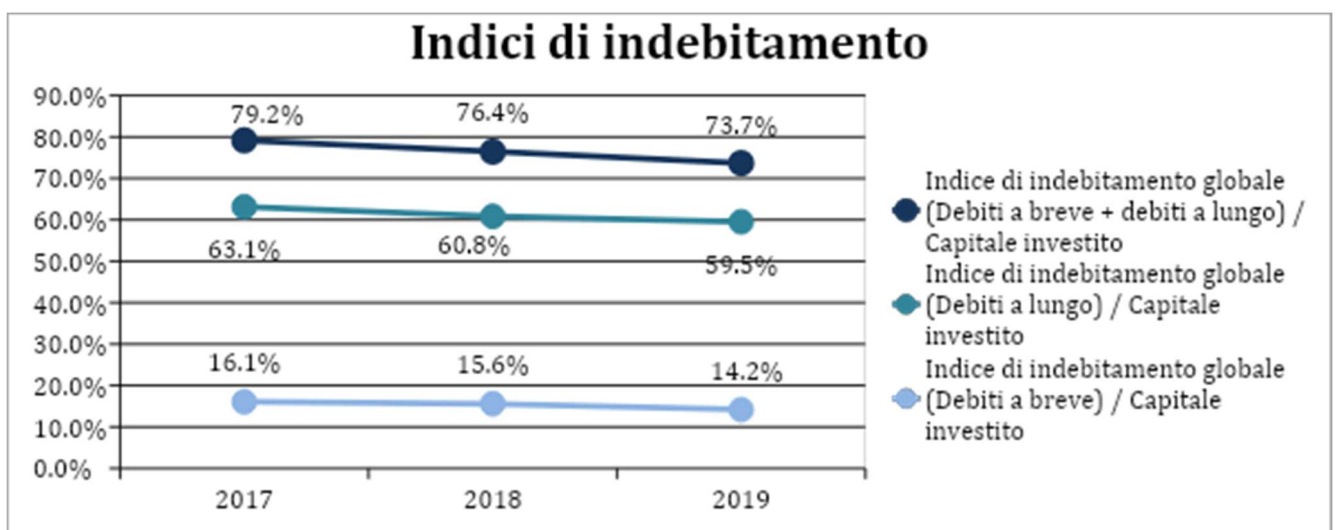
To judge the long-term financial balance, in structural margins non-current assets are compared with equity plus deferred income (to be extinguished within 1 year), obtaining equity less non-

current assets, and then also non-current liabilities, obtaining (equity + non-current liabilities) less non-current assets.



Equity less non-current assets confirms its progressive consolidation. The correlation between medium/long-term sources and uses of a corresponding duration is shown by (equity + non-current liabilities) - non-current assets; this value, higher than one, confirms the solidity of the company's overall financial structure.

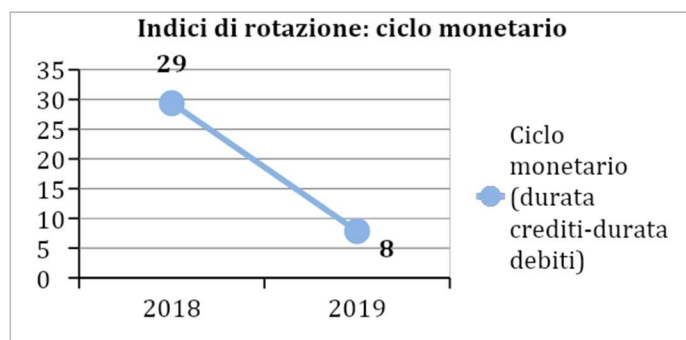
OVERALL DEBT, SHORT AND MEDIUM/LONG-TERM



The overall debt and current liabilities ratio has improved, as has the medium/long-term liabilities ratio: the lower exposures to lenders (banks and bondholders) are due to the ordinary repayment of principal according to contractually agreed amortisation schedules. The net financial position as at 31 December 2019 closed with net debt to lenders (banks and bondholders) totalling €

66,190,236; this includes the value of the guarantee provided as part of the Viveracqua Hydrobond transaction ("credit enhancement") totalling € 7,040,000.

CASH FLOW CYCLE ANALYSIS



Complementary to the financial margins and ratios is the perspective obtained by looking at cash flow cycle indicators: the time between the acquisition of production factors and the collection of revenues is represented by the difference between the average duration of receivables and the average duration of payables. The higher the cash flow cycle, the greater the need will be to rely on short-term credit facilities (for cash elasticity). The cash flow cycle in the year 2019 declined to 8 days.

Economic position

To better understand the company's profit and loss, a reclassified Income Statement is provided below, compared with the economic position as at 31 December 2018 and 31 December 2017.

RECLASSIFIED INCOME STATEMENT

Reclassified income statement in euros	FINANCIAL STATEMENTS as at 31/12/2019	FINANCIAL STATEMENTS 31.12.2018	FINANCIAL STATEMENTS 31.12.2017	Δ Financial Statements 31.12.2019 - Financial Statements 31.12.2018	% Δ 2019 Financial Statements - 2018 Financial Statements
Revenues	72,804,057	70,600,559	76,113,234	2,203,498	3.1%
Costs of production	31,936,389	28,612,185	33,483,452	3,324,204	11.6%
Value Added	40,867,668	41,988,374	42,629,781	- 1,120,706	-2.7%

Cost of labour	15,267,599	15,250,251	14,977,362	17,348	0.1%
Gross Operating Profit (EBITDA)	25,600,069	26,738,123	27,652,419	- 1,138,054	-4.3%
Amortisation, depreciation, write-downs, provisions	14,675,072	11,656,121	13,525,466	3,018,951	25.9%
Release of provisions for risks	16,400	23,399	351,126	- 6,999	-29.9%
Operating Profit (EBIT)	10,941,397	15,105,401	14,478,080	- 4,164,004	-27.6%
Financial income and expenses	2,489,752	2,470,327	3,011,568	19,425	0.8%
Profit (loss) before tax (EBT)	8,451,645	12,635,074	11,466,512	- 4,183,429	-33.1%
Income taxes	2,684,778	3,108,749	3,524,695	- 423,971	-13.6%
Net profit (loss)	5,766,867	9,526,325	7,941,817	- 3,759,458	-39.5%

The gross operating profit or EBITDA is an intermediate result determined gross of amortisation, depreciation and write-downs on plant and equipment and other write-downs, financial expenses and income taxes. It is a measurement used by the Company to monitor and evaluate its operating performance. As the breakdown of EBITDA is not governed by the reference accounting standards, the method used by the Company to calculate it may not be the same as that used by other entities and therefore it may not be comparable.

The gross operating profit or EBITDA declined compared to 2018. Against a cost of labour basically unchanged compared to 2018, other costs of production as a whole returned to the level observed in 2017, as the reduction in 2018 was caused by contingent and not structural factors, except for the progressive reduction in fees for the use of third-party assets (commensurate with the repayment of loans to the municipalities). Energy costs continue to rise, as do water treatment costs, particularly for sludge disposal.

EBIT was down further, due to higher write-downs on receivables, and higher provisions for future expenses, primarily regulatory.

WATER SUPPLY

Viacqua oversees the drinking water collection and distribution process through the management of production, storage and pumping stations. The main water supply operating ratios are shown in the tables

below.

				Δ 2019-2018	% Δ 2019-2018
WATER SUPPLY SERVICE	31/12/2019	31/12/2018	31/12/2017		

Users	259,936	258,564	257,312	1,372	0.5%
Water sold to users (m3)	36,053,572	35,771,402	36,383,284	282,170	0.8%
Network length (km)	5,148	5,144	5,165	4	0.1%
Water sold/users	138	138	141	0.3	0.0

The data in the table above show very limited growth in the number of customers (+0.5% in 2019 vs 2018).

OF WHICH WATER PRODUCTION DETAILS	31/12/2019	31/12/2018	31/12/2017	Δ 2019-2018	% Δ 2019 - 2018
Water produced (ΣWIN)	68,609,350	69,402,345	67,879,821	-792,995	-1%
Water sold to distributors (m3)	184,709	172,693	179,347	12,016	7%
Total energy (kWh)	16,141,940	16,225,327	18,007,919	-83,387	-1%
Average consumption (kWh/m3)	0.24	0.23	0.27	0.001	1%

SEWERS AND TREATMENT

Over the years, Viacqua has improved its sewerage network and its treatment plants to allow an increasing number of inhabitants to connect and therefore to reduce the environmental impact of waste water entering surface bodies of water without suitable treatment.

SEWERAGE SERVICE	31/12/2019	31/12/2018	31/12/2017	Δ 2019-2018	% Δ 2019 - 2018
Users	225,812	224,520	224,515	1,292	1%
Sewerage volumes invoiced (m3)	29,404,128	29,180,381	28,377,789	223,747	1%
Network length (km)	2,645	2,629	2,609	16	1%
Energy consumed (kWh)	5,136,442	4,476,804	3,508,969	659,638	15%

Sewer users increased by 1% in 2019.

Aside from domestic waste water, the sewerage network also collects waste water from production activities, provided it is compatible with the subsequent purification treatment procedures.

TREATMENT SERVICE	31/12/2019	31/12/2018	31/12/2017	Δ 2019-2018	% Δ 2019-2018
Users	218,627	217,212	216,412	1,415	1%
Treatment volumes invoiced (m3)	28,485,199	28,229,297	27,457,584	255,902	0.9%
Energy consumed (kWh)	18,035,485	18,924,161	19,690,596	-888,676	-5%
Sludges produced (t-ss)	4,423	4,439	4,571	-16	0.4%

INDUSTRIAL USERS	31/12/2019	31/12/2018	31/12/2017	Δ 2019-2018	% Δ 2019-2018
Production facilities (m3)	6,344,749	6,177,892	4,936,175	166,857	3%
Number of production customers	717	701	705	16	2%

Information pursuant to art. 2428 of the Italian Civil Code - main risks and uncertainties to which the company is exposed

Pursuant to and in accordance with the first paragraph of art. 2428 of the Italian Civil Code, a description of the main risks and uncertainties to which the company is exposed is provided below.

Credit risk

The company's receivables are highly fragmented as they are primarily based on the issue of bills for the integrated water service and invoices issued for services provided to users.

The recovery of past-due receivables follows a rigid internal procedure that significantly reduces the amount of receivables that are written off.

The Company has recognised a bad debt provision in its financial statements amounting to € 4.6 million, which is deemed adequate in relation to existing credit risk, also considering the historical non-payment trend.

The risk of non-performing positions in the collection of amounts due based on bills is linked to the general economic situation.

The security deposit required of users who do not have automatic payments set up (pursuant to Arera resolution 86/2013/R/IDR), for an amount equal to 3 months of consumption, has made it possible to develop a guarantee fund amounting to € 8.2 million at the end of 2019.

Liquidity risk

The bank balances came to € 16.3 million at year end. Bank credit lines for the use of cash totalling € 8.75 million have been maintained. Bank borrowings total € 52 million with a weighted average residual duration of roughly 5.6 years, while the residual value of the Viveracqua Hydrobonds maturing in 2034 is € 37.7 million.

Market risk

Tariffs are governed by ARERA under the in-house assignment system, cancelling out any tariff risk.

There are no items in foreign currencies, so there are no fluctuations in exchange rates or currency risks.

The effects on the income statement of interest rate risk are highlighted by applying the accounting standards, which call for recognising a provision for risks in equity for the negative value of the market to market of the IRS contract at 3.51% with Banca Popolare di Verona (now Banco BPM) entered into in 2009 with effects as of 1/1/2010 for € 305,701.72 on the notional value as at 31/12/19 equal to € 3,491,258.14.

The Cap option OTC derivative, subscribed in 30/06/2012 with Cassa Centrale Banca on the notional amount of € 4,000,000.00, had a positive mark to market value as at 31/12/2019 of € 21.54.

Regulatory risk

Public participation company

Viacqua S.p.A. is subject to the reference regulations on public participation companies, the most recent legislation for which is Italian Legislative Decree no. 175 of 19 August 2016, issued in implementation of articles 16 and 18 of Law no. 124 of 7 August 2015 (the "Madia Law").

Art. 1, paragraph 5 of the decree establishes that "The provisions of this decree apply, only if expressly established, to listed companies, as defined in article 2, paragraph 1, letter p), as well as to their investee companies, unless the latter are, not through listed companies, subsidiaries or investees of public administrations".

Art. 2, paragraph 2, letter p) defines listed companies as "public participation companies that issue shares listed in regulated markets; companies that have issued, at 31 December 2015, financial instruments other than shares listed in regulated markets".

In 2014, Viacqua S.p.A. issued financial instruments listed in the Italian stock market's ExtraMot PRO market and subsequently, due to the securitisation, in the Luxembourg stock market; based on authoritative opinions obtained, the financial instruments issued by Viacqua were deemed listed in regulated markets pursuant to Italian Legislative Decree 175/2016.

Subsequently, in June 2018, the Ministry of Economy and Finance (MEF) issued interpretation guidelines on the notion of regulated market pursuant to art. 2, stating that such notion should be deemed coinciding with that defined by the Consolidated Law on Finance, and not susceptible to broader interpretation.

Reading the justification, it is clear that this conclusion aims to prevent possible evasion of the regulations laid out by the Madia Decree, by listing financial instruments in markets easily accessible to operators, which entail information obligations less stringent than those of the regulated markets understood as specified above.

Therefore, the MEF's guidelines were aimed in particular at new listings, subsequent to the Consolidated Law on Investee Companies, rather than at those already completed when it entered into force.

It should also be noted that the MEF's guidelines are merely an interpretation, acting as "guidance and indications" (see art. 15, paragraph 2, of Italian Legislative Decree no. 175/16) and, as such, may be disregarded by the entity on justified grounds.

Viacqua, like other companies that issued financial instruments in 2014, specifically justified the reasons why it does not agree with the MEF's guidelines, presenting a prompt appeal on this matter before the Rome Regional Administrative Court. The proceedings are pending and are currently awaiting a decision on jurisdiction.

Therefore, until those proceedings are complete, or any new measures are issued, Viacqua S.p.A. confirms its status as a listed company pursuant to art. 2, letter p) of the Consolidated Law on Investee Companies.

"Daga" House Act 52 Proposed Law: Provisions on the public and participatory management of the integrated water cycle

In the course of the current legislature a proposed law was submitted before Parliament to reorganise the integrated water service management structure, calling for considerable changes in the attribution of service regulation responsibilities, the ATOs, the obligation of public management of the service, with the transformation of the companies into public entities, the methods for financing the service by means of significant components covered by general taxation.

Aside from the possible significant changes in the water system in general, the point of greatest interest is the possible consequences of the possible transformation from joint-stock company to a public entity.

The proposed law, after an initial considerable debate involving stakeholders as well as political parties, is not currently one of the measures expected to reach a conclusion within the current legislative session.

Prevention model pursuant to Italian Legislative Decree 231/01, Transparency, anti-corruption

The Board of Directors recently adopted an update to the Three-Year Plan for the Prevention of Corruption and Transparency (PTPCT) for the 2020-22 period.

With the update of the Plan, Viacqua responded to what was requested by regulations in force - in particular Law 190/2012 and Italian Legislative Decree 33/2013, as reformed by Italian Legislative Decree 97/2016 - the connected provisions laid out in Italian Legislative Decree 39/2013 as well as the detailed set of regulations issued by the Italian Anticorruption Authority (ANAC) and, lastly, the new formulation of the National Anti-Corruption Plan (ANAC Resolution no. 1064 of 13/11/2019).

The purpose of the Plan is to list and coordinate in a specific document all corruption prevention measures pursuant to the Law itself, adopted also to supplement the company's Organisational Model pursuant to Italian Legislative Decree 231/01 and to harmonise all organisational measures present within the company.

The section already present remains valid, with the indication of the parties responsible for the transmission and publication of the data and documents required in the "Transparent company" section of the company website.

Environmental risk and certified systems

In 2019, the Company successfully passed the inspection according to the ISO 14001:2015 standard for the maintenance of the certification of its environmental management system which includes 11 sites: the registered office in Vicenza, the operating offices in Noventa, Thiene, Valdagno and Arsiero, the treatment plants in Thiene, Trissino, Schio, Isola Vicentina and Casale, and the Piovene storage site.

Viacqua also operates in compliance with a quality and occupational health and safety management system consistent with and certified pursuant to the ISO 9001 and OHSAS 18001 standards, respectively. As regards the latter (occupational health and safety), in 2020 the certification body will perform its on-site visit for the transition to the updated standard, which will become ISO 45001.

A similar transition to the updated standard was completed by the Via Santo 48, Thiene analysis laboratory which, in September 2019, maintained its accreditation, now according to the UNI CEI EN ISO/IEC 17025:2018 standard. At that time, the accreditation was extended to a new analytical test.

The company's activities are appropriately mapped and managed and monitored according to constantly controlled procedures and operating instructions.

With a view to integrating the management systems, particular efforts are being made to integrate valid content for the various areas within a single procedure (ISO, "231", anti-corruption).

Environmental aspects are examined according to a procedure that calls for evaluating anomalous trends, emergency conditions (also taking place in companies similar to Viacqua), new legislation and the risk of the commission of the offences laid out in Italian Legislative Decree 231/2001. The results of this assessment define as significant from the environmental standpoint:

- the management of waste water treated by the treatment plants (due to the risk of surpassing discharge limits),
- waste management, especially the sludges produced by treatment processes.

Both processes may be largely influenced by aspects outside the control of the Company, such as precipitation, and others over which it has indirect control, such as anomalous sewer discharges or situations caused by third-party accidents.

PFAS Contamination

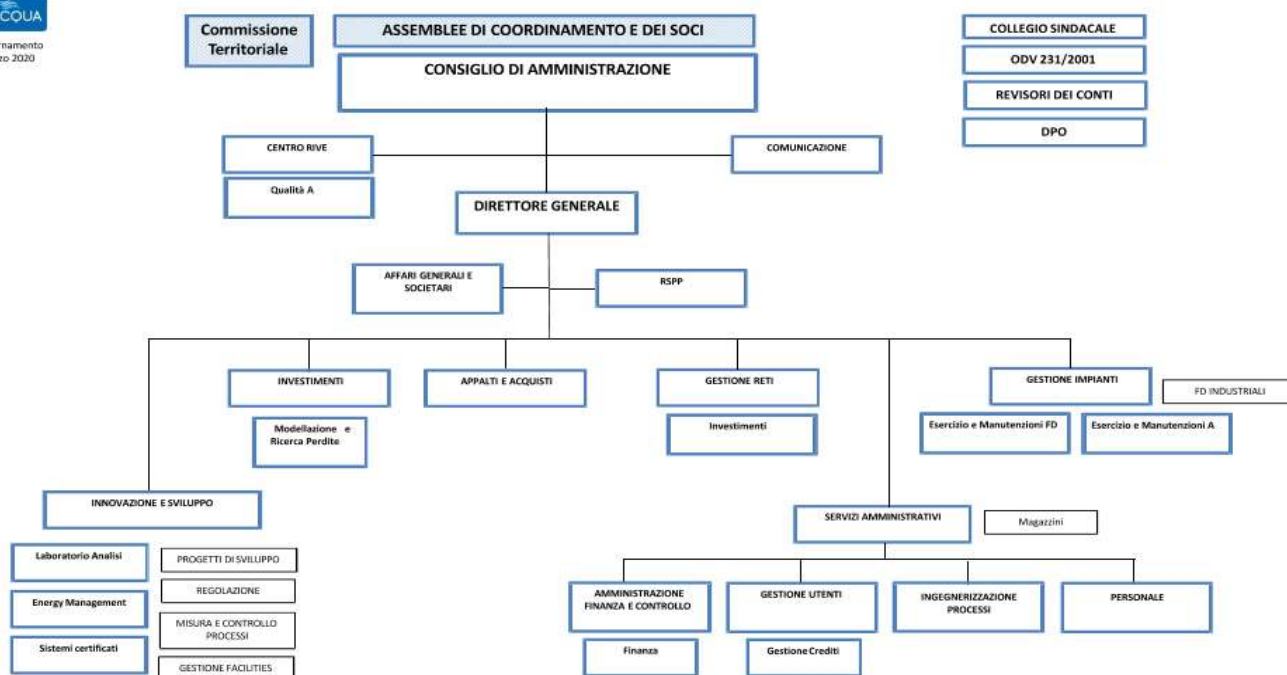
Contamination from perfluoroalkylated substances which also concerns the area in which the Company operates has involved - in part - the water supply service as well as the treatment service. On both fronts, the Company respected the regulatory and legislative provisions adopted by the regional legislature (the matter is only partially regulated at national level) and adopted the specific control measures supplementing its usual control plans applied to water intended for human consumption and waste water, according to the principle of prudence.

In the municipalities of Noventa Vicentina and Sossano, which receive water from the Lonigo/Almisano water supply system located in the area impacted by the contamination, the concentrations of perfluoroalkylated substances surveyed since 2013 have always been lower than the "target values" pursuant to the opinion of the Italian Institute of Health (prot. 24565/15) and the Veneto Regional Council Decree no. 1517/15 (performance levels) and, since October 2017, always compliant with what is laid out in Veneto Regional Council Decree nos. 1590 and 1591, respectively, of 3/10/2017.

As regards waste water collected in the sewer systems and treated in the treatment plants, the system of greatest interest for Viacqua S.p.A. with regard to PFAS is the discharge from the Trissino treatment plant, which goes to the collector managed by the A.Ri.Ca. Consortium, which participates with another two integrated water service operators (Acque del Chiampo Spa and Medio Chiampo Spa) that treat waste water from the tanning district. In 2019, the discharge from the plant (and all industrial users served by it) was subject to the conditions established by the Director of the Soil Defence Department of the Veneto Region no. 29 of 31 January 2019, which established limits for the discharge from the pipe managed by A.Ri.C.A., and Consortium measure no. 121 of 21 December 2019 which applied the same conditions to the plants served, including that of Trissino. The discharge concentrations of the Trissino plant, calculated as the median consistent with regional and A.Ri.C.A provisions, fully respect the limits imposed.

Disclosure on personnel

Corporate organisational chart at 27 March 2020:



In order to better understand the company's situation and performance, some information regarding personnel management is provided below.

At the end of 2019, the workforce consisted of 2 executives, 77 technical staff (of which 11 middle managers), 89 administrative staff (of which 6 middle managers) and 137 blue collar workers, for a total of 305 employees. In the course of the year, 26 new employees were hired in various sectors, particularly in User Management, activities related to Investments, Purchasing and Treatment. Furthermore, a large-scale meter replacement project began with 7 blue-collar workers hired for a limited term to carry out these activities. Lastly, in 2019, 9 employees stopped working, of which 6 due to retirement and 3 due to voluntary resignation.

PERSONNEL COSTS	2019	2018	2017	Δ 2019-2018	Δ 2019-2018
Personnel costs (€ thousands)	15,268	15,250	14,977	18	0.1%
Personnel as at 31/12	305	289	297	16	5.5%
Equivalent average headcount	286.7	287.5	286.9	-0.8	-0.3%
Average service cost (€ / employee)	53.3	53.0	52.2	0.1	0.2%

HOURS WORKED	2019	2018	2017	Δ 2019-2018	Δ 2019-2018
Hours worked	488,058	480,552	465,543	7,506	1.6%

Hours worked per unit (hours/worker)	1,702	1,672	1,623	31	1.8%
Of which overtime (hours)	18,682	18,098	15,520	584.3	3.2%
Overtime per unit (hours/worker)	65.2	63.0	54.1	2.2	3.5%
Sundry (€ thousands) tickets, training, personnel expenses	584	521	504	63.4	12.2%

POSITION	31/12/2019		31/12/2018	
	number	%	number	%
Executive	2	0.7%	2	0.7%
Office worker	166	54.4%	156	54.0%
of which: administrative	89	29.2%	83	28.7%
technical	77	25.2%	73	25.3%
Blue-collar	137	44.9%	131	45.3%
Total	305	100%	289	100%

HIRES/TERMINATIONS	31/12/2019	31/12/2018
Hires	26	3
Terminations	9	10
of which:		
- retirements	6	4
- voluntary resignations	3	6

The total personnel cost, equal to roughly € 15,268 thousand, remained basically stable compared to 2018, while the average cost per employee increased slightly (from € 53 thousand to € 53.3 thousand). This slight change is linked to the combination of multiple factors: on one hand, the retirement of personnel with higher remuneration took place throughout the year, limiting the

impact of the corresponding cost reduction, and on the other hand the entry of new hires, mostly at a lower cost, was concentrated in the second half of the year. In addition, there was an increase in overtime, an increase in the performance bonus as set forth in the agreements entered into with the trade unions and lastly, in December, on the basis of the renewal of the Gas-Water collective labour agreement, a "one-off" payment was provided in addition to the first tranche of a contractual pay rise.

Starting from 2019 and for the next 3 years, turnover will be particularly significant for Viacqua. Due to demographic and company seniority reasons (the current average age is just under 48 years), roughly 6% of all personnel is expected to retire. This includes staff employed in various roles, but also some top management figures or people with significant professional profiles.

Although the turnover in this case is natural and not indicative of any problems, it represents a challenge more in terms of skills than in strictly numerical terms: this is not just a quantitative relationship between departing workers and incoming workers; rather, this transition represents an opportunity to develop new skills, cultivate internal personnel and add new energy, all the more so considering the fact that historically turnover due to reasons other than retirement has always been very limited.

This is why assessments have been conducted, outlined in the development of the three-year action plan, which are not limited to a comparison between the cost of outgoing and newly hired personnel, or only the numerical aspect of the workers to be replaced, but which also take into consideration additional aspects: indeed, the topic of company knowledge management is very significant, or the skills built up over the years and the possibility of keeping them within the company, so that they may lay the foundation for a new phase of company activities. From this perspective, for example, it is necessary in certain cases to require a period of on-the-job training or reallocate resources already working in the company to new areas, while new hires are placed in the positions that open up. The hiring of new resources also requires extraordinary search, selection and training investments.

Costs	Benefits
Temporary decline in productivity (short term)	Subsequent increase in productivity (medium term)
Need to transmit knowledge and experience	Internal career opportunities Enhancing potential Increased motivation of personnel
Training and hiring costs	Increase in skills Introduction of new skills
Costs of on-the-job training	Decrease in the cost of labour (medium term)
Search and selection costs	Increase in compliance with company objectives by selected personnel

Organisational update	Optimisation of roles and the organisation
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The Gas-Water national collective labour agreement is applied to all workers, except for the two executives, who are subject to the Confservizi Executives national collective labour agreement.

Trade union relations have moved forward regularly. In the course of the year, company agreements were reached relating to changes in working hours and "solidarity holidays" or the possibility to transfer holidays to colleagues if needed. Furthermore, the agreement for the 2019-2020 performance bonus was also signed.

No serious accidents and no requests regarding occupational disease in the course of 2019.

Relations with the subsidiaries, associates, parent companies

As concerns the provisions pursuant to point 2), third paragraph of art. 2428 of the Italian Civil Code, the company holds company shareholdings as set forth in the Notes, which should be referred to for the details. In particular, at the reporting date, the relations existing with the above-mentioned companies can be summarised as follows:

Company	Financial payables	Financial receivables	Other payables	Other receivables	Sales	Purchases
A.Ri.C.A.		94,771		63,673		287,469

The A.Ri.C.A. acts as agent of the consortium members as concerns the corporate purposes set forth in the articles of association (management of the terminal sewerage network for the transfer of waste water from the treatment plants managed by the consortium members; management of the centralised unified disinfection plant for the four treatment plants; management of the treatment units and final discharge in the receiving body of water).

Treasury shares

At year-end close, pursuant to arts. 2435-bis and 2428 of the Italian Civil Code, the company did not hold treasury shares.

Shares/units of the parent company

The company is not subject to the control of any company or corporate group.

Business outlook

Pursuant to and in accordance with point 6), third paragraph of art. 2428 of the Italian Civil Code, the results in the first months of the year under way show signs of continuity compared to the performance recorded in the year just closed.

Use of relevant financial instruments for the assessment of the financial position and the economic result for the year

The IRS contract at 3.51% with Banca Popolare di Verona (now Banco BPM) entered into in 2009 with effects as of 1 January 2010 recorded a negative value of its mark to market for € 305,701.72 (fair value) on the initial notional value of € 10,589,706 declining to € 3,491,258.14 at 31 December 2019.

Vicenza, 27 March 2020

Chairman of the Board of Directors

Angelo Guzzo

VIACQUA SPA

Registered Office at VIALE DELL'INDUSTRIA 23 - 36100 VICENZA (VI) Share capital € 11,578,550.00 fully paid in

Financial statements as at 31/12/2019

Balance Sheet - Assets

31/12/2019 31/12/2018

A) Subscribed capital unpaid

(of which called)

B) Fixed assets

I. Intangible assets

1) Start-up and expansion costs		
2) Development costs		
3) Industrial patent and intellectual property rights	1,383,684	1,395,835
4) Concessions, licences, trademarks and similar rights		
5) Goodwill	26,837	34,332
6) Assets under construction and advances	8,240	9,240
7) Other	516,458	544,310
	<u>1,935,218</u>	<u>1,983,717</u>

II. Property, plant and equipment

1) Land and buildings	1,364,191	919,295
2) Plant and machinery	205,784,638	190,414,339
3) Industrial and commercial equipment	1,075,165	982,815
4) Other assets	568,473	627,522
5) Assets under construction and advances	18,837,294	14,025,708
	<u>227,629,761</u>	<u>206,969,679</u>

III. Financial assets

1) Equity investments in:		
a) subsidiaries		
b) associates	10,329	10,329
c) parent companies		
d) controlled by parent companies		
d bis) other companies	18,430	18,430
	<u>28,759</u>	<u>28,759</u>
2) Receivables		
a) Subsidiaries		
- within 1 year		
- beyond 1 year		
b) Associates		
- within 1 year		
- beyond 1 year		
c) Parent companies		
- within 1 year		
- beyond 1 year		

d) Controlled by parent companies			
- within 1 year			
- beyond 1 year			
d bis) Others			
- within 1 year			512,738
- beyond 1 year	7.5153.554		7,040,000
		7,553,554	7,552,738
		7,553,554	
3) Other securities			
4) Derivatives - assets		21	673
		7,582,335	7,582,170
Total fixed assets		237,147,313	216,535,566

C) Current assets

I. Inventories

1) Raw materials and consumables		1,583,098	1,240,239
2) Products in progress and semi-finished goods			
3) Contract work in progress			
4) Finished products and goods			
5) Payments on account			
		1,583,098	1,240,239

II. Receivables

1) Trade receivables			
- within 1 year	26,880,966		31,885,544
- beyond 1 year	1,553,257		2,767,582
		28,414,223	34,653,126
2) Subsidiaries			
- within 1 year			
- beyond 1 year			
3) Associates			
- within 1 year	82,072		15,382
- beyond 1 year	76,372		106,802
		158,444	122,184
4) Parent companies			
- within 1 year			
- beyond 1 year			
5) Controlled by parent companies			
- within 1 year			
- beyond 1 year			
5 bis) Tax receivables			
- within 1 year	521,567		193,720
- beyond 1 year			
		521,567	193,720
5 ter) Deferred tax assets			
- within 1 year	235,276		
- beyond 1 year	2,576,385		
		2,811,661	2,201,246
5 quater) Others			
- within 1 year	934,773		3,257,137
- beyond 1 year	67,823		105,226
		1,002,595	3,362,363
		32,908,491	40,532,639

III. Current financial assets

- 1) Equity investments in subsidiaries
- 2) Equity investments in associates
- 3) Equity investments in parent companies
- 4) Other equity investments
- 5) Derivatives - assets
- 6) Other securities
- 7) Cash pooling financial assets

IV. Cash and cash equivalents

1) Bank and postal deposits	16,301,744	21,520,469
2) Cheques		
3) Cash on hand	14,500	19,889
	16,316,244	21,540,358

Total current assets	50,807,832	63,313,236
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D) Accruals and deferrals	1,017,195	386,907
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Total assets	288,972,341	280,235,709
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Balance Sheet - Liabilities and equity

31/12/2019	31/12/2018
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A) Equity

I. Share capital	11,578,550	11,241,400
II. Share premium reserve		
III. Revaluation reserves		
IV. Legal reserve	2,248,280	1,891,681
V. Statutory reserves		
VI. Other reserves		
Extraordinary reserve		
Merger surplus reserve	3,568,795	
Sundry other reserves	53,079,774	43,910,052
Total other reserves	56,648,569	43,910,052
VII. Cash flow hedge reserve	(219,684)	(551,070)
VIII. Retained earnings		
IX. Profit for the year	5,766,868	9,526,325

Total equity	76,022,583	66,018,388
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B) Provisions for risks and charges

1) Pension funds and similar obligations		
2) Tax provisions, including deferred taxes		
3) Derivatives - liabilities	305,702	430,524
4) Other	2,485,698	663,175

Total provisions for risks and charges	2,791,400	1,093,699
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C) Post-employment benefits		2,574,291	2,768,001
D) Payables			
<i>1) Bonds</i>			
- within 1 year	2,200,000		2,200,000
- beyond 1 year	35,512,781		37,619,265
		37,712,781	39,819,265
<i>2) Convertible bonds</i>			
- within 1 year			
- beyond 1 year			
<i>3) Shareholder loans</i>			
- within 1 year			
- beyond 1 year			
<i>4) Banks</i>			
- within 1 year	9,871,187		10,225,322
- beyond 1 year	42,089,261		51,920,403
		51,960,448	62,145,725
<i>5) Other lenders</i>			
- within 1 year			
- beyond 1 year			
<i>6) Payments on account</i>			
- within 1 year	31,114		159,264
- beyond 1 year	126		
		31,240	159,264
<i>7) Trade payables</i>			
- within 1 year	18,867,026		17,742,493
- beyond 1 year			
		18,867,026	17,742,493
<i>8) Represented by credit instruments</i>			
- within 1 year			
- beyond 1 year			
<i>9) Subsidiaries</i>			
- within 1 year			
- beyond 1 year			
<i>10) Associates</i>			
- within 1 year			30,065
- beyond 1 year			
			30,065
<i>11) Parent companies</i>			
- within 1 year			
- beyond 1 year			
<i>11 bis) Controlled by parent companies</i>			
- within 1 year			
- beyond 1 year			

<i>12) Tax payables</i>		
- within 1 year	614,311	2,420,586
- beyond 1 year		
	614,311	2,420,586
<i>13) Welfare and social security payables</i>		
- within 1 year	1,130,525	1,341,481
- beyond 1 year		
	1,130,525	1,341,481
<i>14) Other payables</i>		
- within 1 year	2,400,740	4,531,731
- beyond 1 year	8,255,775	8,739,911
	10,656,515	13,271,642
Total payables	120,972,846	136,930,521
E) Accruals and deferrals	86,611,221	73,425,100
Total liabilities	288,972,341	280,235,709

Income Statement
31/12/2019
31/12/2018
A) Value of production

1) Revenues from sales and services	61,948,920	61,769,227
2) Change in inventories of products in progress, semi-finished and finished goods		
3) Changes in contract work in progress		
4) Increases for own work capitalised	3,593,204	3,294,757
<i>5) Other revenues and income, with separate indication of operating grants</i>		
a) Sundry	7,278,333	5,559,975
b) Operating grants		
	7,278,333	5,559,975
Total value of production	72,820,457	70,623,959

B) Costs of production

6) For raw materials, consumables and merchandise	3,487,590	2,782,315
7) For services	22,653,227	18,944,236
8) For right of use assets	5,089,949	6,105,727
<i>9) For personnel</i>		
a) Salaries and wages	11,014,867	10,830,210
b) Social security and welfare charges	3,484,596	3,659,289
c) Post-employment benefits	743,899	756,467
d) Pensions and similar		
e) Other costs	24,237	4,285
	15,267,599	15,250,251
<i>10) Amortisation, depreciation and write-downs</i>		
a) Amortisation of intangible assets	702,682	731,797

b) Depreciation of property, plant and equipment	11,123,362	10,635,585
c) Other fixed asset write-downs		
d) Write-down of current receivables and cash and cash equivalents	1,028,200	222,189
	12,854,244	11,589,571
11) Changes in inventories of raw materials, consumables and merchandise	(342,859)	(89,940)
12) Provisions for risks	256,300	66,550
13) Other provisions	1,564,528	
14) Other operating costs	1,048,482	869,848
Total costs of production	61,879,060	55,518,558
Difference between value and costs of production (A-B)	10,941,397	15,105,401

C) Financial income and expenses

15) Investment income

subsidiaries
 associates
 parent companies
 controlled by parent companies
 other

16) Other financial income

a) Non-current receivables
 subsidiaries
 associates
 parent companies
 controlled by parent companies
 other

b) securities classed as fixed assets, not equity investments

c) securities classed as current assets, not equity investments

d) Income other than the above

subsidiaries
 associates
 parent companies
 controlled by parent companies
 other

24,642		28,463
	24,642	28,463

17) Interest and other financial expenses

subsidiaries
 associates
 parent companies
 controlled by parent companies
 other

2,514,394		2,498,791
	2,514,394	2,498,791

17 bis) Exchange gains and losses

Total financial income and expenses	(2,489,752)	(2,470,328)
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D) Value adjustments to financial assets and

liabilities
18) Revaluations

- a) equity investments
- b) non-current financial assets (not classed as equity investments)
- c) securities recognised as current assets (not classed as equity investments)
- d) derivatives
- e) cash pooling financial assets

19) Write-downs

- a) equity investments
- b) non-current financial assets
- c) securities recognised as current assets (not classed as equity investments)
- d) derivatives
- e) cash pooling financial assets

Total value adjustments to financial assets and liabilities

Profit (loss) before tax (A-B±C±D)	8,451,645	12,635,073
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20) Current income taxes, deferred tax assets and liabilities

a) Current taxes	3,008,239	3,241,080
b) Taxes from previous years	79,738	(96,628)
c) Deferred taxes		
deferred tax liabilities	(403,200)	(35,704)
deferred tax assets		
	(403,200)	(35,704)
d) income (charges) from tax consolidation/tax transparency		
	2,684,777	3,108,748

21) Profit (Loss) for the year	5,766,868	9,526,325
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Chairman of the Board of Directors
Angelo Guzzo

Cash Flow Statement

as at 31/12/2019

	31/12/2019	31/12/2018
A. CASH FLOW FROM OPERATIONS		
Profit (loss) for the period	5,766,867	9,526,325
Income taxes	3,008,239	3,108,749
Interest expense/(interest income) (dividends)	2,489,752	2,470,327
(capital gains) from asset disposals	-	-
capital losses from asset disposals	(21,500)	(2,150)
	553	115,952
Profit for the year before income taxes, interest, dividends and capital gains from disposals	11,243,912	15,219,203
<i>Adjustments to non-monetary items with no balancing entry in net working capital</i>		
Allocations to provisions	2,832,628	259,723
Fixed asset amortisation/depreciation	11,826,044	11,367,382
Provision for post-employment benefits	743,899	756,467
Release of deferred income plant and equipment grants and FONI	(4,555,436)	(3,774,983)
Income Statement items imported from Sibat and Sibat Acqua	42,493	
Other	93,542	107,185
	10,983,170	8,715,774
Cash flow before changes in NWC	22,227,082	23,934,977
<i>Changes in NWC</i>		
Decrease/(increase) in inventories	(342,859)	(49,940)
Decrease/(increase) in trade receivables	5,749,323	(4,928,241)
Increase/(decrease) in trade payables	(386,860)	(1,763,522)
Decrease/(increase) in accrued income and prepayments	(630,289)	(86,921)
Increase/(decrease) in accrued liabilities and deferred income	(56,736)	(94,920)
Other changes in NWC	(4,839,327)	3,753,775
	(506,748)	(3,169,768)
Cash flow after changes in NWC	21,720,334	20,765,209
<i>Other adjustments</i>		
Interest collected/(paid)	(2,489,752)	(2,470,327)
(Income taxes paid)	(3,413,336)	(3,252,291)
Dividends collected	-	-
(Use of provision for post-employment benefits and payments to pension funds and INPS)	(937,609)	(838,000)
Other collections/(payments)		
(Use of provisions)	(567,220)	(701,286)
	(7,407,917)	(7,261,904)
Cash flow from operations (A)	14,312,416	13,503,305
B. CASH FLOW FROM INVESTING ACTIVITIES		
<i>Property, plant and equipment</i>		
(investments)	(28,011,013)	(23,341,376)
Increase/(decrease) in trade payables for investments	1,511,392	
Realisable value of investments	21,500	2,150
New investments fund (FONI)	16,570,244	14,887,432
Collection of plant and equipment grants	3,287,125	2,139,893
	(6,620,751)	(6,311,900)
<i>Intangible assets</i>		
(investments)	(654,183)	(752,251)
Realisable value of investments		
	(654,183)	(752,251)

<i>Non-current financial assets</i> (investments)	(816)	(211)
Realisable value of investments		
	(816)	(211)

Cash flow from investing activities (B)	(7,275,750)	(7,064,362)
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C. CASH FLOW FROM FINANCING ACTIVITIES

Third-party funding

Increase in short-term bank payables		
New loans		
Issue of bonds		
(Repayment of bonds)	(2,200,000)	(2,200,000)
(Loans repaid)	(10,185,277)	(12,208,582)
	(12,385,277)	(14,408,582)

Own funds

Share capital increase against payment		
Cash adjustments Sibet and Sibet Acqua merger	(221)	
Sale (purchase) of treasury shares		
Dividends paid		
	(221)	-

Cash flow from financing activities (C)	(12,385,497)	(14,408,582)
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Increase (decrease) in cash and cash equivalents A+B+C	(5,348,831)	(7,969,640)
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Opening cash and cash equivalents	21,540,358	
Cash and cash equivalents as at 28/10/2019 Sibet Srl and Sibet Acqua Srl	124,718	
Opening cash and cash equivalents Viacqua S.p.A.	21,665,076	29,509,998
Closing cash and cash equivalents	16,316,244	21,540,358
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,348,831)	(7,969,640)

Pursuant to OIC 4, details are provided below of the assets and liabilities acquired with the merger of Sibet Srl and Sibet Acqua Srl, which did not give rise to cash flows.

ASSETS AND LIABILITIES ACQUIRED WITH THE MERGER THAT DID NOT GIVE RISE TO CASH FLOWS	SIBET SRL	SIBET ACQUA SRL
Increase in property, plant and equipment and intangible assets		3,772,986
Increase in equity	58,266	3,847,679
Increase in provisions for risks and charges	46,695	
Increase in net working capital	49,033	36,368

Notes to the Financial Statements

Financial statements 31/12/2019

Notes to the Financial Statements, first part

To our Shareholders,

These financial statements, submitted for your examination and approval, show profit for the year of € 5,766,868.

Business activities

The Company's primary activity is the management of the of the integrated water service as defined by Italian Legislative Decree no. 152 of 3/4/2006.

Taxonomy of the financial statements and OIC accounting standards

The XBRL taxonomy of the financial statements as at 31 December 2019 (XBRL Italy operating instructions of 22/01/2020 on the PCI_2018-11-04 taxonomy) differs from the previous one due to the regulation that introduced the obligation to publish *public disbursements and subsidies*, now contained in art. 1, paragraph 125-bis of Law no. 124 of 4 August 2017 (previously art. 1, paragraph 125). In the dedicated section of the notes, the presentation of the required data has been improved.

No change has instead been made in the quantitative financial statements.

Accounting principles

The financial statements were drafted in ordinary form, in observance of the provisions of the Italian Civil Code, as interpreted and supplemented by the OIC accounting standards and when applicable by the indications of the National Council of Chartered Accountants and Professional Accountants as well as the taxonomy rules. To draft the financial statements with clarity and provide a true and fair view, the postulates of the financial statements must be respected, as specified in accounting standard OIC 11, which refers to art. 2423 bis of the Italian Civil Code, as well as articles 2423 ("Drafting of financial statements") and 2423 ter ("Structure of the balance sheet and the income statement"). A list and description of the accounting principles adopted are provided below.

a) Prudence:

- the items as at 31/12/2019 were measured in accordance with the principle of prudence, with reasonable caution taken in estimates, in conditions of uncertainty.
- the different elements making up the individual items were measured separately (for example, in inventories, the valuation was performed individually for each category of elements within that item, in compliance with legal provisions, preventing gains in certain items from offsetting losses in others).
- exclusively profits realised at the date of year-end close have been indicated, while the risks and losses attributable to the year were taken into account even if they became apparent after year-end close. This accounting asymmetry for profit and loss items is the direct consequence of the prevalence of the principle of prudence over the accrual principle.

b) Going concern assumption:

The financial statement items were measured on the going concern assumption and therefore taking into account the fact that the company constitutes a functioning economic entity destined to produce revenue.

Taking into account the time horizon of twelve months subsequent to 31/12/2019, the company management notes that no significant uncertainties have been identified with regard to the capacity to continue business activities.

c) Substantial representation:

The recognition and presentation of the items take into account the substance of the transaction or the contract over the form, an approach followed by all OIC accounting standards. For example, multiple contracts may have substantial effects that require the same accounting treatment, or vice versa. The entity drafting the financial statements is responsible for carefully reviewing the elements of one or more connected contracts for the application of the above-mentioned standard.

d) Accruals:

The accrual principle refers to the temporal approach with which the items have been attributed to the income statement in order to determine the profit (loss) for the year. Specifically, the income and expenses attributable to the year have been taken into account, irrespective of the collection or payment date. The accruals principle is linked to the principle of correlation, i.e., costs are correlated with revenues.

e) Consistency in measurement criteria:

The measurement criteria cannot be modified from one year to another. Derogations to such principle are permitted in exceptional cases and the notes must provide adequate justification of them, specifying their influence on the representation of the financial position and profit and loss. Consistent measurement criteria make it possible to obtain a uniform measurement of the financial statement results over time so as to allow for an easy analysis of the company's evolution by the readers of the financial statements, while also reducing the margins of discretion of the directors. For the measurement criteria adopted during the year, please refer to the next section of these notes.

f) Relevance:

On the basis of this principle, financial statement information is relevant when its omission or erroneous indication could reasonably influence the decisions taken by the primary recipients on the basis of the company's financial statements. As the concept of relevance is dominant in the formation of the financial statements, to quantify relevance both *qualitative* and *quantitative* elements must be taken into account. Quantitative factors take into consideration the economic aspect of the transaction with respect to the financial statement figures of greatest interest for the primary recipients of the financial statements. Qualitative factors, with are irrespective of quantitative aspects, are those the importance of which is always such so as to be able to reasonably influence the economic decisions of the primary recipients of the company's financial statements. The principle was also followed according to which it is not necessary to respect recognition, measurement, presentation and disclosure obligations when their observance has irrelevant effects for the purpose of providing a fair and true view of the financial statements, provided the accounting entries are regularly kept and the notes illustrate the cases in which such principle has been applied.

g) Comparability:

For each item in the balance sheet and the income statement, it is necessary to specify the amount of the corresponding item from the previous year. If the items cannot be compared, the items in relation to the prior year must be reclassified; non-comparability, reclassification or the impossibility to reclassify are pointed out and commented on in the notes to the financial statements.

Exceptional cases pursuant to art. 2423, paragraph 5 of the Italian Civil Code

In the financial statements as at 31/12/2019, there were no exceptional cases that made recourse to the derogations pursuant to arts. 2423, paragraph 5 necessary.

Art. 2423 establishes that, if, in exceptional cases, the application of a provision on the drafting of the financial statements is incompatible with a true and fair view, that provision should not be applied. In this case, the reasons for deviation and its impact on the representation of the balance sheet, financial situation and profit and loss would be specified in the notes to the financial statements. Any profits arising from this deviation are posted to a reserve which is only distributable in proportion to the value recovered.

Correction of material errors

In the financial statements closed as at 31/12/2019 there were no corrections of material errors from the previous financial statements.

An error consists of the non-application or incorrect application of an accounting standard, when the data necessary for its proper application are available when the error is made. An error is an incorrect qualitative and/or quantitative representation of a figure in the financial statements and may also be represented by information not provided or provided incorrectly in the notes.

Changes in estimates on elements present at the reporting date or changes in estimates on the ~~future~~ future evolution in the value of such elements do not constitute corrections of errors, as these changes are made in the normal process of drafting the financial statements.

In particular, having acted with diligence, the following do not constitute errors:

- subsequent changes in estimates, if the initial ones were made on the basis of data available at that time;
- the adoption of accounting criteria on the basis of the data available at one moment, which subsequently turned out to be different.

An error is *material* if it can individually or along with other errors influence the economic decisions taken by users on the basis of the financial statements. An error's significance depends on its extent and nature and is evaluated based on the circumstances.

Comparability of the financial statements

In the course of the year, the merger by incorporation, entered into with notary deed of 8 October 2019, between Viacqua SpA, the absorbing company, and Società Impianti Berico Tesina Srl (SIBET) and Società Impianti Berico Tesina Acqua Srl (SIBET ACQUA), the merged companies, was formalised. The accounting and tax effects of the merger were backdated to 1 January 2019. For the sake of comparability, below in the Notes comments are provided with respect to the most significant changes recorded with reference to the values resulting from the recovery of the balances from the merger of the merged companies.

Measurement criteria (Ref. art. 2427, point 1, Italian Civil Code)

The measurement criteria adopted for the formation of the financial statements closed as at 31/12/2019 are the same as those used in the financial statements as at 31/12/2018.

In the measurement of the financial statement items, the general criteria of prudence, the going concern assumption, substantial representation, accruals, consistency in measurement criteria, relevance and comparability were observed. The relative details are provided in the other parts of the *First Part* of the Notes to the Financial Statements.

Intangible

assets

These are recognised at historic acquisition cost, net of accumulated amortisation over the years allocated directly to the individual items.

Multi-year start-up and expansion costs are recognised under assets with the consent of the Board of Statutory Auditors. Start-up and expansion costs are amortised within a period not to exceed five years.

Goodwill, acquired for valuable consideration, was recognised in the assets with the consent of the Board of Statutory Auditors for an amount equal to the cost incurred for it, and is amortised in compliance with the provisions of art. 2426, paragraph 1, no. 6 of the Italian Civil Code as described in more detail below.

Industrial patent and intellectual property rights, licences, concessions and trademarks include primarily software, specific applications for long-term use, measured on the basis of direct and indirect costs. They are amortised at an annual rate of 20%.

Improvements on third-party assets recognised in other intangible assets are amortised with rates reflecting the shorter period between the technical useful life of the improvement and the term of the contract.

If, irrespective of the amortisation already accounted for, impairment is identified, the asset is written down accordingly. If in subsequent years the reasons for the write-down no longer apply, the original value is restored, adjusted only for amortisation.

Property, plant and equipment

These are recognised at purchase or production cost, adjusted for corresponding accumulated depreciation.

The book value takes into account the accessory charges and costs incurred for use of the fixed asset, with the cost reduced by commercial and cash discounts of significant amounts.

The depreciation rates, recognised in the income statement, were calculated given the use, destination and economic and technical duration of the assets, based on the residual useful life criterion, well represented by the following rates, which have not changed compared to the previous year and are reduced to half in the year of operational start-up of the asset:

Asset type	% Depreciation/Amortisation
Software	20.0%
Goodwill	7.0%
Industrial buildings	2.5%
Light constructions	2.5%

Water supply pipes	2.5%
Sewer pipes	2.5%
Water supply connections	2.5%
Sewer connections	2.5%
Fixed water works	2.5%
Abstraction systems	2.5%
Tanks	2.0%
Purification/filtration plants	8%
Waste water treatment plants	8%
Sewer lifting plants	12.5%
Water supply pumping plants	12.5%
Electronic metering units	6.67%
Mechanical metering units	6.67%
Other systems	5%
Drinking water kiosks	10%
Laboratories	10%
Water supply, sewer and treatment equipment	10%
Remote control and remote transmission	10%
Furniture, fixtures and fittings	14%
Electronic and electronic accounting machines	20%
Advertising signs	10%
Mobile radio devices	20%
Technological systems	8%
Vehicles	20%
Cars	25%
Operating machines and internal means of transport	20%
Durable goods of modest value	100%

If, irrespective of the depreciation already accounted for, impairment is identified, the asset is written down accordingly. If in subsequent years the reasons for the write-down no longer apply, the original value is restored, adjusted only for depreciation. Please refer to the paragraphs below for information on write-downs recognised during the year on property, plant and equipment received via the merger. ⁽⁰⁶⁾

There were no discretionary or voluntary revaluations and the cap of the measurements performed is the objectively determined recoverable amount of the asset.

Assets acquired free of charge are recognised at the presumable market value plus costs incurred or to be incurred to usefully include the assets in the production process on a long-term basis.

It was not necessary to recognise any write-downs pursuant to art. 2426, paragraph 1, no. 3 of the Italian Civil Code since, as set forth in accounting standard OIC 9, no indicators of potential impairment of property, plant and equipment were identified.

Pursuant to the provisions of art. 2426, no. 2 of the Italian Civil Code:

- from 2007 to 2012, new depreciation criteria were applied for certain categories of depreciable assets. Specifically, as regards the remaining useful life of investments made and to be made in fulfilment of the ⁽⁰⁶⁾Integrated ⁽⁰⁶⁾Water ⁽⁰⁶⁾Service ⁽⁰⁶⁾ assignment by the Bacchiglione ATO Authority, as of 2007, the economic/technical life was considered in terms of the shares of depreciation determined in the tariff approved by the ATO Authority;
- as of 2013, new depreciation criteria were applied based on the provisions of the National Authority, ARERA.

The above-mentioned changes in estimates take into account the provisions of sector regulations,

the service assignment documents and communications in that sense from the Authority; in particular please note:

- art. 113, par. 9 of Italian Legislative Decree 267/2000 (the Consolidated Local Authorities Act); art. 143 of Italian Legislative Decree 152/2006;
- Specifications of the Regulation for the assignment of the integrated water service signed on 15 November 2007 with the Bacchiglione ATO Authority;
- Measure with protocol no. 428, register 2 of 8 April 2014 of the Bacchiglione Area Council (Establishment of tariffs for the years 2014 and 2015, the Economic and Financial Plan and the Intervention Plan)
- ARERA Resolution no. 643/2013/R/IDR of 27 December 2013: Approval of the Water Tariff Method and complementary provisions;
- ARERA Resolution no. 664/2015/R/IDR of 28 December 2015 Approval of the water tariff method for the second regulatory period MTI-2.

In addition, pursuant to the [OBJ:OBJ:OBJ:OBJ:OBJ:OBJ] Integrated Water Service regulation specifications signed on 15 November 2007, updated on 21 March 2017, at the end of the assignment period, the assets built after the same specifications were entered into must be transferred to the new operator which will recognise compensation equal to the residual value as calculated using the water tariff method.

The assets purchased prior to 2013 are depreciated according to the provisions of ARERA resolution no. 643/R/idr cm 18.4, which allows the adoption of different technical rates provided these assets are included in the tariff with the values recognised according to the previous methods already adopted by the Operator.

As at 31 December 2019 it was confirmed that the RAB (*[OBJ]Regulatory Asset Base[OBJ]*) value was not lower than the net value of the assets in the financial statements.

Receivables

Receivables originating from revenues for the provision of services are recognised in current assets on the basis of the accrual principle when the conditions for the recognition of the relative revenues are fulfilled.

Receivables originating for other reasons are recognised if the company has a "claim" to the receivable, and hence when they actually represent a third-party obligation to the company; if they are financial, they are classified under non-current financial assets, with an indication of the amount payable within 1 year).

Receivables are measured in the financial statements at amortised cost, taking into account the time factor, and within the limit of their presumed realisable value and, therefore, they are shown in the Balance Sheet net of the relative bad debt provision deemed adequate to cover losses due to reasonably foreseeable non-collectability.

If the transaction interest rate is not significantly different from the market rate, the receivable is initially recognised at a value equal to the nominal value net of all premiums, discounts and allowances and inclusive of any costs directly attributable to the transaction generating the receivable.

The Company presumes that effects deriving from the application of the amortised cost method and discounting are not relevant when the receivables are due to mature within 1 year, also taking into account all contractual and substantial considerations when the receivable is recognised, and the transaction costs and every difference between the initial value and the nominal value on maturity are not of a significant amount.

In that case, there is no discounting, interest is calculated at the nominal value and transaction costs are recognised under prepayments and amortised on a straight-line basis throughout the term of the receivable to adjust nominal interest income.

Payables

Payables are measured in the financial statements at amortised cost, taking into account the time factor.

If the transaction interest rate is not significantly different from the market rate, the payable is initially recognised at a value equal to the nominal value net of all transaction costs and all premiums, discounts and allowances directly deriving from the transaction generating the payable. Such transaction costs, like ancillary expenses to obtain loans, any commission and fee income and expense and any difference between the initial value and the nominal value on maturity are broken down throughout the duration of the payable using the effective interest rate criterion.

When instead the transaction interest rate that can be inferred from the contractual conditions is significantly different from the market rate, the payable (and the corresponding cost in the case of trade transactions) is initially recognised at a value equal to the present value of future cash flows and taking into account any transaction costs. The rate used to discount the future cash flows is the market rate.

The Company presumes that effects deriving from the application of the amortised cost method and discounting are not relevant when the payables are due to mature within 1 year, also taking into account all contractual and substantial considerations when the payable is recognised, and the transaction costs and every difference between the initial value and the nominal value on maturity are not of a significant amount. In that case, there is no discounting, interest is calculated at the nominal value and transaction costs are recognised under deferred income and amortised on a straight-line basis throughout the term of the payable to adjust nominal interest expense.

Payables recognised in the financial statements prior to the year beginning on 1 January 2016 are recognised at nominal value since, as set forth in the OIC 19 accounting standard, it was decided not to apply the amortised cost approach or discounting.

Accruals and deferrals

These have been determined according to the effective accrual for the year. For long-term accruals and deferrals, the conditions that resulted in their original recognition have been verified and the appropriate changes have been made when necessary.

Inventories

Raw materials, auxiliary materials and finished products are recognised at the lower of the purchase or production cost and the realisable value inferable from market trends, applying the weighted average cost.

The value thus obtained is then adjusted by the dedicated "provision for inventory obsolescence", to take into account the obsolescence of the goods that will be disposed of.

Equity investments

Equity investments in subsidiaries and associates, recognised under non-current financial assets, are measured at purchase or subscription cost.

Other equity investments are recognised at purchase or subscription cost.

The equity investments recognised in non-current assets represent a lasting and strategic investment by the company.

The carrying amount of the equity investment is written down in the presence of impairment, determined by comparing the carrying amount of the equity investment with its recoverable

amount, calculated on the basis of the future benefits expected to flow to the investor. This takes place when the loss of value is caused by factors inside or outside the Company, or a combination thereof, and it is not expected that the reasons causing it may be resolved within a brief period of time. All assessments are performed separately for each individual equity investment.

Derivatives

Derivatives are recognised from the date on which the contract was signed, starting when the Company is subject to the relative rights and obligations.

Pursuant to what is set forth in article 2426, paragraph 1, number 11-bis of the Italian Civil Code and OIC 32, derivatives, even if embedded in other financial instruments, are measured at *fair value* at the date of initial recognition as well as at every subsequent reporting date. The recognition of and changes in *fair value* with respect to the previous year are shown in the financial statements with different methods depending on whether the transaction in derivatives can be qualified (and effectively designated) as a transaction hedging financial risks or not.

A transaction in derivatives is designated as a hedge when:

- a) the hedging relationship consists only of eligible hedging instruments and eligible hedged elements pursuant to OIC 32;
- b) there is a close and documented correlation between the characteristics of the hedged instrument or transaction and those of the hedging instrument, pursuant to article 2426, paragraph 1, number 11-bis, of the Italian Civil Code; the documentation regards the formalisation of the hedging relationship, the Company's risk management objectives and the hedging strategy;
- c) the hedging relationship meets all of the following hedge effectiveness requirements:
 - i. there is an economic relationship between the hedged element and the hedging instrument;
 - ii. the effect of the credit risk of the derivative counterparty and the hedged element, if credit risk is not the risk being hedged, does not prevail over changes in value resulting from the economic relationship;
 - iii. the hedging relationship is determined as equal to the relationship between the quantities of derivatives used and the quantities of elements hedged (to an extent such so as to not entail ex ante the ineffectiveness of the hedge).

The verification of the economic relationship takes place on a qualitative basis, verifying that the main elements of the hedging instrument and the hedged element correspond or are closely aligned, and on a quantitative basis. When the hedging transactions regard derivatives with characteristics that are similar to those of the hedged element (defined as "simple hedging relationships") and the derivative is stipulated at market conditions, the hedging relationship is considered effective simply by verifying that the main elements (such as the nominal amount, the cash flow settlement date, the maturity and the underlying variable) of the hedging instrument and the hedged element correspond or are closely aligned and the credit risk of the counterparty is not such so as to significantly impact the *fair value* of the hedging instrument as well as of the hedged instrument.

The fulfilment of eligibility criteria is verified on a continuous basis, and at every reporting date the Company evaluates whether the hedging relationship still meets the effectiveness requirements.

Derivatives with a positive fair value are recognised in the financial statement assets.

Derivatives with a negative fair value are recognised under Provisions for risks and charges in the financial statements.

Provisions for risks and charges

These are allocated to cover losses or payables of certain or probable existence, but for which at year end the amount or contingency date cannot be determined.

Such provisions were measured in compliance with the general criteria of prudence and accrual, and no generic risk provisions were allocated without economic justification.

Contingent liabilities are recognised in the financial statements under provisions when deemed probable and the amount of the related expense can be reliably estimated.

Provision for post-employment benefits

The provision does not include benefits accrued from 1 January 2007, allocated to supplementary pension funds pursuant to Italian Legislative Decree no. 252 of 5 December 2005 (or transferred to the INPS treasury fund).

Income taxes

Taxes are recognised according to the accrual principle; they therefore represent:

- provisions for taxes settled or to be settled for the year, determined according to rates and rules in force;
- the amount of taxes deferred or paid in advance in relation to temporary differences arising or cancelled out during the year;

Deferred IRES liabilities and assets are calculated on temporary differences between the values of assets and liabilities determined according to statutory criteria and the corresponding tax values exclusively with reference to the Company.

Current IRAP and deferred IRAP liabilities and assets are determined exclusively with reference to the Company.

Revenue recognition

Revenue for the sale of goods is recognised on the basis of the accrual principle when both of the following conditions are met:

- the production process of the goods or services has been completed;
- the trade has already taken place; i.e., the substantial and non-formal transfer of ownership has taken place. For the sale of goods, this moment is represented by the shipment or delivery of the movable assets, while for goods for which a public deed is required (real estate and movable assets) from the date on which the sale agreement is entered into. For the provision of services, the trade is considered to have taken place when the service is rendered, or the service has been completed.

Revenues from the provision of services are recognised at the date on which the services are completed or, for those depending on contracts with periodic consideration, at the date on which the consideration accrues.

Revenues from sales are recognised net of returns, discounts, allowances and premiums, as well as taxes directly linked to the sale of products and the provision of services, and adjustments to revenues for the year are recognised as a direct reduction from the item revenues.

For specific elements relating to the sector, please refer to section A1 **Revenues from sales and services**.

The item "other revenues and income" includes positive non-financial income components deriving only from accessory operations.

Financial revenues and those deriving from the provision of services are recognised on an accruals basis.

Significant events during the year

Aside from what is set forth in these notes, the significant events during the year 2019 are as follows:

- the merger by incorporation, entered into with notary deed of 8 October 2019, between Viacqua SpA, the absorbing company, and Società Impianti Berico Tesina Srl (SIBET) and Società Impianti Berico Tesina Acqua Srl (SIBET ACQUA), the merged companies, was formalised. The accounting and tax effects of the merger were backdated to 1 January 2019. For the sake of comparability, below in the Notes comments are provided with respect to the most significant changes recorded with reference to the values resulting from the recovery of the balances from the merger of the merged companies.

On this point, please note that the accounting representation of the merger of Sibet and Sibet Acqua considered the recoverable amount of the non-current assets: in particular, as the current value of the investments in networks and plants of the merged company Sibet is lower than the carrying amount, this resulted in the recognition of a net book value adjusted by a provision for write-downs. The verification performed by the directors indeed showed that the carrying amount of the non-current assets of Sibet S.r.l. (equal to € 6.5 million) will not be recognised for tariff purposes, according to the current tariff method (MTI-2 and MTI-3), in the upcoming years.

Considering the uncertainty with respect to the possibility of deducting any amortisation and depreciation attributable to the absorbing company calculated on the value of the non-current assets received from Sibet S.r.l. and subsequently written down when the surplus was attributed, deferred tax assets were not recognised on the above-mentioned values. On this aspect, the Company is deciding whether to submit a request to the Italian Revenue Agency so as to clarify whether those fiscally relevant values for the merged company can also be recovered by the absorbing company.

Notes to the Financial Statements - Assets

Fixed assets

Intangible assets

Balance as at 31/12/2019	Balance as at 31/12/2018	Changes
1,935,219	1,983,717	(48,498)

Changes in intangible assets

(Ref. Art. 2427, paragraph 1.2, Italian Civil Code)

Description of costs	Value 31/12/2018	Increases for the year	Amortisation for the year	Other increases decreases for the year	Value 31/12/2019
Industrial patent rights	1,395,835	619,050	631,201		1,383,684
Goodwill	34,332		7,496		26,837
Assets under construction	9,240			(1,000)	8,240
Other	544,310	35,133	63,985	1,000	516,458
	1,983,717	654,183	702,682		1,935,219

	Start-up and expansion costs	Development costs	Industrial patent and intellectual property rights	Goodwill	Assets under construction and advances	Other intangible assets	Total intangible assets
Opening value							
Cost	667,971	0	5,519,911	107,379	9,240	2,078,228	8,382,729
Revaluations							0
Amortisation (Accumulated amort.)	667,971	0	4,124,076	73,047		1,533,918	6,399,012
Write-downs	0	0	0	0	0	0	0
Book value	0	0	1,395,835	34,332	9,240	544,310	1,983,717
Changes during the year							
Increases for acquisitions	0	0	619,050	0	0	35,133	654,183
Reclassifications (of book value)					(1,000)	1,000	0
Amortisation for the year	0	0	631,201	7,496		63,985	702,682
Total changes	0	0	(12,151)	(7,496)	(1,000)	(27,852)	(48,499)
Closing value							
Cost	667,971	0	6,138,961	107,379	8,240	2,114,361	9,036,912
Revaluations							0
Amortisation (Accumulated amort.)	667,971	0	4,755,277	80,543		1,597,903	7,101,694
Write-downs	0	0	0	0	0	0	0
Book value	0	0	1,383,684	26,836	8,240	516,458	1,935,218

The item "Industrial patent rights" relates to software being used.

The item "Goodwill" for € 26,837 relates to:

- acquisition of the business unit of Etra S.p.A., relating to the Integrated Water Service provided to the municipalities of Camisano Vicentino, Grumolo delle Abbadesse, Grisignano di Zocco, Montegalda, Montegaldella and Torri di Quartesolo; the historic cost of goodwill is € 70,000;
- acquisition of the "Metering" business unit, relating to the acquisition of assets and personnel trained in meter reading verification and related activities, originally € 35,295;
- acquisition of the business unit relating to the notary expenses incurred for that transaction, goodwill is for an original € 2,084.

The item "Intangible assets under construction and advances" relates to operating software implementations.

"Other intangible assets" for a residual value of € 516,458 refer to incremental expenses on third-party assets for a residual value of € 500,694, aside from expenses for environmental plans and

investigations, quality and safety certifications and others, for a residual value of € 15,765.

The breakdown of the balance is as follows:

Patent Rights (Software)	6,138,961
SOFTWARE	5,714,020
GIS SYSTEM	424,941
(Accumulated amortisation)	(4,755,277)
SOFTWARE ACCUMULATED AMORTISATION	(4,477,045)
GIS SYSTEM ACCUMULATED AMORTISATION	(278,232)
Net Carrying Amount Patent Rights	1,383,684
Goodwill (Purchase of company)	107,379
GOODWILL	107,379
(Accumulated amortisation)	(80,543)
ACC. AM. GOODWILL	(80,543)
Net Carrying Amount Goodwill	26,837
Assets under construction	8,240
INT. ON THIRD-PARTY ASSETS UNDER CONSTRUCTION	0
SOFTWARE UNDER CONSTRUCTION	8,240
Assets under construction	8,240
Incremental expenses on third-party assets	1,796,319
INTERVENTIONS ON THIRD-PARTY ASSETS	1,796,319
Other long-term costs	318,042
OTHER LONG-TERM COSTS	318,042
(Accumulated amortisation)	(1,597,903)
INTERV. THIRD-PARTY ASSETS ACCUMULATED AM.	(1,295,626)
ACC. AM. OTHER LONG-TERM COSTS	(302,277)
Net Carrying Amount Other	516,458

Property, plant and equipment

Balance as at 31/12/2019	Balance as at 31/12/2018	Changes
227,629,761	206,969,679	20,660,082

Changes in property, plant and equipment

	Land and buildings	Plant and machinery	Ind. and commercial equip.	Other Property, Plant and Equipment	Property, plant and equipment under construction and advances	Total property, plant and equipment
Opening value						
Cost	1,124,522	281,906,349	7,109,347	4,538,435	14,025,708	308,704,361
Revaluations						
(Accumulated depreciation)	205,227	91,492,010	6,126,532	3,910,913		101,734,682
Write-downs						
Book value	919,295	190,414,339	982,815	627,522	14,025,708	206,969,679
Changes during the year						
Increases for acquisitions	3,580	671,174	344,008	186,511	26,805,741	28,011,014

Reclassifications (of book value)		21,994,154	-554		(21,994,117)	(517)
Decreases for sales and disposals (of book value)						
Revaluations for the year						
Depreciation for the year	19,449	10,607,249	251,104	245,560		11,123,362
Write-downs for the year						
Other changes (increases for merger net of write-downs)	460,766	3,312,220				3,772,986
Total changes	444,897	15,370,299	92,350	(59,049)	4,811,624	20,660,121
Closing value						
Cost	3,147,532	312,790,605	7,445,064	4,638,726	18,837,294	346,859,221
Revaluations						
(Accumulated depreciation)	224,676	101,997,868	6,369,899	4,070,253		112,662,696
Write-downs	1,558,665	5,008,099				6,566,764
Book value	1,364,191	205,784,638	1,075,165	568,473	18,837,294	227,629,761

As described in the section "significant events during the year" during the year the companies SIBET S.r.l. and SIBET Acqua S.r.l. were merged by incorporation effective for accounting purposes as of 1 January 2019. The non-current assets of SIBET S.r.l., which are not relevant for tariff purposes, were recognised net of a provision for write-downs equal to their previous carrying amount.

The write-downs referred to in the tables below relate to the accounting recognition of the SIBET merger transaction and did not have an economic impact.

The other changes were caused by increases deriving from the merger of the companies SIBET and SIBET ACQUA.

The details are shown in the table below:

	Land and buildings	Plant and machinery	Industr ial and comme rcial equip.	Other Property, Plant and Equipment	Property, plant and equipment under construction and advances	Tot. Property, Plant and Equipment
Increases SIBET	1,558,664	5,008,099				6,566,764
Provision for Write-downs SIBET non-current assets	(1,558,664)	(5,008,099)				(6,566,764)
Increases SIBET ACQUA	460,766	3,312,220				3,772,986
Total other changes	460,766	3,312,220				3,772,986

Land and buildings

Description	Amount	
Historic cost	1,124,522	
Depreciation previous years	(205,227)	
Balance as at 31/12/2018	919,295	of which land € 507,561
Acquisition during the year	3,580	
Increases Sibet and Sibet Acqua (Net carrying am.)	2,019,430	
Transfers assets under construction	0	
Depreciation for the year	(19,449)	
Write-downs	(1,558,664)	

Balance as at 31/12/2019 **1,364,191** of which land € 652,711

Plant and machinery

Description	Amount
Historic cost	281,906,349
Depreciation previous years	(91,492,010)
Balance as at 31/12/2018	190,414,339
Acquisition during the year	671,174
Increases Sibet and Sibet Acqua (Net carrying am.)	8,320,320
Disposals for the year (cost)	(101,400)
Disposals for the year (accum. dep.)	101,400
Transfers assets under construction	21,994,154
Depreciation for the year	(10,607,250)
Write-downs Sibet	(5,008,099)
Balance as at 31/12/2019	205,784,638

This item includes investments made in Integrated Water Service works, set forth in the ATO Plan approved by the Bacchiglione Area Council, in addition to technological systems.

Disposals for the year refer to the disposal of a used centrifuge from the Schio treatment plant.

Industrial and commercial equipment

Description	Amount
Historic cost	7,109,347
Depreciation previous years	(6,126,532)
Balance as at 31/12/2018	982,815
Acquisition during the year	344,008
Disposals for the year (cost)	(8,291)
Disposals for the year (accum. dep.)	7,737
Reclassifications	0
Depreciation for the year	(251,104)
Balance as at 31/12/2019	1,075,165

The item includes investments in water supply, sewerage and treatment equipment.

Other assets

Description	Amount
Historic cost	4,538,435
Depreciation previous years	(3,910,913)
Balance as at 31/12/2018	627,522
Acquisition during the year	186,511
Transfers assets under construction	
Reclassifications	
Depreciation for the year	(245,560)
Balance as at 31/12/2019	568,473

This refers to acquisitions of furnishings, fixtures and fittings, machinery and computers for offices, laboratory and inventory equipment to keep existing structures adequately updated, vehicles, cars and operating machines as well as advertising signs.

Assets under construction and advances

Description	Amount
Assets under construction as at 31/12/2018	14,025,708

Advances to suppliers		
Balance as at 31/12/2018		14,025,708
Acquisition during the year		26,805,741
Transfers/reclassifications		(21,994,117)
Balance Assets under construction as at 31/12/2019		18,837,294
Advances to suppliers		
Balance as at 31/12/2019		18,837,294

This refers to interventions on water supply, sewerage and treatment plants and networks still in the construction phase and as a result not yet depreciable.

Capital contributions

The equipment grants that the Company receives are credited to the income statement gradually in relation to the residual possibility of use of the assets to which they refer and are shown in the balance sheet in the item "Deferred income". This criterion meets the requirements of the OIC accounting standards.

Non-current financial assets

Balance as at 31/12/2019	Balance as at 31/12/2018	Changes
7,582,334	7,582,170	164

Changes in equity investments, other securities and derivative assets capitalised

Equity investments	31/12/2018	Increase	Decrease	31/12/2019
Associates	10,329			10,329
Other companies	18,430			18,430
	28,759			28,759

Equity investments

The equity investments recognised in non-current assets represent a lasting and strategic investment by the company.

The equity investments in associates are valued, in compliance with the principle of continuity of measurement criteria, at purchase or subscription cost.

Other equity investments are recognised at purchase or subscription cost.

The equity investments did not experience write-downs due to impairment; there were no cases of "value reversals".

No non-current equity investment experienced any change in purpose.

No non-current equity investment has any restriction on availability on the part of the investor company, nor are there any option rights or other privileges.

No investee company approved paid or free share capital increases during the year.

No significant transaction was carried out with investees.

Details on non-current equity investments in associates

Name of	City	Tax code	Share	Profit	Sharehold	Share	Share	Book value or
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company	capital	(Loss) for the last year in euro	ers' equity	held in euro	held %	corresponding receivable
A.R.I.CA. (Aziende Riunite Collettore Acque) Arzignano (VI) 90007240246	41,317	0	41,408	10,352	25%	10,329
Total						10,329

The Consortium acts as agent of the consortium members as concerns the corporate purposes set forth in the articles of association.

Other companies

The equity investments in "Other companies" refer primarily to the share held in Viveracqua Scarl.

There were no changes during the year.

The financial statements do not include any non-current financial assets in amounts higher than their fair values.

Non-current receivables from others

Change and due dates of non-current receivables

	Non-current receivables from associates	Non-current receivables from parent companies	Non-current receivables from companies controlled by parent companies	Non-current receivables from others	Total non-current receivables
Opening value				7,552,738	7,552,738
Changes during the year				816	816
Closing value				7,553,554	7,553,554
Portion due within 1 year					513,554
Portion due beyond 1 year				7,553,554	7,040,000
Of which with residual duration of over 5 years					

Breakdown of non-current receivables by geographic area

The breakdown of receivables as at 31 December 2019 by geographic area is provided in the following table (Art. 2427, paragraph 1.6, Italian Civil Code).

Geographic area	Non-current receivables from subsidiaries	Non-current receivables from associates	Non-current receivables from parent companies	Non-current receivables from companies controlled by parent companies	Non-current receivables from others	Total non-current receivables
Italy					7,553,554	7,553,554

Total	7,553,554	7,553,554
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Non-current financial assets recognised as at 31 December 2019 consist of € 7,040,000 from the share of the Non-Standard Pledge (*Credit Enhancement*) equal to 16% of the value of the bond issued for € 44 million and € 55,377 from a share of a long-term financial receivable (*Target Expenses Reserve*) from the vehicle company Viveracqua Hydrobond 1 Srl (SPV) represented by an "expense reserve" at the SPV, established by the vehicle company itself by withholding and not returning margins from its operations and which will become available when the conditions that made it necessary are no longer satisfied.

Non-current financial receivables also include security deposits totalling € 415,412.

Derivatives - assets

Description	31/12/2018	Increases	Decreases	31/12/2019
Derivatives - assets	673		652	21
	673		652	21

This is an up-front *Cap Swap* derivative contract entered into in 2016 in order to hedge interest rate risk on a floating-rate loan taken out at the same time, with an amortisation schedule that concludes in 2022. The value shown is the positive *mark to market* as at 31 December 2019.

Value of non-current financial assets

The breakdown of the balance is as follows:

Equity investments in associates	10,329
EQ. INV. CONSORZIO ARICA	10,329
Equity investments in other companies	18,430
EQ. INV. VIVERACQUA	12,665
OTHER EQUITY INVESTMENTS	5,765
Security deposits in cash	458,117
NON-CURRENT RECEIVABLES	31,978
SECURITY DEPOSITS C/O THIRD PARTY CASH	415,412
DEFERRED TAX ASSETS TFR- L.140/97	10,787
Other receivables	55,377
RECEIVABLES FROM VIVERACQUA HYROBOND	55,377
1 SRL	
Security deposits in cash	7,040,000
HYROBOND GUARANTEE DEPOSIT	7,040,000
Derivatives - assets	21
Derivatives - assets	21

Current assets

Inventories

Balance as at 31/12/2019	Balance as at 31/12/2018	Changes
1,583,098	1,240,239	342,859

Inventories of raw materials are measured with the weighted average cost method. The measurement criteria adopted remained unchanged from the previous year.

Note that the provision for inventory obsolescence, totalling € 76,947 as at 31 December 2019, did not change during the year:

Description	Amount
Provision for inventory obsolescence 31/12/2018	76,947
Use of provision for obsolescence during the year	
Allocation to provision for obsolescence during the year	
Provision for inventory obsolescence 31/12/2019	76,947

The breakdown of the balance is as follows:

Maintenance materials	1,660,045
RAW MATERIAL INVENTORY	1,660,045
(Provision for inventory obsolescence)	76,947
PROVISION FOR INVENTORY OBSOLESCENCE	76,947

Current receivables

Balance as at 31/12/2019	Balance as at 31/12/2018	Changes
32,908,491	40,532,639	(7,624,148)

Changes and due dates of current receivables

Maturity

Description	Within 12 months	Beyond 12 months	Beyond 5 years	Total	Of which relating to repurchase transactions
Trade receivables	26,880,966	1,533,257		28,414,223	
Associates	82,072	76,372		158,444	
Tax receivables	521,567	0		521,567	
Deferred tax assets	235,276	2,576,385		2,811,661	
Others	934,773	67,823		1,002,596	
	28,654,654	4,253,837		32,908,491	

Changes

Description	31/12/2019	31/12/2018	Change during the year
Trade receivables	28,414,223	34,653,126	(6,238,903)
Associates	158,444	122,184	36,260
Tax receivables	521,567	193,720	327,847
Deferred tax assets	2,811,661	2,201,246	610,415
Others	1,002,596	3,362,363	(2,359,767)
	32,908,491	40,532,639	(7,624,148)

The company considered the discounting of trade receivables irrelevant, as they all mature within 12 months.

The receivables are therefore measured at their presumed realisable value.

Trade receivables due within the year regard primarily asset items deriving from water distribution as well as treatment and sewerage fees for domestic and industrial waste water. The significant decline in that item is linked to the recovery in the course of the year of the amount not invoiced

in 2018 following the merger taking place on 31 December 2017.

The nominal value of receivables was adjusted by means of a dedicated bad debt provision which changed as follows in the course of the year:

	Bad debt provision	Provision for Risks on Receivables	Total
31/12/2018	172,189	3,963,342	4,135,331
Uses	(172,189)	(366,431)	(538,620)
Allocations	142,578	885,622	1,028,200
31/12/2019	142,578	4,482,533	4,625,111

The provision takes into account a precise ageing analysis as well as the historical impact of losses recorded in prior years (unpaid ratio).

Tax receivables, amounting to € 521,567 as at 31 December 2019, consist mainly of the IRES receivable of € 315,181 and the IRAP receivable of € 61,987, as well as the receivable for virtual tax on stamp duty of € 136,193.

Deferred tax assets of € 2,811,661 relate to deductible temporary differences, a description of which is provided in the relative paragraph in the last part of these notes.

Other receivables, totalling € 1,002,596 as at 31 December 2019, consist of:

Description	Amount
RECEIVABLES FROM MUNICIP. CASTELGOMBERTO	5,750
RECEIVABLES FROM MUNICIP. VALLI P.	2,308
RECEIVABLES FROM VEN.REG.-ATO AUTH.	811,585
RECEIVABLES FROM V.R. CONC. FEE	1,576
OTHER RECEIVABLES	113,554
Total Other Receivables within the year	934,773

Description	Amount
OTHER SECURITY DEPOSITS	67,823
Total Other Receivables beyond the year	67,823

Breakdown of current receivables by geographic area

The breakdown of receivables as at 31 December 2019 by geographic area is provided in the following table (Art. 2427, paragraph 1.6, Italian Civil Code).

Geographic area	Current trade receivables	Current receivables from subsidiaries	Current receivables from associates	Current receivables from parent companies	Current receivables from companies controlled by parent companies
Italy	28,414,223		158,444		
Total	28,414,223		158,444		

Geographic area	Current tax receivables	Current deferred tax assets	Other current receivables	Total current receivables
Italy	521,567	2,811,661	1,002,596	32,908,491
Total	521,567	2,811,661	1,002,596	32,908,491

Cash and cash equivalents

Balance as at 31/12/2019	Balance as at 31/12/2018	Changes
16,316,244	21,540,358	(5,224,114)

	Opening value	Change during the year	Closing value
Bank and postal deposits	21,520,469	(5,218,725)	16,301,744
Cheques			
Cash on hand	19,889	(5,389)	14,500
Total cash and cash equivalents	21,540,358	(5,224,114)	16,316,244

The balance represents the cash and cash equivalents and ready money and valuables at year end.

Accrued income and prepayments

Balance as at 31/12/2019	Balance as at 31/12/2018	Changes
1,017,195	386,907	630,288

They measure income and expenses that accrue either before or after they are paid/collected and/or documented; they are irrespective of the payment or collection date of the relative income and expenses, shared across two or more years and which may be broken down over time.

As at 31 December 2019, there were no accruals and deferrals with a duration of more than five years.

	Accrued income	Prepayments	Total accrued income and prepayments
Opening value	265,794	121,113	386,907
Change during the year	7,182	623,107	630,288
Closing value	272,976	744,220	1,017,195

The breakdown of this item is as follows (Art. 2427, paragraph 1.7, Italian Civil Code):

Ratei attivi	entro 12 mesi	
INTERESSI SU OBBLIGAZIONI	272.976	
Risconti attivi	entro 12 mesi	oltre 12 mesi
ASSICURAZIONI DIVERSE	374.148	-
POLIZZA FIDEJUSSIONE AATO	-	173.635
CANONI DI ASSISTENZA	70.879	10.165
ASSICURAZIONI AUTOMEZZI	40.282	-
CONONI DI LOCAZIONE	24.453	-
BUONI PASTO	20.587	-
CANONI DI MANUTENZIONE	11.263	-
ALTRI	9.310	266
POLIZZE FIDEJUSSORIE VARIE	3.665	2.427
TELEFONIA	2.130	-
ABBONAMENTI	1.009	-
TOTALE RISCONTI ATTIVI	557.726	186.493

Capitalised financial expense

All interest and other financial expenses were fully expensed during the year. Therefore, for the purposes of art. 2427, par. 1, no. 8 of the Italian Civil Code, it is certified that there are no capitalisations of financial expenses.

Notes to the Financial Statements - liabilities and equity

Equity

(Ref. Art. 2427, paragraphs 1.3, 1.7 and 1.7-*bis*, Italian Civil Code)

Balance as at 31/12/2019	Balance as at 31/12/2018	Changes
76,022,583	66,018,388	10,004,195

Changes in equity items

Below are the changes in equity items (Ref. art. 2427, point 4 and -bis of the Italian Civil Code):

	Opening value	Allocation of previous year's result		Other changes			Profit (loss) for the year	Closing value
		Assignment of dividends	Other allocations	Increases	Decreases	Reclassifications		
Share capital	11,241,400			337,150				11,578,550
Share premium reserve								
Revaluation								

reserves					
Legal reserve	1,891,681	356,599			2,248,280
Merger surplus reserve			3,568,795		3,568,795
Other reserves	43,910,052	9,169,726	(4)		53,079,774
Cash flow hedge reserve	(551,070)		331,386		(219,684)
Retained earnings					
Profit (loss) for the year	9,526,325	(9,526,325)		5,766,868	5,766,868
Negative reserve for treasury shares held					
Total equity	66,018,388		3,905,945	331,382	5,766,868
					76,022,583

Breakdown of other reserves

Description	Amount
AIM VICENZA FOR SPIN-OFF	5,007,103
EXTRAORDINARY RESERVE	48,269,143
PRIOR YEAR LOSSES OIC	(196,472)
Total	53,079,774

Comment, changes in equity items

The increases in the Equity items relate to the merger by incorporation of the companies Sibet and Sibet Acqua. In particular, see the information provided below:

EQUITY	SIBET	SIBET ACQUA	TOTAL
SHARE CAPITAL	10,550	326,600	337,150
MERGER SURPLUS RESERVE	47,717	3,521,079	3,568,795
TOTAL	58,267	3,847,679	3,905,945

Availability and use of equity

The equity items are broken down according to their source, possibility of use, availability and their use in the past three years (Art. 2427, paragraph 1.7-*bis*, Italian Civil Code)

	Amount	Source / nature	Possibility of use	Available portion	Summary of uses in the past three years	
					to cover losses	for other reasons
Share capital	11,578,550		B			
Legal reserve	2,248,280	Gains	A,B			
Merger surplus reserve	3,568,795	Share capital				
Statutory reserves			A,B,C,D			
Other reserves						
Extraordinary reserve	48,269,143	Gains	A,B,C,D	48,269,143		
AIM Vicenza	5,007,103	Gains	A,B,C,D	5,007,103		

for spin-off			
Prior year losses OIC	(196,472)	Share capital	A,B,C,D
Total other reserves	53,079,774		53,276,246
Cash flow hedge reserve	(219,684)	Share capital	A,B,C,D
Retained earnings			A,B,C,D
Negative reserve for treasury shares held			A,B,C,D
Profit for the year	5,766,868		A,B,C,D 5,766,868
Total	76,022,583		59,043,114
Restricted portion			
Residual available portion			

Key: A: for share capital increase B: to cover losses C: for distribution to shareholders D: for other statutory restrictions E: other

Changes in cash flow hedge reserve

The changes in the cash flow hedge reserve are as follows (art. 2427 *bis*, paragraph 1.1 b) *quater*.

	Cash flow hedge reserve
Opening value	(551,070)
Changes during the year	331,387
Increase due to change in fair value	(651)
Decrease due to change in fair value	124,823
Release to income statement	
Release to asset/liability adjustment	
Deferred tax effect	207,215
Closing value	(219,683)

The Company entered into an IRS derivative contract with Banca Popolare di Verona on 18 September 2009 with effects as of 1 January 2010 at a fixed rate - amortising - equal to 3.51% with half-yearly maturities to cover a loan taken out with Banca Popolare di Vicenza on 27 February 2009 and the notional value at 1 January 2010 of € 10,598,706 at a floating rate, with half-yearly maturities and in repayment with maturity on 31 December 2023.

The value at year end is the negative *mark to market* of € 305,702 relating to the derivative mentioned above and recognised in full in the item "Derivatives - liabilities" in that it is effective; and the positive *mark to market* of € 21 relating to the derivative recognised under Non-current financial assets, plus the relative deferred tax assets.

Formation and use of equity items

The following information is provided as envisaged in Art. 2427, paragraph 1.4 of the Italian Civil Code:

	Share Capital	Legal reserve	Other reserves	Profit (loss) for the year	Total
As at 31/12/2017	11,241,400	1,494,590	35,796,108	7,941,817	56,473,915
Allocation of profit (loss) for the year		397,091	7,544,726	(7,941,817)	
assignment of dividends					
other allocations					
Other changes					
increases			178,667		178,667
decreases			(160,519)		(160,519)
reclassifications					
Profit (loss) for the current year				9,526,325	9,526,325
As at 31/12/2018	11,241,400	1,891,681	43,358,982	9,526,325	66,018,388
Allocation of profit (loss) for the year		356,599	9,169,726	(9,526,325)	
assignment of dividends					
other allocations					
Other changes					
increases	337,150		3,900,180		4,237,330
decreases					
reclassifications					
Profit (loss) for the current year				5,766,868	5,766,868
As at 31/12/2019	11,578,550	2,248,280	56,428,885	5,766,868	76,022,583

Provisions for risks and charges

(Ref. Art. 2427, paragraph 1.4, Italian Civil Code)

Balance as at 31/12/2019	Balance as at 31/12/2018	Changes
2,791,400	1,093,699	1,697,700

	Pension funds and similar obligations	Tax provisions, including deferred taxes	Derivatives - liabilities	Other provisions	Total provisions for risks and charges
Opening value			430,524	663,175	1,093,699
Changes during the year					
Allocations during the year				1,820,828	1,820,828
Use during the year			(124,822)	(28,600)	(153,422)
Other changes				30,295	30,295
Total changes			(124,822)	1,822,523	1,697,701
Closing value			305,702	2,485,698	2,791,400

The increases are due to allocations during the year. The decreases relate to uses during the year.

The item "Other provisions" as at 31 December 2019, amounting to € 2,485,698, is broken down as follows:
(Article 2427, paragraph 1.7, Italian Civil Code).

	Opening value	Increases	Uses/Releases	Closing value
Provision for legal disputes	161,500	143,000		304,500
Provision for unrealised investment penalties		1,564,528		1,564,528
Provision for other future charges	244,648	56,595	(20,000)	281,243
Provision for sundry risks	237,027	103,400	(5,000)	335,427
Provision for disputes with personnel	20,000		(20,000)	0
Closing value	663,175	1,867,523	(45,000)	2,485,698

The statement below shows the breakdown of the item in question, recognised in the financial statements, pursuant to art. 2427, par. 1 of the Italian Civil Code.

The provision for legal disputes, amounting to € 304,500, was recognised against likely risks for current legal disputes.

The provision for other future charges relates to likely charges to be borne by the Company for administrative proceedings of the Provincial Administration and for expected costs to bring the water authorisations at discharge points into line with regulations.

The provision for sundry risks is linked to allocations made against compensation to third parties.

The provision for unrealised investment penalties is a provision for future charges relating to penalties deriving from the failure to make planned investments, according to the provisions of art. 34 of ARERA resolution 580/2019/R/idr. € 1,565 thousand was allocated during the year. Also see the information provided in the comments to the Income Statement.

Post-employment benefits

(Ref. Art. 2427, paragraph 1.4, Italian Civil Code)

Balance as at 31/12/2019	Balance as at 31/12/2018	Changes
2,574,291	2,768,001	(193,710)

Post-employment benefits	
Opening value	2,768,001
Changes during the year	
Allocations during the year	743,899
Use during the year	(252,617)
Other changes	(684,992)
Total changes	(193,710)
Closing value	2,574,291

The provision allocated represents the actual debt accrued to employees in compliance with law and labour contracts in force, considering all forms of remuneration of an ongoing nature.

The provision is the sum of individual indemnities accrued to employees up to 31 December 2006 at the reporting date, net of advances paid, and is equal to the amount that would have been payable to employees if their employment had ceased on that date.

The provision does not include benefits accrued from 1 January 2007, allocated to supplementary pension funds pursuant to Italian Legislative Decree no. 252 of 5 December 2005 (or transferred to the INPS treasury fund).

Decreases in the provision refer to amounts paid to the INPS Treasury fund and to pension funds for € 684,992, advances paid out during the year of € 11,412 and liquidations for € 241,205. The increase corresponds to the share of post-employment benefits for the year.

Payables

(Ref. Art. 2427, paragraph 1.4, Italian Civil Code)

Balance as at 31/12/2019	Balance as at 31/12/2018	Changes
120,972,846	136,930,520	(15,957,674)

Changes and due dates of payables

The breakdown of due dates of payables is as follows (Art. 2427, paragraph 1.6, Italian Civil Code):

	Opening value	Change during the year	Closing value	Portion due within 1 year	Portion due beyond 1 year	Of which with residual duration of over 5 years
Bonds	39,819,265	(2,106,484)	37,712,781	2,200,000	35,512,781	26,400,000
Bank payables	62,145,725	(10,185,277)	51,960,448	9,871,187	42,089,261	11,017,861
Payments on account	159,264	(128,024)	31,240	31,114	126	
Trade payables	17,742,493	1,124,533	18,867,026	18,867,026		
Due to associates	30,065	(30,065)				
Tax payables	2,420,586	(1,806,275)	614,311	614,311		
Welfare and social security payables	1,341,481	(210,956)	1,130,525	1,130,525		
Other payables	13,271,642	(2,615,127)	10,656,515	2,400,740	8,255,775	
Total payables	136,930,521	(15,957,675)	120,972,846	35,114,903	85,857,943	37,417,861

Payables for bonds refer to the Hydrobond issued in 2014, of which € 2,200,000 maturing beyond 2020 and € 26,400,000 beyond 5 years. The relative covenants have been respected.

The balance of bank payables as at 31 December 2019, amounting to € 51,960,448, relates to loans, of which € 9,871,187 maturing within 2020, € 31,071,400 beyond 12 months and within 5 years and € 11,017,861 beyond 5 years.

The item "Payments on account" includes advances received from customers relating to supplies of goods and services not yet provided.

The Company has relied on the right not to use the amortised cost approach and/or not to discount "Trade Payables". The accounting principles adopted by the Company are as follows: no discounting of payables due within one year; no discounting of payables if the effective interest rate is not significantly different from the market interest rate; no application of the amortised cost criterion to payables due within one year; no application of amortised cost if the transaction costs, fees and commissions and all other differences between the initial and closing values are immaterial.

Payables are therefore recognised at nominal value.

The item "Tax payables" includes only payables for certain and specific taxes, as liabilities for likely taxes or taxes for which the amount or date are uncertain, or deferred tax liabilities, are

recognised in liability item B.2 (Tax provisions).

The item tax payables includes primarily payables for VAT for € 343 thousand; payables for withholding tax of € 237 thousand.

The item "Welfare and social security payables" includes payables to INPS and INPDAP relating to wages for the year for € 902 thousand, as well as payables to pension funds and to the supplementary healthcare fund totalling € 228 thousand.

The item "Other payables" includes mainly payables to third parties for security deposits received from users according to ARERA provisions, for € 8,256 thousand, payables to Municipalities for loan instalments for € 642 thousand; payables to employees for wages for the year 2019 for € 1,301 thousand; payables for equalisation charges of € 170 thousand.

Breakdown of payables by geographic area

The breakdown of payables as at 31 December 2019 by geographic area is provided in the following table (Art. 2427, paragraph 1.6, Italian Civil Code).

Geographic area	Bonds	Bank payables	Payments on account	Trade payables	Tax payables	Welfare and social security payables	Other payables	Payables
ITALY	37,712,781	51,960,448	31,240	18,867,026	614,311	1,130,525	10,656,515	120,972,846
Total	37,712,781	51,960,448	31,240	18,867,026	614,311	1,130,525	10,656,515	120,972,846

Payables backed by collateral on corporate assets

The following payables are backed by collateral on corporate assets (Art. 2427, paragraph 1.6, Italian Civil Code):

	Payables backed by collateral				Payables not backed by collateral	Total
	Payables backed by guarantees	Payables backed by pledges	Payables backed by special privileges	Total payables backed by collateral		
Bonds					37,712,781	37,712,781
Convertible bonds						
Due to shareholders for loans						
Bank payables					51,960,448	51,960,448
Due to other lenders						
Payments on account					31,240	31,240
Trade payables					18,867,026	18,867,026
Payables represented by credit instruments						
Due to subsidiaries						
Due to associates						
Due to parent companies						
Due to companies controlled by parent companies						

Tax payables	614,311	614,311
Welfare and social security payables	1,130,525	1,130,525
Other payables	10,656,515	10,656,515
Total payables	120,972,846	120,972,846

Accrued liabilities and deferred income

Balance as at 31/12/2019	Balance as at 31/12/2018	Changes
86,611,221	73,425,100	13,186,121

	Accrued liabilities	Deferred income	Total accrued liabilities and deferred income
Opening value	871,667	72,553,433	73,425,100
Change during the year	(56,736)	13,242,857	13,186,121
Closing value	814,931	85,796,290	86,611,221

The breakdown of this item is as follows (Art. 2427, paragraph 1.7, Italian Civil Code):

	Within 12 months	Beyond 12 months	Of which beyond 5 years	Total
Deferred income	5,002,241	80,794,049	61,493,556	85,796,290
Deferred income for equipment grants	1,140,100	13,077,892	9,123,743	14,217,992
Deferred income for new investments fund	3,706,549	62,527,499	47,805,522	66,234,048
Deferred income for connection contributions	155,592	5,188,658	4,564,291	5,344,250
Accrued liabilities	814,931			814,931
Interest expense on bonds	809,237			
Other	5,694			
Closing value	5,817,172	80,794,049	61,493,556	86,611,221

The tariff method approved by ARERA with resolution no. 585/2012, resolution no. 643/2013 and resolution no. 664/2015 (water tariff method-2) specifies that a share of the Minimum Guaranteed Revenue (VRG) may consist of the New Investments Fund ("FONI"). The amount that the operator receives for FONI must be exclusively used to make the new investments identified as priorities within the area served.

FONI is an equipment grant that influences the profit and loss for the year based on the useful life of the financed asset.

The New investments fund recognised in the VRG for the year 2019, equal to € 16,570 thousand, directly adjusted the revenues for the year as it was entirely used in the year in which it was received and recognised as deferred income. It will be released on an accrual basis to the income statement in line with the depreciation rates of the contributed assets.

The same treatment is applied to connection contributions. These are sums charged to users for a network extension in order to be able to provide services to a user that is not already connected. ARERA resolution no. 664/2015/R/idr of 28 December 2015 clarified that this charge should not be

considered a fee for a service, but rather a grant, which results in a reduction in the value of the "connections" asset. The reduction takes place indirectly by accounting for the amount under deferred income, to be released in every period by crediting the income statement. In 2019, € 1,180 thousand in connection contributions was collected.

Notes to the Financial Statements - Income Statement

The income statement shows the profit and loss for the year.

It provides a representation of operations, through a summary of the positive and negative income components that contributed to determining the profit and loss. The positive and negative income components recognised in the financial statements in accordance with article 2425-bis of the Italian Civil Code are separated on the basis of whether they are related to core operations, accessory operations and financial operations.

Core activity identifies the income components generated by operations taking place on a continuous basis and in the relevant business sector, which identify and qualify the specific and distinctive part of economic activity performed by the company, which it is intended to do.

Financial activity consists of transactions generating financial income and expenses.

On a residual basis, accessory activities are those transactions that generate income components that are part of ordinary activity but cannot be classified as core or financial operations.

Value of production

Balance as at 31/12/2019	Balance as at 31/12/2018	Changes
72,820,457	70,623,959	2,196,498

Description	31/12/2019	31/12/2018	Changes
Revenues from sales and services	61,948,920	61,769,227	179,693
Changes in product inventories			
Changes in contract work in progress			
Increases for own work capitalised	3,593,204	3,294,757	298,447
Other revenues and income	7,278,333	5,559,975	1,718,358
Total	72,820,457	70,623,959	2,196,498

Revenues are recognised in the financial statements on an accrual basis, net of returns, allowances, discounts and premiums, as well as directly related taxes.

As regards the sale of goods, the relative revenues are recognised when the substantial and non-formal transfer of ownership has taken place, assuming the transfer of risks and rewards as the reference parameter for substantial transfer.

Revenues deriving from the provision of services are recognised when the service is rendered, or when the service has been completed; in the particular case of the provision of services on an ongoing basis, the relative revenues are recognised based on the amount accrued.

Increases for own work capitalised are recognised on the basis of the cost of production, which includes direct costs (material and direct labour, design costs, external supplies, etc.) and general production costs, for the share reasonably attributable to the asset for the period of its construction until the moment in which it is ready for use; any costs relating to the financing of its construction are added based on the same criteria.

Equipment grants, recognised on an accrual basis in the year in which the certain right to receive them arises, are specified in item A5 as they supplement revenues from core operations and/or reduce the costs and expenses of core operations.

The equipment grants that the Company receives are credited to the income statement gradually in relation to the residual possibility of use of the assets to which they refer and are shown in the balance sheet in the item "Deferred income". This criterion meets the recommendations of the OIC accounting standards.

A1. Revenues from sales and services

The item "Revenues from sales and services" refers to revenues relating to the integrated water service, determined with regard to the Minimum Guaranteed Revenue determined by the Bacchiglione Area Council with resolution no. 12 of 18 July 2018 and approved by ARERA with resolution no. 35 of 29 January 2019. The tariff multiplier approved for the year 2019 (Teta) is equal to 1.088 for the Alto Vicentino Servizi sub-area and 1.063 for the Acque Vicentine sub-area.

The Minimum Guaranteed Revenue has been adjusted:

- down for the share of positive tariff balancing included in the Minimum Guaranteed Revenue for the year 2019 but relating to previous years and already recognised as an adjustment to revenues in the applicable years (€ 1,937 thousand);
- up for the positive balancing for the year 2019 determined using available data, according to the provisions of the Water Tariff Method - 3 (ARERA resolution no. 580/2019/R/idr of 27 December 2019), which will become a tariff component as of 2021 (€ 453 thousand);
- down for the share of the Minimum Guaranteed Revenue represented by the New Investments Fund - FoNI (€ 16,570 thousand).

As the New Investments Fund is considered an equipment grant, it was recognised as deferred income and will be released to the income statement based on the useful life of the investments that it contributed to making.

Breakdown of revenues from sales and services by business category

The breakdown of revenues from sales and services by business category is not provided as it was not deemed significant to understand and evaluate the profit and loss.

Breakdown of revenues from sales and services by geographic area

The breakdown of revenues from sales and services by geographic area is not provided as it was not deemed significant to understand and evaluate the profit and loss.

A4. Increases for own work capitalised

For investments in own work, the cost of the materials used and the time of employees was recognised.

Increases for own work capitalised	31/12/2019
Material costs	1,252,118
Personnel costs	2,341,086
Total	3,593,204

A5. Other revenues and income

The breakdown of the balance is as follows:

Other revenues and income	31/12/2019
Equipment grants and FONI	4,555,436
Revenues relating to recoveries of default positions	568,435
Services at user request	673,609
Works and services for third parties	474,323
Charge of joint management costs for "Brenta area" service plants	424,518
Compensation and indemnities	281,290
Capital gains	21,500
Contingent assets	15,795
Other sundry revenues	263,427
Total	7,278,333

The item "equipment grants and FONI" includes the release for the year 2019 of deferred income for equipment and connection grants (€ 1,227 thousand) and for the New Investments Fund - FONI (€ 3,328 thousand).

Services at user request relate to fees for the activation of the water supply service paid by users (€ 673 thousand) and other individually requested services.

In the course of 2019, insurance compensation of € 217 thousand and other contractual indemnities of € 64 thousand have been collected.

Works for third parties regard the construction of infrastructure for third parties for € 375 thousand, maintenance services on drains on behalf of some participating Municipalities (€ 59 thousand) and the gas and electricity office management service on behalf of third parties at the Schio branch (€ 41 thousand).

Revenues relating to the debt collection activity carried out by the Company include expenses charged to users for sending payment reminders and for meter closures and reconnections; this item also includes late payment charges to users in default as set forth in the services charter.

Revenues for the joint management of plants (€ 424 thousand) refer to the division of management expenses on several supply systems and water stations serving the Municipalities located in the "Bacchiglione" area (of which Viacqua is part) and in the "Brenta" area and which, therefore, on the basis of existing agreements, are charged to the operator Etra S.p.A.

The item "Other sundry revenues" relates primarily to sanctions charged to industrial users for exceeding discharge limits, chargebacks of tender expenses and the collection of receivables already written off.

The capital gain refers to the sale of a forklift and a centrifuge. For more details, refer to the section relating to Property, plant and equipment.

Costs of production

Balance as at 31/12/2019	Balance as at 31/12/2018	Changes
61,879,060	55,518,558	6,360,502

Description	31/12/2019	31/12/2018	Changes
Raw materials, consumables and merchandise	3,487,590	2,782,315	705,275
Services	22,653,227	18,944,236	3,708,991

Right of use assets	5,089,949	6,105,727	(1,015,778)
Wages and salaries	11,014,867	10,830,210	184,657
Social security and welfare expense	3,484,596	3,659,289	(174,693)
Post-employment benefits	743,899	756,467	(12,568)
Pensions and similar			
Other personnel costs	24,237	4,285	19,952
Amortisation of intangible assets	702,682	731,797	(29,115)
Depreciation of property, plant and equipment	11,123,362	10,635,585	487,777
Other fixed asset write-downs			
Write-down of current receivables	1,028,200	222,189	806,011
Change in inventories of raw materials	(342,859)	(89,940)	(252,919)
Provisions for risks	256,300	66,550	189,750
Other provisions	1,564,528		1,564,528
Other operating costs	1,048,482	869,848	178,634
Total	61,879,060	55,518,558	6,360,502

Costs and expenses are attributed on an accrual basis and based on their nature, net of returns, allowances, discounts and premiums, in compliance with the principle of correlation with revenues, and recognised in the respective items in accordance with the provisions of the OIC 12 accounting standard.

As regards the purchase of goods, the relative costs are recognised when the substantial and non-formal transfer of ownership has taken place, assuming the transfer of risks and rewards as the reference parameter for substantial transfer. For the purchase of services, the relative costs are recognised when the service was received, or when the service was completed, while for services provided on an ongoing basis, the relative costs are recognised for the share accrued.

B6. Costs for raw materials, consumables and merchandise

The breakdown of the balance is as follows:

Costs for raw materials, consumables and merchandise	31/12/2019
Maintenance materials	2,065,608
Chemical products and reagents	919,249
Other materials	502,733
Total	3,487,590

The cost for "maintenance materials" represents the purchase of materials used for the execution of ordinary and extraordinary maintenance works.

"Chemical products and reagents" refer to products used in the water and treatment plants.

The cost for "other materials" refers primarily to the purchase of vehicle fuel (€ 280 thousand), personal protection equipment (€ 50 thousand) and stationery and sundry goods (€ 61 thousand).

B7. Costs for services

The breakdown of the balance is as follows:

Costs for services	31/12/2019
Electricity	6,919,502
Sludge disposal	3,408,139
Maintenance and repairs	2,512,929

Interventions on water supply and sewer networks	2,201,146
Costs for billing-related services	2,218,496
Professional and advisory services	1,001,787
Other industrial costs	668,385
Purchase of services wholesale	387,399
Administrative and commercial costs	903,534
Personnel costs	583,934
Insurance and sureties	745,458
Laboratory analysis services	459,230
Telephone and gas utility expenses	371,999
Real estate cleaning and surveillance expenses	161,042
Contingent liabilities	110,246
Total	22,653,227

Costs for services include costs for electricity at the water supply, sewer and treatment plants for € 6,920 thousand.

Costs relating to billing (€ 2,218 thousand) include meter reading expenses, call centre management expenses, expenses for printing and sending bills and bill collection fees.

Maintenance and repair expenses represent costs incurred for ordinary maintenance on networks and plants.

The cost for the disposal of sludge deriving from treatment plants amounted to € 3,408 thousand.

"Other industrial costs" include costs of the A.RI.CA. consortium (€ 287 thousand), in which the Company holds 25% of the shares, and the cost for remote control services (€ 321 thousand).

Laboratory analysis services refer to analyses of samples of drinking water, treatment waste water and discharges from industrial users, performed by outside laboratories.

Administrative and commercial costs relate primarily to: costs for legal advertising (ads in daily newspapers for tender notices) and costs for promotion and communication activities, including the environmental education campaign; the remuneration of the Company's legal bodies; the costs for back and front office activities at some branches; mailing and franking costs.

Costs for personnel services regard the substitute canteen service, travel reimbursements, personnel training and insurance, selection services assigned to outside agencies, medical visits and payroll processing services.

Contingent liabilities refer to the higher costs attributable to prior years not expected or determined by estimation errors.

B8. Costs for right of use assets

This item includes costs for the use of assets not owned by the Company.

The following table shows details of the costs incurred in 2019.

Costs for right of use assets	31/12/2019
Repayments to Municipalities and Fees to Asset Companies	4,174,768
State-owned property concession fees	656,941
Lease of company offices and other leases	688,447
Contingent liabilities	(430,207)
Total	5,089,949

The repayment of loan instalments to the participating Municipalities are set forth in the Agreement signed with the Area Council and art. 153, paragraph 2 of Italian Legislative Decree 152/2006 and amount to € 1,008 thousand. The fees due on the basis of the contract to the asset companies for the use of owned plants amounted to a total of € 3,167 thousand.

The state-owned property concession fees represent expenses incurred by way of fees for crossings and water branches in state-owned areas.

The contingent assets recognised refer primarily to the write-off of the prior balance of payables to the participating Municipalities recognised in previous years and found to be non-existent at the reporting date due to estimation errors.

B9. Personnel costs

This item includes all personnel costs for employees, including promotions, category transfers, seniority pay increases, cost of leave not taken and allocations required by law and collective labour agreements.

Personnel costs	31/12/2019
Wages and salaries	11,014,867
Social security expenses borne by the company	3,484,596
Post-employment benefits	743,899
Other personnel costs	24,237
Total	15,267,599

B10. Amortisation, depreciation and write-downs

Amortisation, depreciation and write-downs	31/12/2019
Amortisation of intangible assets	702,682
Depreciation of property, plant and equipment	11,123,362
Bad debt provision	1,028,200
Total	12,854,244

The allocation to the bad debt provision amounts to € 1,028 thousand. The Company believes that existing provisions are adequate in light of effective credit risk. For a description of the changes in this provision, please refer to the dedicated "Trade receivables" section in the Balance Sheet Assets.

B.11 Changes in inventories of raw materials, consumables and merchandise

This item includes the higher (negative sign) or lower (positive sign) value attributed to closing inventories compared to opening inventories of raw materials, consumables and merchandise.

The negative value recognised in 2019 (€ -343 thousand) implies an increase in closing inventories compared to the previous year.

B12. B13. Provisions for risks and Other Provisions

Provisions for risks and charges	31/12/2019
Provisions for risks	256,300
Other provisions	1,564,528
Total	1,820,828

The provision for risks amounted to € 256 thousand. Please refer to the section relating to the changes in the provisions for risks and charges in the notes for further details.

The item "Other provisions" includes expenses that are certain to exist but the amount of which is uncertain.

In 2019, € 1,565 thousand was allocated to a provision for future charges recognised in the Balance Sheet Liabilities to take into account penalties deriving from the failure to make planned investments. Art. 34 of ARERA resolution no. 580/2019/R/idr of 27 December 2019 on the "Approval of the water tariff method for the third regulatory period MTI-3" establishes that the Integrated Water Service operator that has not made at least 95% of the investments set forth in the Intervention Plan for the 2016-2019 four-year period must recognise a penalty in a specific restricted provision to finance spending on investments.

In addition, for the first two years of application, a penalty has been established linked to reaching the macro-indicators and prerequisites of technical quality governed by ARERA resolution no. 917/2017/R/idr (RQTI).

Considering that at the date of these financial statements: i) the Authority has not yet published the tool for the determination of the 2020-2023 tariffs in application of the new tariff method MTI-3, in which the exact amount of the penalty will be calculated; ii) the calculation of whether the technical quality objectives referred to above are reached is in progress, the Company believes that the amount of the penalty cannot yet be determined and, therefore, it has not recognised the estimated amount in a provision for future charges.

B14. Other operating costs

The breakdown of the balance is as follows:

Other operating costs	31/12/2019
ARERA contribution and Area Council operating expenses	315,419
Compensation for damages and indemnities	478,178
Tax expenses	68,001
Capital losses	553
Membership fees	74,272
Other charges	112,057
Total	1,048,482

Tax expenses refer to indirect stamp duty and registration taxes, municipal taxes such as TARI, TASI, IMU and advertising tax, and vehicle ownership taxes.

The item "Other expenses" includes primarily preliminary investigation expenses, sanctions, contributions to ANAC (National Anti-Corruption Authority), the purchase of books and newspapers and contingent liabilities.

Compensation for damages refers to indemnities provided to users for failure to reach contractual quality standards pursuant to ARERA resolution no. 655/2015/R/idr (€ 268 thousand) and joint conciliation agreements (€ 15 thousand). Furthermore, in the course of 2019, compensation exceeding insurance excesses totalling € 195 thousand was paid out.

The capital losses recognised refer to the disposal of a company telephone. For more details, refer to the section relating to Property, plant and equipment.

C. Financial income and expense

Balance as at 31/12/2019	Balance as at 31/12/2018	Changes
(2,489,752)	(2,470,328)	(19,424)

Description	31/12/2019	31/12/2018	Changes
From equity investments			
From non-current receivables			
From non-current securities			
From current securities			
Income other than the above	24,642	28,463	(3,821)
(Interest and other financial expense)	(2,514,394)	(2,498,791)	(15,603)
Exchange gains (losses)			
Total	(2,489,752)	(2,470,328)	(19,424)

Financial income and expenses are recognised on an accrual basis in relation to the share accruing during the period.

Breakdown of income from equity investment

There is no income from equity investments pursuant to art. 2425, no. 15 of the Italian Civil Code.

Breakdown of interest and other financial expense by type of payable

The statement below shows the interest and other financial expense pursuant to art. 2425, no. 17 of the Italian Civil Code, with a specific breakdown between that relating to bonds, bank payables and other types.

Description	Subsidiaries	Associates	Parent companies	Controlled by parent companies	Other	Total
Bond loans					1,043,333	1,043,333
Bank payables					1,197,793	1,197,793
Other					273,269	273,269
Total					2,514,394	2,514,394

The item "Other" refers primarily to interest accrued on user deposits (€ 7 thousand), expenses on derivatives (€ 157 thousand) and contingent liabilities linked to estimation errors from previous years (€ 71 thousand).

Other financial income

Description	Subsidiaries	Associates	Parent companies	Controlled by parent companies	Other	Total
Interest on bonds						
Interest on securities						
Bank and postal interest income					7,543	7,543
Interest on loans						
Interest on trade receivables					17,099	17,099
Other income						
Rounding						
Total					24,642	24,642

"Interest on trade receivables" includes interest income on arrears deriving from debt collection activities.

Amount and nature of individual revenue/cost elements of exceptional extent or impact

In the course of this year, there were no revenues nor other positive components deriving from events of exceptional extent or impact.

This year there were no costs recognised deriving from events of exceptional extent or impact.

Current income taxes, deferred tax assets and liabilities

Balance as at 31/12/2019	Balance as at 31/12/2018	Changes
2,684,777	3,108,748	(423,971)

	31/12/2019	31/12/2018
Current taxes	3,008,239	3,241,080
<i>IRES</i>	2,419,515	2,593,140
<i>IRAP</i>	588,724	647,940
Deferred tax assets	(403,200)	(35,704)
Taxes relating to prior years	79,738	(96,628)
Total	2,684,777	3,108,748

Income taxes for the year have been recognised.

Reconciliation between statutory and theoretical tax charge (IRES)

IRES

	TAXABLE AMOUNT	TAX	RATE
PRE-TAX PROFIT (LOSS)	8,451,645		
THEORETICAL TAX CHARGE (24%)		2,028,395	24.00%
INCREASES			
allocation to provisions	1,820,828	436,999	5.17%
telephone costs	63,537	15,249	0.18%
vehicle costs	19,296	4,631	0.05%
contingent liabilities	307,573	73,818	0.87%
other	990,887	237,813	2.81%
DECREASES			
support to economic growth (ACE)	(631,896)	(151,655)	-1.79%
release/use of provisions	(404,831)	(97,159)	-1.15%
IRAP	(64,376)	(15,484)	-0.18%
other	(462,866)	(111,088)	-1.31%
TAXABLE AMOUNT	10,089,796		
CURRENT INCOME TAX		2,421,517	28.65%
55% DEDUCTION FOR ENERGY SAVINGS		(2,002)	-0.02%
TOTAL CURRENT INCOME TAX		2,419,515	28.63%

Calculation of IRAP taxable amount

IRAP

	TAXABLE AMOUNT	TAX	RATE
PRE-TAX PROFIT (LOSS)	8,451,645		
THEORETICAL TAX CHARGE (4.2%)		354,969	4.20%
INCREASES			
provisions for risks and charges	1,820,828	76,475	0.90%
bad debt provision	1,028,200	43,184	0.51%
financial expenses	2,489,752	104,570	1.24%
release/use of provisions	5,000	210	0.00%
cost of labour	15,267,599	641,239	7.59%
costs for associates	109,015	4,579	0.05%
other	256,540	10,781	0.13%
contingent liabilities	184,549	7,757	0.09%
DECREASES			
financial income		-	0.00%

unlimited term/disabled employees	(15,243,403)	(640,223)	-7.58%
release/use of provisions		-	0.00%
other	(352,633)	(14,811)	-0.18%
IRAP TAXABLE AMOUNT	14,017,092		
TOTAL TAX		588,724	6.96%

total effective tax rate **35.77%**

Pursuant to Art. 2427, paragraph 1.14 of the Italian Civil Code, the information on deferred tax liabilities and assets is as follows:

Deferred tax liabilities/assets

Deferred taxation is expressed by the allocation for the year to the tax provision totalling € 2,811,661.

Deferred taxes were calculated according to the global allocation approach, taking into account the cumulative amount of all temporary differences, on the basis of the average rates expected to be in force when such temporary differences are reversed.

Deferred tax assets were recognised as there is reasonable certainty as to the existence, in the years in which the deductible temporary differences against which deferred tax assets were recognised will be reversed, of taxable income of no less than the amount of the differences that will be cancelled out.

The main temporary differences leading to the recognition of deferred tax assets and liabilities are shown in the following table, along with the related effects.

Recognition of deferred tax liabilities and assets and ensuing effects

	31/12/2019			31/12/2018		
	Amount of temporary differences	IRES tax effect	IRAP tax effect	Amt temp. diffs.	IRES tax effect	IRAP tax effect
NON DED. DEPRECIATION/AMORT.	1,287,205	308,929	54,063	1,410,339	338,481	59,234
EXPENSES FROM OTHER YEARS	2,129,262	511,023	89,429	2,358,761	566,103	99,068
PROV. FOR UNREALISED INV. PENALTIES	1,564,528	375,487	65,710			
PROVISIONS FOR FUTURE RISKS AND CHARGES	143,317	34,396	6,019	96,622	23,189	4,058
PROVISION FOR LEGAL DISPUTES	304,500	73,080	12,789	123,034	29,528	5,167
BAD DEBT PROVISION	4,482,533	1,075,808	-	3,775,256	906,061	
PROVISIONS FOR SUNDRY RISKS	335,427	80,502	14,088	100,914	24,219	4,238
PROVISION FOR EMPL. LEGAL DISPUTES	-	-	-	20,000	4,800	840
WRITE-DOWN OF EQUITY INVESTMENTS	6,098	1,463	-	6,098	1,463	
UNPAID TAXES	4,104	985	172	-	-	-
PROVISION FOR INVENTORY OBSOLESCENCE	76,947	18,467	3,232	48,144	11,554	2,022
MTM IRS	305,029	73,207	12,811	429,852	103,164	18,054

TOTAL	10,638,949	2,553,348	258,313	8,369,018	2,008,564	192,682
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Notes to the Financial Statements - Other information

Employment figures

(Ref. Art. 2427, paragraph 1.15, Italian Civil Code)

The company's average headcount, broken down by category, changed as follows compared to the previous year.

Headcount	31/12/2019	31/12/2018	Changes
Executives	2	2	0
Middle Managers	18	17	1
Office workers	148	139	9
Blue-collar workers	137	131	6
Total	305	289	16

Please refer to the Report on Operations for additional information.

Remuneration, advances and credit facilities granted to directors and statutory auditors and commitments undertaken on their behalf

	Directors	Statutory Auditors
Remuneration	65,896	26,000

Fees of the independent auditors

(Ref. Art. 2427, paragraph 1.16-bis, Italian Civil Code)

In the course of the year, the fees paid to the Independent Auditors amounted to € 27,775.

Classes of shares issued by the company

The breakdown of the share capital is as follows (Art. 2427, paragraphs 1.17 and 1.18, Italian Civil Code):

Shares/Quotas	Number	Nominal value in Euro
Ordinary shares	231,571	50.00
Total	231,571	11,578,550

MUNICIPALITY	NO. SHARES	SHARE CAPITAL	% INTEREST
			T

ALBETTONE	589	29,450	0.25%
ALTAVILLA VICENTINA	4,261	213,050	1.84%
ARCUGNANO	3,047	152,350	1.32%
ARSIERO	1,514	75,700	0.65%
BARBARANO MOSSANO	2,108	105,400	0.91%
BOLZANO VICENTINO	344	17,200	0.15%
BREGANZE	3,571	178,550	1.54%
BRESSANVIDO	959	47,950	0.41%
BROGLIANO	1,351	67,550	0.58%
CALDOGNO	3,481	174,050	1.50%
CALTRANO	1,162	58,100	0.50%
CALVENE	577	28,850	0.25%
CAMISANO VICENTINO	3,478	173,900	1.50%
CARRE'	1,497	74,850	0.65%
CASTEGNERO	847	42,350	0.37%
CASTELGOMBERTO	2,503	125,150	1.08%
CHIUPPANO	1,158	57,900	0.50%
COGOLLO DEL CENGIO	1,521	76,050	0.66%
CORNEDO VICENTINO	4,853	242,650	2.10%
COSTABISSARA	2,478	123,900	1.07%
CREAZZO	3,318	165,900	1.43%
DUEVILLE	5,520	276,000	2.38%
FARA VICENTINO	1,733	86,650	0.75%
GAMBUGLIANO	319	15,950	0.14%
GRISIGNANO DI ZOCCO	967	48,350	0.42%
GRUMOLO DELLE ABBADESSE	1,960	98,000	0.85%
ISOLA VICENTINA	3,612	180,600	1.56%
LAGHI	14	700	0.01%
LASTEBASSE	107	5,350	0.05%
LONGARE	1,894	94,700	0.82%
LUGO DI VICENZA	1,649	82,450	0.71%
MALO	5,606	280,300	2.42%
MARANO VICENTINO	4,045	202,250	1.75%
MONTE DI MALO	1,250	62,500	0.54%
MONTECCHIO PRECALCINO	1,823	91,150	0.79%
MONTEGALDA	920	46,000	0.40%
MONTEGALDELLA	488	24,400	0.21%
MONTEVIALE	690	34,500	0.30%
MONTICELLO CONTE OTTO	1,419	70,950	0.61%
NANTO	1,075	53,750	0.46%
NOVENTA VICENTINA	2,869	143,450	1.24%
PEDEMONTE	363	18,150	0.16%
PIOVENE ROCCHETTE	3,509	175,450	1.52%
POSINA	322	16,100	0.14%
QUINTO VICENTINO	477	23,850	0.21%
RECOARO TERME	3,284	164,200	1.42%
SALCEDO	459	22,950	0.20%
SAN VITO DI LEGUZZANO	1,561	78,050	0.67%
SANDRIGO	3,267	163,350	1.41%
SANTORSO	2,407	120,350	1.04%
SARCEDO	2,305	115,250	1.00%
SCHIO	16,892	844,600	7.29%
SOSSANO	1,023	51,150	0.44%
SOVIZZO	1,973	98,650	0.85%
THIENE	9,373	468,650	4.05%
TONEZZA DEL CIMONE	277	13,850	0.12%
TORREBELVICINO	2,503	125,150	1.08%
TORRI DI QUARTESOLO	3,343	167,150	1.44%
TRISSINO	3,555	177,750	1.54%
VALDAGNO	12,077	603,850	5.22%
VALDASTICO	663	33,150	0.29%
VALLI DEL PASUBIO	1,602	80,100	0.69%
VELO D'ASTICO	1,048	52,400	0.45%
VICENZA	68,022	3,401,100	29.37%

VILLAGA	684	34,200	0.30%
VILLAVERLA	2,460	123,000	1.06%
ZANE'	2,761	138,050	1.19%
ZUGLIANO	2,784	139,200	1.20%
TOTAL	231,571	11,578,550	100.00%

Securities issued by the Company

The Company has not issued any security or similar instruments falling within the provisions pursuant to art. 2427, no. 18 of the Italian Civil Code.

Details on the other financial instruments issued by the company

(Ref. Art. 2427, paragraph 1.19, Italian Civil Code)

In 2014, the Viveracqua Hydrobond transaction was concluded, i.e. the issue of a bond loan supporting the Company's investment plan, as part of a complex transaction carried out with the Viveracqua consortium, in which the European Investment Bank was the main lender.

Financially speaking, the transaction involved the issue of 8 minibonds for a total amount of € 150 million, issued by the same number of Viveracqua consortium member operators (Viacqua with € 44 million) and their subsequent securitisation by Viveracqua Hydrobond 1 srl with the final issue of an Asset Backed Security. The credit rating of the ABS is strengthened by the presence of credit support (or *credit enhancement*) provided in part by Veneto Sviluppo SpA and in part by the issuer operators themselves. The minibonds have a twenty-year duration, with amortisation following an initial 2-year period of pre-amortisation and a nominal rate of 4.2%; the ABS has the same duration and a fixed rate of 3.9%. The security was subscribed by the European Investment Bank and by other institutional investors, including the Solven Pension Fund, Veneto Banca and BCC Brendola.

The participation of the EIB also guaranteed the return of a financial benefit to the issuing companies, reducing the overall cost of the minibonds.

The issuing companies were provided with an unsolicited rating by CRIF.

The loan was linked to the Area Council intervention plan and corresponded to 50% of the relative investments.

After the conclusion of the Hydrobond I transaction, some Companies that had joined the Viveracqua Consortium also expressed their desire to carry out a transaction to obtain financial resources. The new transaction, Viveracqua Hydrobond II, in 2016 therefore was added to the Original Transaction and consisted of the extension of the first transaction with the issue of new bonds for a total of € 77 million by 5 New Issuers.

Off-balance sheet commitments, guarantees and contingent liabilities

In compliance with the provisions of Art. 2427, paragraph 1.9 of the Italian Civil Code, the following information is provided on commitments, guarantees and contingent liabilities not recorded in the balance sheet.

RQTI Penalties

ARERA resolution 917/2017/R/idr on the "Integrated Water Service Technical Quality Regulation (RQTI)" defines minimum levels and objectives of technical quality in the integrated water service, through the introduction of: i) specific standards to be guaranteed in the service provided to each user, ii) general standards, broken down into macro-indicators and simple indicators, describing the technical conditions for provision of the service, associated with an incentive mechanism including bonuses and penalties, iii) prerequisites representing the necessary conditions of eligibility for the incentive mechanism associated with the general standards.

In order to promote the stable improvement of technical and operating conditions for the provision of the services, within the RQTI, the Authority introduced an incentive system broken down into bonus and penalty factors, to be attributed based on operator performance in relation to each macro-indicator.

The technical quality bonuses and penalties underlying the mechanism described above are quantified starting from 2020, on the basis of the performance recorded in each of the two previous years, therefore in 2018 and 2019.

The bonus or penalty calculation mechanism is linked to the development by the Authority of an annual performance ranking of all operators. Furthermore, several of the parameters identified by the Authority for the quantification and measurement of the bonuses and penalties depend on the number of parties eligible for the incentive mechanism.

Considering that:

- the simulations carried out show that for several macro-indicators the technical quality objectives were not reached for 2018 and 2019;
- the proceedings for quantitative assessments set forth by the technical quality incentive mechanism, launched with ARERA resolution no. 46/2020/R/idr, will be concluded by the deadline of 31 October 2020 (deadline extended with ARERA resolution no. 59/20/R/com),

it is deemed that at the reporting date, it is not possible to develop a reliable estimate of the RQTI penalties due from Viacqua.

Third-party guarantees

Description of Commitments	Amount
Third-party guarantees	24,354,588

These represent sureties regarding obligations made by Viacqua, against commitments relating to works contracted or carried out directly, for existing lease agreements and to guarantee the proper fulfilment of obligations deriving from the Integrated Water Service regulation specifications.

In terms of relevance, please note the insurance surety of € 21,047,585 in favour of the Bacchiglione Area Council, stipulated to meet the requirements laid out in art. 6 of the service regulation specifications, signed following the assignment of in house providing management.

Information on special purpose assets and loans

Special purpose assets

It is certified that at the reporting date there are no assets intended for a specific purpose pursuant to art. 2427, no. 20 of the Italian Civil Code.

Special purpose loans

It is certified that at the reporting date there are no loans intended for a specific purpose pursuant to art. 2427, no. 21 of the Italian Civil Code.

Information on related party transactions

During the year, transactions were carried out with related parties; these are transactions concluded under market conditions, so based on regulations in force no additional information is provided.

Information on off-balance sheet arrangements

In the course of the year, no off-balance sheet arrangements were carried out.

Companies that draft the financial statements of the larger/smaller set of companies of which the company is part as a subsidiary

There are no cases pursuant to art. 2427, numbers 22-quinquies and sexies of the Italian Civil Code.

Information on derivatives pursuant to Art. 2427-bis of the Italian Civil Code

Please see the information provided in the first part of the Notes to the financial statements.

Summary financial statements of the company that exercises management and coordination activities

Pursuant to Art. 2497-bis, paragraph 4, of the Italian Civil Code, it is confirmed that the Company is not subject to management and coordination by another entity.

Information pursuant to Art. 1, paragraph 125, Italian Law no. 124 of 4 August 2017

In accordance with Art. 1, paragraph 125, Italian Law no. 124 of 4 August 2017, in compliance with the obligation of transparency, the following grants were collected:

- € 900,000 from the Veneto Region for the technological updating of the Thiene treatment plant;
- € 1,119,147 from the Province of Trento relating to the trunk D sewer collector;
- € 31,156 from the Alto Astico mountain community to fix the Fiorentini water supply service road;
- € 56,962 from the Veneto Region for the expansion of the sewer system in the historical centre of Creazzo.

Significant events after the reporting date

The first reports of the Coronavirus came from the People's Republic of China in a period very close to the reporting date for 2019, and the situation developed rapidly after 31 December 2019. Though initial information on cases of infection provided by the Chinese authorities dates back to the end of 2019, it was only on 30 January 2020 that the World Health Organization's International Health Regulations Emergency Committee announced the existence of an international emergency. Since then, numerous cases have also been diagnosed elsewhere, resulting in the adoption of specific decisions in China and in other countries, including Italy, as information became available. Given the chronology of events and news reports after year end, it is reasonable to consider that the event can generally be classified as an event occurring after the reporting date but requiring a specific non-adjusting disclosure.

On 11 March 2020, the World Health Organization (WHO) announced that the international spread of the new SARS-CoV-2 coronavirus can be considered a pandemic but that, despite this definition, it can still be controlled. The decision was taken due to the speed and size of the contagion.

The European Affairs Commissioner Paolo Gentiloni announced that according to the EU Commission's estimates, in 2020 the coronavirus will cause a 2-2.5% reduction in the European

economy but "if these coordinated budget measures work, we will be able to reduce negative growth", bringing the Eurozone to -1.1% in 2020.

On 16 March, the Italian government approved a law decree that takes action on four main fronts and other sector-based measures:

1. financing and other measures to strengthen the National Health Service, Civil Protection and other public actors involved in responding to the emergency;
2. supporting employment and workers to defend work and income;
3. credit support for households, micro-enterprises and SMEs, through the banking system and the use of the central guarantee fund;
4. suspension of tax and contribution payment obligations as well as other tax obligations and tax incentives for the sanitisation of workplaces and bonuses for employees who are continuing to work.

Please note that Viacqua operates in a regulated sector in which turnover is substantially guaranteed by a tariff mechanism based on the "full cost recovery" principle. However, this does not make the Company immune from possible financial tensions in terms of collections, and possible debt collection actions, which will likely increase significantly.

There are no further significant events after year-end close that have not already been mentioned in the report.

Proposed allocation of profit

Dear Shareholders, in light of the considerations set forth in the previous points and what is set forth in the Report on Operations, we invite you to:

- approve the Financial Statements closed as at 31 December 2019 along with the Notes to the Financial Statements and the accompanying Report on Operations;
- allocate, in continuity with previous years and to strengthen the capital structure of the Company to enact its significant long-term investment plan, the profit for the year of € 5,766,868 as follows:
 - € 67,430 to the legal reserve;
 - € 5,699,438 to the extraordinary reserve.

These Notes to the Financial Statements were prepared in accordance with the Italian Civil Code and national accounting standards. In compliance with obligations for publication in the Register of Companies, after approval they will be converted to XBRL format. Consequently, a number of formal changes could be necessary to make these notes compatible with the filing format.

These financial statements, comprising the Balance Sheet, Income Statement, Notes to the Financial Statements and the Cash Flow Statement, provide a true and fair representation of the financial position and economic result for the year, and match the entries in accounting records.

Chairman of the Board of Directors
Angelo Guzzo