a2a
LIFE COMPANY

2021
Consolidated Financial Statements

Consolidated financial statements

2021

these Financial Statements are available at the website
www.a2a.eu

Contents

This is a translation of the Italian original “Relazione finanziaria annuale consolidata 2021” and has been prepared solely for the convenience of international readers. In the event of any ambiguity the Italian text will prevail. The Italian original is available at the website www.a2a.eu.

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Consolidated financial statements

1.1 Consolidated balance sheet (1-2)

Assets

millions of euro	Note	12 31 2021	12 31 2020
NON-CURRENT ASSETS			
Tangible assets	1	5,588	5,162
Intangible assets	2	3,125	2,737
Shareholdings carried according to equity method	3	33	17
Other non-current financial assets	3	64	36
Deferred tax assets	4	424	265
Other non-current assets	5	25	28
Total non-current assets		**9,259**	**8,245**
CURRENT ASSETS			
Inventories	6	204	139
Trade receivables	7	3,291	2,030
Other current assets	8	4,051	685
Current financial assets	9	9	11
Current tax assets	10	68	76
Cash and cash equivalents	11	964	1,012
Total current assets		**8,587**	**3,953**
NON-CURRENT ASSETS HELD FOR SALE	12	**162**	**28**
TOTAL ASSETS		**18,008**	**12,226**

(1) As required by Consob Resolution no. 17221 of March 12, 2010, the effects of related party transactions on the consolidated financial statements are provided in the statements and discussed in Note 40.
(2) Significant non-recurring events and transactions in the consolidated financial statements are provided in Note 41 as required by Consob Communication DEM/6064293 of July 28, 2006.

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Equity and liabilities

millions of euro	Note	12 31 2021	12 31 2020
EQUITY			
Share capital	13	1,629	1,629
(Treasury shares)	14	-	(54)
Reserves	15	1,627	1,598
Result of the year	16	504	364
Equity pertaining to the Group		**3,760**	**3,537**
Minority interests	17	543	579
Total equity		**4,303**	**4,116**
LIABILITIES			
Non-current liabilities			
Non-current financial liabilities	18	4,322	3,909
Employee benefits	19	294	278
Provisions for risks, charges and liabilities for landfills	20	797	752
Other non-current liabilities	21	129	146
Total non-current liabilities		**5,542**	**5,085**
Current liabilities			
Trade payables	22	2,894	1,552
Other current liabilities	22	4,487	866
Current financial liabilities	23	746	588
Tax liabilities	24	21	5
Total current liabilities		**8,148**	**3,011**
Total liabilities		**13,690**	**8,096**
LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	25	**15**	**14**
TOTAL EQUITY AND LIABILITIES		**18,008**	**12,226**

1.2 Consolidated income statement (1-2)

millions of euro	Note	01 01 2021 12 31 2021	01 01 2020 12 31 2020 Restated (*)
Revenues			
Revenues from the sale of goods and services		11,352	6,655
Other operating income		197	193
Total revenues	27	**11,549**	**6,848**
Operating expenses			
Expenses for raw materials and services		9,088	4,687
Other operating expenses		312	258
Total operating expenses	28	**9,400**	**4,945**
Labour costs	29	**721**	**703**
Gross operating income - EBITDA	30	**1,428**	**1,200**
Depreciation, amortization, provisions and write-downs	31	**768**	**646**
Net operating income - EBIT	32	**660**	**554**
Result from non-recurring transactions	33	**-**	**-**
Financial balance			
Financial income		17	12
Financial expenses		89	93
Affiliates		2	-
Result from disposal of other shareholdings		-	-
Total financial balance	34	**(70)**	**(81)**
Result before taxes		**590**	**473**
Income taxes	35	**36**	**99**
Result after taxes from operating activities		**554**	**374**
Net result from discontinued operations	36	**(4)**	**(6)**
Net result		**550**	**368**
Minorities	37	**(46)**	**(4)**
Group result of the year	38	**504**	**364**
Result per share (in euro):			
- basic		0.1639	0.1170
- basic from continuing operations		0.1651	0.1175
- basic from assets held for sale		(0.0012)	(0.0005)
- diluted		0.1639	0.1170
- diluted from continuing operations		0.1651	0.1175
- diluted from assets held for sale		(0.0012)	(0.0005)

(1) As required by Consob Resolution no. 17221 of March 12, 2010, the effects of related party transactions on the consolidated financial statements are provided in the statements and discussed in Note 40.
(2) Significant non-recurring events and transactions in the consolidated financial statements are provided in Note 41 as required by Consob Communication DEM/6064293 of July 28, 2006.
(*) The values as at December 31, 2020 have been restated to make them consistent with the values as at December 31, 2021 by reclassifying under the item “Net result from discontinued operations” revenues, operating costs and depreciation related to gas distribution assets and depreciation related to buildings subject to sale.

1.3 Consolidated statement of comprehensive income

millions of euro	12 31 2021	12 31 2020
Net result of the year (A)	**550**	**368**
Actuarial gains/(losses) on Employee's Benefits booked in the Net equity	(38)	11
Tax effect of other actuarial gains/(losses)	11	(3)
Total actuarial gains/(losses) net of the tax effect (B)	**(27)**	**8**
Effective part of gains/(losses) on cash flow hedge	47	34
Tax effect of other gains/(losses)	(13)	(10)
Total other gains/(losses) net of the tax effect of companies consolidated on a line-by-line basis (C)	**34**	**24**
Other gains/(losses) of companies valued at equity net of the tax effect (D)	**-**	**-**
Total comprehensive result (A) + (B) +(C) +(D)	**557**	**400**
Total comprehensive result attributable to:		
- Shareholders of the parent company	**511**	**396**
- Minority interests	**(46)**	**(4)**

With the exception of the actuarial effects on employee benefits recognized in equity, the other effects stated above will be reclassified to the Income Statement in subsequent years.

1.4 Consolidated cash-flow statement

millions of euro	12 31 2021	12 31 2020
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**1,012**	**434**
Operating activities		
Net Result	550	368
Net income taxes	36	99
Net financial interests	72	81
Capital gains/expenses	-	4
Tangible assets depreciation	465	413
Intangible assets amortization	201	142
Fixed assets write-downs/disposals	19	16
Net provisions	89	94
Result from affiliates	(2)	-
Net financial interests paid	(80)	(80)
Net taxes paid	(165)	(123)
Dividends paid	(263)	(256)
Change in trade receivables	(1,285)	(123)
Change in trade payable	1,329	25
Change in inventories	(56)	53
Other changes in net working capital	225	(116)
Cash flow from operating activities	**1,135**	**597**
Investment activities		
Investments in tangible assets	(714)	(451)
Investments in intangible assets and goodwill	(360)	(287)
Investments in shareholdings and securities (*)	(444)	(139)
Contribution of first consolidation of acquisitions on cash and cash equivalents	27	36
Disposal of fixed assets and shareholdings	5	38
Dividends paid by equity investments and other investments	-	1
Purchase of Treasury shares	(109)	-
Cash flow from investment activities	**(1,595)**	**(802)**
FREE CASH FLOW	**(460)**	**(205)**
Financing activities		
Changes in financial assets		
Issuance of loans	(6)	-
Proceeds from loans	5	1
Other changes	2	(1)
Total changes in financial assets (*)	**1**	**-**
Changes in financial liabilities		
Borrowings/bonds issued	1,147	1,079
Repayment of borrowings/bond	(725)	(228)
Lease payments	(2)	(34)
Other changes	(9)	(34)
Total changes in financial liabilities (*)	**411**	**783**
Cash flow from financing activities	**412**	**783**
CHANGE IN CASH AND CASH EQUIVALENTS	**(48)**	**578**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**964**	**1,012**

(*) Cleared of balances in return of shareholders' equity and other balance sheet items.

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1.5 Statement of changes in Group equity

Changes from January 1, 2020 to December 31, 2020 millions of euro	Share capital Note 13	Treasury shares Note 14	Cash Flow Hedge Note 15	Other Reserves and retained earnings Note 15	Result of the year Note 16	Total Equity pertaining to the Group	Minority interests Note 17	Total Net shareholders equity
Net equity at December 31, 2019	**1,629**	**(54)**	**(30)**	**1,355**	**389**	**3,289**	**362**	**3,651**
Result allocation				389	(389)			
Distribution of dividends				(241)		(241)	(15)	(256)
IAS 19 reserves (*)				8		8		8
Cash flow hedge reserves (*)			24			24		24
Other changes				93		93	228	321
Group and minorities result of the year					364	364	4	368
Net equity at December 31, 2020	**1,629**	**(54)**	**(6)**	**1,604**	**364**	**3,537**	**579**	**4,116**

(*) These form part of the statement of comprehensive income.

Changes from January 1, 2021 to December 31, 2021 millions of euro	Share capital Note 13	Treasury shares Note 14	Cash Flow Hedge Note 15	Other Reserves and retained earnings Note 15	Result of the year Note 16	Total Equity pertaining to the Group	Minority interests Note 17	Total Net shareholders equity
Net equity at December 31, 2020	**1,629**	**(54)**	**(6)**	**1,604**	**364**	**3,537**	**579**	**4,116**
Result allocation				364	(364)			
Distribution of dividends				(248)		(248)	(15)	(263)
IAS 19 reserves (*)				(27)		(27)		(27)
Cash flow hedge reserves (*)			34			34		34
Other changes		54		(94)		(40)	(67)	(107)
Group and minorities result of the year					504	504	46	550
Net equity at December 31, 2021	**1,629**	**-**	**28**	**1,599**	**504**	**3,760**	**543**	**4,303**

(*) These form part of the statement of comprehensive income.

1.6 Breakdown of the balance sheet with evidence of the effect of the first consolidation of the 2021 acquisitions
(NO GAAP MEASURES)

millions of euro	Note	Consolidated at 12 31 2020	A2A Rinnovabili Group
ASSETS			
NON-CURRENT ASSETS			
Tangible assets	1	5,162	150
Intangible assets	2	2,737	71
Shareholdings carried according to equity method	3	17	0
Other non-current financial assets	3	36	0
Deferred tax assets	4	265	2
Other non-current assets	5	28	0
TOTAL NON-CURRENT ASSETS		**8,245**	**223**
CURRENT ASSETS			
Inventories	6	139	0
Trade receivables	7	2,030	1
Other current assets	8	685	3
Current financial assets	9	11	0
Current tax assets	10	76	0
Cash and cash equivalents	11	1,012	16
TOTAL CURRENT ASSETS		**3,953**	**20**
NON-CURRENT ASSETS HELD FOR SALE	12	**28**	**0**
TOTAL ASSETS		**12,226**	**243**
LIABILITIES			
NON-CURRENT LIABILITIES			
Non-current financial liabilities	18	3,909	109
Deferred tax liabilities		0	0
Employee benefits	19	278	0
Provisions for risks, charges and liabilities for landfills	20	752	0
Other non-current liabilities	21	146	1
TOTAL NON-CURRENT LIABILITIES		**5,085**	**110**
CURRENT LIABILITIES			
Trade payables	22	1,552	8
Other current liabilities	22	866	0
Current financial liabilities	23	588	0
Tax liabilities	24	5	0
TOTAL CURRENT LIABILITIES		**3,011**	**8**
TOTAL LIABILITIES		**8,096**	**118**
LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	25	**14**	**0**
LIABILITIES		**8,110**	**118**

Ambiente Group	Agripower Group	Total effect first consolidation acquisitions 2021	Changes	Consolidated at 12 31 2021
10	57	217	209	5,588
267	13	351	37	3,125
0	0	0	16	33
0	2	2	26	64
0	3	5	154	424
0	0	0	(3)	25
277	**75**	**575**	**439**	**9,259**
1	8	9	56	204
1	7	9	1,252	3,291
0	7	10	3,356	4,051
0	0	0	(2)	9
0	0	0	(8)	68
0	11	27	(75)	964
2	**33**	**55**	**4,579**	**8,587**
0	**0**	**0**	**134**	**162**
279	**108**	**630**	**5,152**	**18,008**
1	28	138	275	4,322
0	5	5	(5)	0
1	0	1	15	294
0	3	3	42	797
0	1	2	(19)	129
2	**37**	**149**	**308**	**5,542**
0	5	13	1,329	2,894
1	8	9	3,612	4,487
0	45	45	113	746
0	0	0	16	21
1	**58**	**67**	**5,070**	**8,148**
3	**95**	**216**	**5,378**	**13,690**
0	**0**	**0**	**1**	**15**
3	**95**	**216**	**5,379**	**13,705**

1.7 Breakdown of the economic effect of the consolidation of new acquisitions 2021 (NO GAAP MEASURES)

millions of euro	Note	A2A Rinnovabili Group	Ambiente Group
REVENUES			
Revenues from the sale of goods and services		11	1
Other operating income		-	-
TOTAL REVENUES	27	**11**	**1**
OPERATING EXPENSES			
Expenses for raw materials and services		6	-
Other operating expenses		1	-
TOTAL OPERATING EXPENSES	28	**7**	**-**
LABOUR COSTS	29	**-**	**1**
GROSS OPERATING INCOME - EBITDA	30	**4**	**-**
DEPRECIATION, AMORTIZATION AND WRITE-DOWNS	31	**6**	**-**
NET OPERATING INCOME - EBIT	32	**(2)**	**-**
RESULT FROM NON-RECURRING TRANSACTIONS	33	**-**	**-**
FINANCIAL BALANCE			
Financial income		-	-
Financial expenses		2	-
Affiliates		-	-
Result from disposal of other shareholdings		-	-
TOTAL FINANCIAL BALANCE	34	**(2)**	**-**
RESULT BEFORE TAXES		**(4)**	**-**
INCOME TAXES	35	**(1)**	**-**
RESULT AFTER TAXES FROM OPERATING ACTIVITIES		**(3)**	**-**
NET RESULT FROM DISCONTINUED OPERATIONS	36	**-**	**-**
NET RESULT		**(3)**	**-**
MINORITIES	37	**-**	**-**
GROUP RESULT OF THE YEAR	38	**(3)**	**-**

Agripower Group	Total effect consolidation new acquisitions 2021	Old perimeter 12 31 2021	Consolidated at 12 31 2021	Consolidated al 12 31 2020 Restated
30	42	11,310	11,352	6,655
-		197	197	193
30	**42**	**11,507**	**11,549**	**6,848**
15	21	9,067	9,088	4,687
1	2	310	312	258
16	**23**	**9,377**	**9,400**	**4,945**
2	**3**	**718**	**721**	**703**
12	**16**	**1,412**	**1,428**	**1,200**
9	**15**	**753**	**768**	**646**
3	**1**	**659**	**660**	**554**
-	**-**	**-**	**-**	**-**
1	1	16	17	12
4	6	83	89	93
-	-	2	2	-
-	-	-	-	-
(3)	**(5)**	**(65)**	**(70)**	**(81)**
-	**(4)**	**594**	**590**	**473**
1	**-**	**36**	**36**	**99**
(1)	**(4)**	**558**	**554**	**374**
-	**-**	**(4)**	**(4)**	**(6)**
(1)	**(4)**	**554**	**550**	**368**
-	**-**	**(46)**	**(46)**	**(4)**
(1)	**(4)**	**508**	**504**	**364**

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Consolidated financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

2.1 Consolidated balance sheet

pursuant to Consob Resolution no. 17221 of March 12, 2010

Assets

millions of euro	12 31 2021	of which Related Parties (note 40)	12 31 2020	of which Related Parties (note 40)
NON-CURRENT ASSETS				
Tangible assets	5,588		5,162	
Intangible assets	3,125		2,737	
Shareholdings carried according to equity method	33	33	17	17
Other non-current financial assets	64	14	36	4
Deferred tax assets	424		265	
Other non-current assets	25		28	
Total non-current assets	**9,259**		**8,245**	
CURRENT ASSETS				
Inventories	204		139	
Trade receivables	3,291	142	2,030	126
Other current assets	4,051	1	685	2
Current financial assets	9	1	11	1
Current tax assets	68		76	
Cash and cash equivalents	964		1,012	
Total current assets	**8,587**		**3,953**	
NON-CURRENT ASSETS HELD FOR SALE	**162**		**28**	
TOTAL ASSETS	**18,008**		**12,226**	

Equity and liabilities

millions of euro	12 31 2021	of which Related Parties (note 40)	12 31 2020	of which Related Parties (note 40)
EQUITY				
Share capital	1,629		1,629	
(Treasury shares)	-		(54)	
Reserves	1,627		1,598	
Result of the year	504		364	
Equity pertaining to the Group	**3,760**		**3,537**	
Minority interests	543		579	
Total equity	**4,303**		**4,116**	
LIABILITIES				
Non-current liabilities				
Non-current financial liabilities	4,322		3,909	
Employee benefits	294		278	
Provisions for risks, charges and liabilities for landfills	797		752	1
Other non-current liabilities	129		146	
Total non-current liabilities	**5,542**		**5,085**	
Current liabilities				
Trade payables	2,894	76	1,552	56
Other current liabilities	4,487	7	866	7
Current financial liabilities	746		588	
Tax liabilities	21		5	
Total current liabilities	**8,148**		**3,011**	
Total liabilities	**13,690**		**8,096**	
LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	**15**		**14**	
TOTAL EQUITY AND LIABILITIES	**18,008**		**12,226**	

2.2 Consolidated income statement
pursuant to Consob Resolution no. 17221 of March 12, 2010

millions of euro	01 01 2021 12 31 2021	of which Related Parties (note 40)	01 01 2020 12 31 2020 Restated	of which Related Parties (note 40)
Revenues				
Revenues from the sale of goods and services	11,352	478	6,655	452
Other operating income	197		193	
Total revenues	**11,549**		**6,848**	
Operating expenses				
Expenses for raw materials and services	9,088	13	4,687	8
Other operating expenses	312	74	258	55
Total operating expenses	**9,400**		**4,945**	
Labour costs	**721**	**2**	**703**	**1**
Gross operating income - EBITDA	**1,428**		**1,200**	
Depreciation, amortization, provisions and write-downs	**768**		**646**	
Net operating income - EBIT	**660**		**554**	
Result from non-recurring transactions	**-**		**-**	
Financial balance				
Financial income	17	6	12	6
Financial expenses	89	7	93	
Affiliates	2	2	-	
Result from disposal of other shareholdings	-		-	
Total financial balance	**(70)**		**(81)**	
Result before taxes	**590**		**473**	
Income taxes	**36**		**99**	
Result after taxes from operating activities	**554**		**374**	
Net result from discontinued operations	**(4)**		**(6)**	
Net result	**550**		**368**	
Minorities	**(46)**		**(4)**	
Group result of the year	**504**		**364**	

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Notes to the Consolidated annual report

3.1 General information

A2A S.p.A. is a company with legal personality organized under the laws of the Italian Republic which operates, also through its subsidiaries ("Group"), both in Italy and abroad.

The A2A Group mainly operates in the following sectors:
- the production, sale and distribution of electricity even from renewable resources;
- the sale and distribution of gas;
- the production, distribution and sale of heat through district heating networks;
- waste management (from collection and sweeping to disposal) and the construction and management of integrated waste disposal plants and systems, also making these available for other operators;
- integrated water cycle management;
- technical consultancy relating to energy efficiency certificates.

3.2 Consolidated annual report

The consolidated annual report (hereafter referred to as the “**Annual report**”) of the A2A Group at December 31, 2021, is presented in millions of euro; the euro is also the functional currency of the economies in which the Group operates.

The Annual report of the A2A Group at December 31, 2021 has been prepared:

- in compliance with Legislative Decree 58/1998 (art. 154-ter) as amended and with the Issuers’ Regulations published by Consob;
- in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and approved by the European Union. IFRS means all the revised international accounting standards (IAS) and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly known as the Standing Interpretations Committee (SIC).

In preparing the Annual report, the same principles used in the preparation of the consolidated annual financial report at December 31, 2020 were applied, other than the principles and interpretations described in detail in the paragraph below “Changes in accounting principles” adopted for the first time on January 1, 2021.

In this file, use has been made of some Alternative Performance Measures (APM) that are different from the financial indicators expressly provided for by the IAS/IFRS international accounting standards adopted by the Group; for details of these indicators, please see the specific paragraph Alternative Performance Measures (APM) in the file of the Report on Operations.

This Annual report at December 31, 2021 was approved on March 17, 2022 by the Board of Directors, which authorized publication, and has been audited by EY S.p.A. in accordance with their appointment by the Shareholders’ Resolution of June 11, 2015 for the nine years from 2016 to 2024.

3.3 Financial statements

The Group has adopted a format for the balance sheet which presents current and non-current assets and current and non-current liabilities as separate classifications, as required by paragraphs 60 and following of IAS 1.

The income statement is presented by nature, a format which is considered more representative than a presentation by function. The selected format is in agreement with the presentation used by the Group's major competitors and in line with international practice.

The specific line items "Result from non-recurring transactions" and "Result from disposal of other shareholdings" are in the format of the income statement in order to provide clear and immediate identification of the results arising from non-recurring transactions forming part of continuing operations, separating these from the results from discontinued operations. In particular, it should be noted that the item "Result from non-recurring transactions" is intended to include the results from the sale of investments in subsidiaries and associates and other non-operating expenses/income. This item is presented between net operating income and the financial balance. In this way net operating income is not affected by non-recurring operations, making it easier to measure the effective performance of the Group's ordinary operating activities.

The Cash Flow Statement is prepared using the indirect method, as permitted by "IAS 7" and includes the disclosure amendments introduced by the integration to "IAS 7" approved on November 9, 2017.

The statement of changes in equity has been prepared in accordance with IAS 1.

The formats adopted for the financial statements are the same as those used to prepare the annual consolidated financial statements at December 31, 2020.

3.4 Basis of preparation

The consolidated annual financial report at December 31, 2021 has been prepared on a historical cost basis, with the exception of those items which under IFRS must or can be measured at fair value.

The consolidation principles, the accounting standards, the accounting policies and the methods of measurement used in the preparation of the Annual financial report are consistent with those used to prepare the consolidated annual financial report at December 31, 2020, except as specified below regarding newly enacted standards.

3.5 Changes in international accounting standards

Pursuant to IAS 8, the subsequent paragraph "Accounting standards, amendments and interpretations applicable by the company as of the current year" indicates and briefly illustrates the amendments in force as of January 1, 2021.
The following paragraph, "Accounting standards, amendments and interpretations approved by the European Union" instead detail the accounting standards and interpretations already issued, not yet approved by the European Union and therefore not applicable for the preparation of the financial statements at December 31, 2021, any impacts of which will then be transposed as of the financial statements of the following years.

Accounting standards, amendments and interpretations applicable as of the current year

As from January 1, 2021, applicable to the Group are the following two additions to specific paragraphs of the international accounting standards already adopted by the Group companies in previous years:

- IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: approved on January 13, 2021 and effective as of the financial statements ending January 1, 2021, the supplement to the standards in question follows the same one issued on January 16, 2020 "reforming major interest rate benchmarks" with which the European Council for financial stability issued recommendations aimed at strengthening existing reference indices and other potential reference rates based on interbank markets and developing alternative reference rates that are almost risk-free. This integration represents the second phase and aims to stabilize cash flow valuations avoiding impacts on the income statement deriving from the change in the rate used for valuations. This amendment did not have any impact on the Group's economic and financial results;
- IFRS 16 "Leases": approved on October 12, 2020 and temporarily extended to June 30, 2022, the integration aims to neutralize the accounting effects resulting from changes in lease payments (cancellation or reduction of lease payments) arising from agreements between parties in consideration of the negative effects of COVID-19. In the absence of such action by the regulator, these amendments would have resulted in a restatement of the financial liability and the carrying amount of the asset consisting of the right of use, resulting in a significant administrative burden. This integration did not have any impact on the Group's economic and financial results since the payments related to contracts covered by IFRS 16 were not changed.

Accounting standards, amendments and interpretations approved this year and applicable as of subsequent years

- IFRS 17 "Insurance contracts": issued by the IASB on May 18, 2017 and approved November 19, 2021, will be applicable to companies that issue insurance contracts from the financial statements closed as of January 1, 2023. No impacts are expected on the Group's economic and financial situation;
- IFRS 3 "Business Combination": issued by the IASB on May 14, 2020 and approved on July 2, 2021, the integration introduces an exception to the standard to avoid the risk of potential "day-after" losses or gains arising from liabilities and contingent liabilities that would fall within the scope of IAS 37 or IFRIC 21, if contracted separately. The integration will be applicable from financial statements ending January 1, 2022 and is not expected to have impacts on the Group's economic and financial situation;
- IAS 16 "Property, plant and equipment": issued by the IASB on May 14, 2020 and approved on July 2, 2021, the integration prohibits the deduction from the carrying amount of a fixed asset of any revenue from the sale achieved during the preparation of the fixed asset. These revenues must be recognized in the income statement. The integration will be applicable from financial statements ending January 1, 2022 and is not expected to have impacts on the Group's economic and financial situation;
- IAS 37 "Provisions, liabilities and contingent liabilities": issued by the IASB on May 14, 2020 and endorsed on July 2, 2021, the integration further specifies which costs should be considered in the definition of an onerous contract. General and administrative expenses are excluded unless explicitly included in the contract. The integration will be applicable from financial statements ending January 1, 2022 and is not expected to have impacts on the Group's economic and financial situation.

Accounting standards, amendments and interpretations not yet approved by the European Union

- on May 7, 2021, the IASB issued an integration to IAS 12 "Income Taxes" clarifying the procedure to account for deferred taxes on transactions such as leases and decommissioning provisions. In particular, the option, previously provided for, not to calculate deferred taxation upon initial recognition of assets and liabilities deriving from lease contracts and/or decommissioning provisions is eliminated. This integration clarifies, therefore, that all companies are required to recognize deferred taxation on the transactions in question;
- on February 12, 2021, the IASB issued a supplement to IAS 1 "Presentation of the financial statements" in which it specifies that the Group must disclose information about its material accounting policies and no longer only significant ones. This implies, for example, assessing its accounting policies by the nature of the item and no longer primarily by its significance. The integration will be applicable from the financial statements ending January 1, 2023 and is not expected to have a significant impact on the disclosure of the accounting policies since an analysis by nature and not only by significance is already carried out;
- on February 12, 2021, the IASB issued a supplement to IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors" in which it clarifies and specifies the definition of an estimate in relation to error correction. According to this integration, a change in estimation methods resulting from new information available does not translate into a correction of a past error and the related effects must be accounted for in the Income Statement as current changes and never as changes from previous years. The integration will be applicable to financial statements for the period beginning January 1, 2023 and is not expected to have significant impacts on the Group's economic and financial situation;
- on January 23, 2020 and July 15, 2020, the IASB issued two additions to IAS 1 "Presentation of Financial Statements" that aim to better define the concept of liabilities and the related classification between short and medium/long-term. Specifically, emphasis is placed on the temporal concept of transferring money or other resources to the counterparty to settle the liability. The integration will be applicable to financial statements for the period beginning January 1, 2023 and is not expected to have an impact on the Group's economic and financial situation.

3.6 Scope of consolidation

The Consolidated annual report of the A2A Group at December 31, 2021 includes the figures of the parent A2A S.p.A. and those of the subsidiaries over which A2A S.p.A. exercises either direct or indirect control. In addition, companies in which the parent exercises joint control with other entities (joint ventures) and those over which it has a significant influence are consolidated using the equity method.

The following changes to the scope of consolidation of the A2A Group are reported:
- acquisition by LGH S.p.A. (now merged into A2A S.p.A.) of 100% of the shares in the company Agripower and line-by-line consolidation of the Agripower Group specializing in the development and management of power generation plants from biogas;
- acquisition by A2A Rinnovabili S.p.A. and line-by-line consolidation of 15 companies with 17 plants and 173 MW of installed photovoltaic capacity, previously managed by Octopus Renewables;
- as part of the transaction that led to the acquisition of 27.7% of Saxa Gres S.p.A. by A2A Ambiente S.p.A., Energia Anagni S.r.l. and Bioenergia Roccasecca S.r.l. were acquired and consolidated on a line-by-line basis. As part of the same transaction, A2A Ambiente S.p.A. set up two newco's with majority stakes: Waldum Tadinum Energia S.r.l. and Bioenergia Gualdo S.r.l., both consolidated on a line-by-line basis;
- acquisition and consolidation at equity of the investment in Netcity S.r.l., a company operating in the energy efficiency sector;
- acquisition by A2A Ambiente S.p.A. and line-by-line consolidation of 100% of TecnoA S.p.A., a company operating in the treatment of special waste;
- acquisition by A2A Ambiente S.p.A. and consolidation at equity of 30% of the investment in F.lli Omini S.p.A., a company specializing in the demolition of industrial plants;
- incorporation and line-by-line consolidation of Romeo Gas S.p.A..

Finally, it should be noted that:
- the investment held by A2A Energy Solutions S.r.l. in Consul System S.p.A., previously consolidated on a line-by-line basis, has been reclassified as a result of the sale of 26% of its shares in December 2020, which was completed at the end of January 2021;
- the sale of the equity investment in Ge.Si. S.r.l., previously consolidated at equity.

For further details on the activities of the Purchase Price Allocation required by IFRS 3, reference is made to the paragraph "Other information" of this report.

3.7 Consolidation policies and procedures

Consolidation policies

Subsidiaries

Subsidiaries are those companies over which the parent company, A2A S.p.A., exercises control, also by virtue of shareholders' agreements, and has the power, as defined by IFRS 10, to determine financial and operating policy, either directly or indirectly, in order to obtain returns from their activities. Subsidiaries are consolidated from the date on which the Group effectively acquires control and cease to be consolidated on a line-by-line basis from the date on which control is transferred to a company outside the Group.

Associates, joint ventures and joint operations

Shareholdings in associates, namely those in which the A2A Group has a considerable interest and is able to exercise significant influence are accounted for using the equity method. Gains and losses attributable to the Group are recognized in the financial statements from the date on which significant influence or joint control commences.
In the event that the loss attributable to the Group exceeds the carrying amount of an investment, the carrying amount is reduced to zero and any excess loss is provided for to the extent that the Group has legal or constructive obligations to make good the associate's losses or in any case to make payments on its behalf.
With the adoption of IFRS 11, the Group must now classify investments in joint arrangements as either joint ventures (if the Group has rights to the net assets of the arrangement) or joint operations (if the Group has rights to the assets, and obligations for the liabilities, relating to the arrangement).

Potential voting rights

If the A2A Group holds call options on shares or other equity instruments that represent capital (warrants) that are convertible into ordinary shares or similar instruments having the potential, if exercised or converted, to give the Group voting rights or reduce the voting rights of third parties ("potential voting rights"), such potential voting rights are taken into consideration when assessing whether or not the Group has the power to govern or influence another company's financial and operating policies.

Treatment of put options on the shares of subsidiaries

In general, paragraph 23 of IAS 32 states that a contract that contains an obligation for an entity to purchase shares for cash or another financial asset gives rise to a financial liability for the present value of the exercise price of the option.
As a result, therefore, if the Group does not have the unconditional right to avoid the delivery of cash or other financial instruments when a put option on the shares of subsidiaries is exercised, it must recognize a liability.
In the absence of specific instructions in the related accounting standards, the A2A Group: (i) considers the shares involving put options to have already been purchased, including in cases in which the risks and rewards connected with ownership of the shares remain with the minority shareholders and they remain exposed to equity risk; (ii) records a corresponding entry among equity reserves for the liability resulting from the obligation and any subsequent changes that are not related to the mere unwinding of the present value of the strike price; (iii) and recognises such changes through the Income Statement.

Effect on the consolidation procedures of certain agreements involving the shares or quotas of Group companies

a) Earn-out and earn-in clauses on the purchase price of the shares of LGH S.p.A.
As a result of the merger by incorporation of LGH S.p.A. into A2A S.p.A., with effect from December 31, 2021, there are no longer any contractual obligations for earn-outs and therefore the value of the debt previously recorded has been written off.

b) Earn-in/out on the purchase price of A2A Recycling S.r.l. (former RI.ECO-RESMAL Group)
The contractual agreements governing the acquisition of A2A Recycling S.r.l. (former RI.ECO-RESMAL Group) envisage, among other things, an earn-in clause in favour of A2A Ambiente S.p.A., linked both to an eventual non-renewal of the concession of the Cernusco plant for reasons not attributable to A2A Ambiente S.p.A., and to any disbursements and expenses incurred to obtain renewal of the concession. This clause will have an eventual effect from the third year and no later than the fifth year after the closing of the transaction.
In accordance with paragraphs 65B, 65C and 65D of IFRS 3, the Group considered the amount paid by way of earn-in as the investment value since said adjustments are not considered probable and reliably determined at the acquisition date.

c) Earn-out on the purchase of the equity investments made by A2A Rinnovabili S.p.A.
With reference to the acquisitions of equity investments made by A2A Rinnovabili S.p.A. between 2017 and 2021, by contract, there are price and earn-out adjustments of non-significant amounts both in favour of the seller and in favour of the buyer upon the occurrence of certain conditions. Given the uncertainty and insignificance of the amounts, the Group has not recorded the corresponding payables.
In compliance with IFRS 3, the Group completed the Purchase Price Allocation processes relating to all the acquisitions made. For additional information on completed "PPA" processes, please refer to the "other information" section of this disclosure.

d) Options on the shares of Suncity Group S.r.l.
On April 16, 2019, the incorporation of Suncity Group S.r.l., a holding company of energy efficiency companies, was completed, with a simultaneous capital increase of 26%. The transaction was completed by the subsidiary A2A Energy Solutions S.r.l., ESCo (Energy Service Company) of the A2A Group, for a value of 1.3 million euro, entirely settled in cash at closing.
It was also established that, within 30 days of the deadline for approval of the financial statements at December 31, 2022, A2A Energy Solutions S.r.l. will have the right to exercise the option to purchase the remaining 74% of the share capital of the incorporated NewCo. The right to exercise the 74% put option by Suncity Partner to A2A Energy Solutions S.r.l. under the same conditions is also provided for.

Therefore, in accordance with paragraph 23 of IAS 32, the Group has recognized as a liability the present value of the estimated outlay of 4.9 million euro which it will not be able to avoid if the option is exercised.

e) Options on the shares of Electrometal S.p.A.
On December 20, 2019, A2A Ambiente S.p.A. acquired 90% of Electrometal S.r.l..
As a result of point 9) of the shareholding purchase agreement, a call option is provided on the part of A2A Ambiente S.p.A. and a put option on the part of GAE S.r.l. (the seller) of the remaining 10%, exercisable from January 1, 2025 until December 31, 2025.
In 2020, a payment of 0.5 million euro was made as price adjustment on the net financial position.
The valuation of this option is proportional to the final value of 90% of the shares of Electrometal S.r.l..
Therefore, in accordance with paragraph 23 of IAS 32, the Group has recognized as a liability the present value of the estimated outlay of 2.1 million euro which it will not be able to avoid if the option is exercised.

f) Options on the shares of Saxa Gres S.p.A.
On April 15, 2021, A2A Ambiente S.p.A. acquired 27.7% of Saxa Gres S.p.A.. The agreement was reached for 7.1 million euro. There are contractual earn-out clauses and options on the value of the investment for which there are no amounts recorded in the financial statements.

g) Options on the shares of F.lli Omini
On October 28, 2021, A2A Ambiente S.p.A. acquired 30% of F.lli Omini S.p.A.. The agreement was reached on the basis of 4.5 million euro plus a price adjustment linked to the value of the Net Financial Position and Net Working Capital at the date of acquisition; paid in the first months of 2022 for 0.6 million euro.
There are no earn-in/out clauses on the value of the shares.

h) Options on TecnoA shares
On December 12, 2021, A2A Ambiente S.p.A. acquired 100% of TecnoA S.p.A.. The agreement was reached for a transaction value of 276 million euro. A price adjustment linked to the value of the Net Financial Position and Net Working Capital at the date of acquisition is expected to be defined during the first half of 2022.
For further information on the Purchase Price Allocation process, please refer to the "other information" section of this disclosure.
There are no earn-in/out clauses on the value of the shares.

Consolidation procedures

General procedure

The financial statements of the subsidiaries, associates and joint ventures consolidated by the A2A Group are prepared at the end of each reporting period using the same accounting policies as the parent. Any items recognized by using different accounting standards are adjusted during the consolidation process to bring them into line with Group accounting policies. All intra-group balances and transactions, including any unrealized profits arising from transactions between Group companies, are fully eliminated.

In preparing the Report the assets, liabilities, income and expenses of the companies being consolidated are included in their entirety on a line-by-line basis, with the portion of equity and net income for the period attributable to minority interests being stated separately in the balance sheet and income statement.

The carrying amount of the investment in each subsidiary is eliminated against the corresponding share of its net equity, including any adjustments to fair value at the acquisition date; any differences arising are accounted for in accordance with IFRS 3.

Transactions with minority interests which do not lead to the loss of control in consolidated companies are accounted for using the economic entity view approach.

Adoption of international accounting standard IFRS 12 “Disclosure of Interests in Other Entities”

With effect from January 1, 2014, the A2A Group has among other things adopted international accounting standard IFRS 12 “Disclosure of Interests in Other Entities”, issued by the IASB in 2011 and adopted by the European Commission on December 11, 2012.

On the basis of the requirements of paragraphs 7 and following of the standard the Group discloses information below about the significant judgements and assumptions it has made in determining:

i. that the parent company has control of another entity within the meaning of IFRS 10;
ii. the type of joint arrangement (joint operation or joint venture) when the arrangement has been structured through a separate vehicle, in compliance with IFRS 11;
iii. that the parent company has significant influence over another entity (shareholdings in associates).

Shareholdings in joint ventures (IFRS 11): Ergosud S.p.A. and PremiumGas S.p.A.

IFRS 11 identifies two types of arrangement, joint operations and joint ventures, on the basis of the rights and obligations of the parties, and governs the resulting accounting treatment to be adopted for the recognition of these arrangements in the financial statements.

The most significant effect of the standard is the fact that a number of entities jointly controlled by A2A, which up until now have been recognized using the equity method, could fall under the definition of joint operations on the basis of the requirements of IFRS 11. The accounting treatment for this type of joint arrangement requires the assets/liabilities and revenue/expenses connected with the arrangement to be recognized on the basis of the rights/obligations due to/assumed by A2A, regardless of the interest held. In the particular case of its shareholdings in two joint arrangements operating in the Generation and Trading Business Unit, Ergosud S.p.A. and PremiumGas S.p.A., the A2A Group considers that these fall under the category joint ventures as far as their legal form and the nature of the contractual agreements are concerned.

In particular, as regards the shareholding in PremiumGas S.p.A., the Group has rights exclusively linked to the results achieved by the company.

On September 26, 2018, PremiumGas S.p.A. was placed in voluntary liquidation.

For the shareholding in Ergosud S.p.A., despite the existence of a tolling agreement the investee could dispatch energy autonomously, thereby ensuring business continuity also at the end of the agreement. In addition, the A2A Group does not appoint any of the company’s key management.

On the basis of the above considerations, the A2A Group has accounted for the shareholdings using the equity method, continuing the treatment used in previous years.

Latest available summarized figures for joint ventures (consolidated at equity)

Key figures at December 31, 2021 millions of euro	Bergamo Pulita 50%	PremiumGas 50%	Metamer 50% (figures at 12 31 2020) (*)	Ergosud 50% (figures at 12 31 2020) (*)
INCOME STATEMENT				
Revenues	0.04	0.06	20.0	29.5
Gross Operating Income	**0.00**	**0.02**	**0.9**	**11.0**
% of net revenues	*n.s.*	*n.s.*	*4.4%*	*37.3%*
Depreciation, amortization and write-downs	-	-	0.3	10.4
Net Operating Income	**0.00**	**0.02**	**0.6**	**0.6**
Result of the year	**0.00**	**0.03**	**0.5**	**(0.3)**
BALANCE SHEET				
Total assets	**2.55**	**4.2**	**8.9**	**154.0**
Net equity	**0.09**	**1.5**	**2.5**	**71.0**
Net (debt)	**1.20**	**0.7**	**(1.1)**	**(48.6)**

(*) Figures of the last financial statements available.

Key figures at December 31, 2020 millions of euro	Bergamo Pulita 50%	PremiumGas 50%	Metamer 50% (figures at 12 31 2019) (*)	Ergosud 50% (figures at 12 31 2019) (*)
INCOME STATEMENT				
Revenues	0.08	0.1	31.0	18.1
Gross Operating Income	**(0.01)**	**0.04**	**0.9**	**12.5**
% of net revenues	*n.s.*	*n.s.*	*2.9%*	*69.1%*
Depreciation, amortization and write-downs	-	0.01	0.2	7.8
Net Operating Income	**(0.01)**	**0.03**	**0.7**	**4.7**
Result of the year	**(0.01)**	**0.03**	**0.5**	**1.4**
BALANCE SHEET				
Total assets	**2.75**	**4.4**	**8.4**	**147.8**
Net equity	**0.09**	**1.5**	**3.0**	**71.4**
Net (debt)	**1.15**	**0.95**	**1.5**	**(57.4)**

(*) Figures of the last financial statements available.

Procedure for the consolidation of assets and liabilities held for sale (IFRS 5)

In the case of particularly large amounts and in connection with non-current assets and liabilities held for sale, and only in this case, in accordance with IFRS 5 the relative intra-group financial receivables and payables are eliminated in order to provide a clear presentation of the financial impact of a possible disposal.

3.8 Accounting standards and policies

Translation of foreign currency items

The consolidated financial statements of the A2A Group are presented in euro; this is also the functional currency of the economies in which the Group operates.

Transactions in other currencies are initially recognized at the exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated into euro at the exchange rates at the balance sheet date.

Non-monetary items measured at historical cost in foreign currency are translated at the exchange rates at the date of the transaction. Non-monetary items measured at fair value are translated at the exchange rates at the date when the fair value was determined.

Tangible assets

Assets for business use are classified as tangible assets, while non-business assets are classified as investment property.

Tangible assets are measured at cost, including any additional charges directly attributable to bringing the asset into an operating condition (e.g. transport, customs duty, installation and testing costs, notary and land registry fees and any non-deductible VAT), increased when material and where there are obligations by the present value of the estimated cost of restoring the location from an environmental point of view or dismantling the asset. Borrowing costs, where directly attributable to the purchase or construction of an asset, are capitalized as part of the cost of the asset if the type of asset so warrants.

If important components of tangible assets have different useful lives, they are accounted for separately using the "component approach", assigning to each component its own useful life for the purpose of calculating depreciation (the component approach).

Land, whether occupied by residential or industrial buildings or devoid of construction, is not depreciated as it has an unlimited useful life, except for land used in production activities that is subject to deterioration over time (e.g. landfills, quarries).

Ordinary maintenance costs are fully expensed to the income statement in the year they are incurred. Costs for maintenance carried out at regular intervals are attributed to the assets to which they refer and are depreciated over the specific residual possibility of use of such.

Tangible assets are stated net of accumulated depreciation and any write-downs. Depreciation is charged from the year in which the individual asset enters service on a straight-line basis over the estimated useful life of the asset for the business. The estimated realizable value which is deemed to be recoverable at the end of an asset's useful life is not depreciated. The useful life of each asset is reviewed annually and any changes, if needed, are made with a view to showing the correct value of the asset.

Landfills are depreciated on the basis of the percentage filled, which is calculated as the ratio between the volume occupied at the end of the period and the total volume authorized.

The main depreciation rates used, which are based on technical and economic considerations, are as follows:

- buildings ____ 1.0% - 50.0%
- production plants ____ 1.0% - 75.0%
- transport lines ____ 2.5% - 50.0%
- transformation stations ____ 2.5% - 40.0%
- distribution networks ____ 1.4% - 66.7%
- fiber-optic networks ____ 5.0%
- miscellaneous equipment ____ 4.5% - 65.1%
- mobile phones ____ 100%
- furniture and fittings ____ 10.0% - 14.3%
- electric and electronic office machines ____ 5.0% - 25.0%
- vehicles ____ 2.8% - 50.0%
- e-moving ____ 5.0%
- leasehold improvements ____ 4.3% - 69.4%
- leased assets ____ 1.7% - 64.3%

Tangible assets are subjected to impairment testing if there is any indication that an asset may be impaired in accordance with the paragraph below "Impairment of assets"; write-downs may be reversed in subsequent periods if the reasons for which they were recognized no longer apply.
When an asset is disposed of or if future economic benefits are no longer expected from using an asset, it is removed from the balance sheet and any gain or loss (being the difference between the disposal proceeds and the carrying amount) is recognized in the income statement in the year of the derecognition.

Leasing

Assets for rights of use are recognized on the start date of the lease, i.e. the date on which the underlying asset is available for use.

Rights to use assets are measured at cost, net of accumulated depreciation and impairment losses, and adjusted for any restatement of lease liabilities. The cost of assets for rights of use includes the amount of lease liabilities recognized and lease payments made on or before the commencement of the lease. Assets for right of use are depreciated on a straight-line basis from the effective date to the end of the useful life of the asset consisting of the right of use or at the end of the lease term, whichever is earlier.
If the lease transfers ownership of the underlying asset to the lessee at the end of the term of the contract or if the cost of the asset consisting of the right of use reflects the fact that the lessee will exercise the purchase option, the asset consisting of the right of use is depreciated from the effective date until the end of the useful life of the underlying asset.

Lease liabilities are recognized at the present value of lease payments not yet paid at the reporting date. Lease payments also include the exercise price of a purchase option if it is reasonably certain that the option will be exercised.

Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance which are controlled by the enterprise and able to produce future economic benefits, and include goodwill when acquired for consideration.
The fact of being identifiable distinguishes an intangible asset that has been acquired from goodwill; this requirement is normally met when: (i) the intangible asset is attributable to a legal or contractual right, or (ii) the asset is separable, in other words it can be sold, transferred, rented or exchanged individually or as an integral part of other assets.
Control by the enterprise consists of the right to enjoy the future economic benefits flowing from the asset and to restrict the access of others to those benefits.
Intangible assets are stated at purchase or production cost, including ancillary charges, determined in the same way as for tangible assets. Intangible fixed assets produced internally are not capitalized but recognized in the income statement in the year in which the costs are incurred.

Intangible assets with a definite useful life are reported in the financial statements net of the related accumulated amortization and impairments in the same way as for tangible assets. Changes in the expected useful life or in the ways in which the future economic benefits of an intangible asset are achieved by the Company are accounted for by suitably adjusting the period or method of amortization, treating them as changes in accounting estimates. The amortization of intangible fixed assets with a definite useful life is charged to income statement in the cost category that reflects the function of the intangible asset concerned.

Intangible assets are subjected to impairment testing if there are specific indications that they may be impaired, in accordance with the paragraph below "Impairment of assets"; impairment losses may be reversed in subsequent periods if the reasons for which they were recognized no longer apply.
Intangible assets with an indefinite useful life and those that are not yet available for use are subjected to impairment testing on an annual basis, whether or not there are any specific indications that they may be impaired, in accordance with the paragraph below "Impairment of assets". Impairment losses recognized for goodwill are not reversed.

Gains or losses on the disposal of an intangible asset are calculated as the difference between the disposal proceeds and the carrying amount of the asset and recognized in the Income Statement at the time of the disposal.

The following amortization rates are applied to intangible assets with a definite useful life:

- industrial patents and intellectual property rights ______ 14.29% - 33.3%
- concessions. licenses. trademarks and similar rights ______ 0.6% - 40.0%
- other intangible assets ______ 2.1% - 33.3%

Service concession arrangements

IFRIC 12 states that, based on the characteristics of the concession arrangement, the infrastructures used in the provision of public services under concession are to be recognized as intangible assets if the operator has the right to receive a payment from the customer for the service provided, and/or as a financial asset if the operator has the right to receive payment from the public sector entity.

Impairment/Reversal of tangible and intangible fixed assets

Tangible and intangible assets are subjected to impairment testing if there is any specific indication that there may be an impairment loss.
Goodwill, other intangible assets with an indefinite useful life and assets not available for use are tested for impairment at least annually or more frequently if there is any specific indication that they may be impaired.
Impairment testing consists of comparing the carrying amount of an asset with its recoverable amount.
The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. To determine an asset's value in use, the entity calculates the present value of the estimated future cash flows on the basis of business plans prepared by management, before tax, applying a pre-tax discount rate which reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is lower than its carrying amount, a loss is recognized in the Income Statement. If a loss recognized for an asset other than goodwill no longer exists or is reduced, the carrying amount of the asset or cash-generating unit is increased to the new estimate of recoverable value, which may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset. Reversals of impairment losses are immediately recognized in the income statement.
When the recoverable amount of the individual asset cannot be estimated, it is based on the cash generating unit (CGU) or group of CGUs that the asset belongs to and/or to which it may be reasonably allocated.
CGUs are identified on the basis of the company's organizational and business structure as homogeneous aggregations that generate independent cash inflows deriving from the continuous use of the assets allocated to them.

Environmental certificates: emission quotas and White Certificates

Different accounting policies are applied to quotas or certificates held for own use in the "Industrial Portfolio" and those held for trading purposes in the "Trading Portfolio".
Surplus quotas or certificates held for own use in the "Industrial Portfolio" which are in excess of the Group's requirements in relation to the obligations accruing at year end are recognized as other intangible assets at the actual cost incurred. Quotas or certificates assigned free of charge are recognized at a zero carrying amount. Given that they are assets for instant use, they are not amortized but subjected to impairment testing. The recoverable amount is the higher of value in use and market value. If, on the other hand, there is a deficit because the requirement exceeds the quotas or certificates in portfolio at the balance sheet date, a provision is recognized for the amount needed to meet the residual obligation, estimated on the basis of any purchase contracts, spot or forward, already signed at the balance sheet date; otherwise on the basis of market prices.
Quotas or certificates held for trading in the "Trading Portfolio" are recognized in inventories and measured at the lower of purchase cost and estimated realizable value based on market trends. Quotas or certificates assigned free of charge are recognized at a zero carrying amount. Market value is established on the basis of any sales contracts, spot or forward, already signed at the balance sheet date; otherwise on the basis of market prices.

Shareholdings in subsidiaries, associates and joint ventures

Subsidiaries are companies in which the parent company "is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee", as defined by IFRS 10. Control is generally assumed to exist when a company holds either directly or indirectly more than half of the exercisable voting rights at an ordinary shareholders' meeting, also considering potential voting rights, meaning voting rights deriving from convertible financial instruments.
Subsidiaries are consolidated on a line-by-line basis.

Associates are companies in which the parent has a significant influence over strategic decisions, despite not having control, also considering potential voting rights, meaning voting rights deriving from convertible financial instruments; significant influence is assumed to exist when A2A S.p.A. holds, either directly or indirectly, more than 20% of voting rights exercisable at an ordinary shareholders' meeting.

A joint venture is a contractual agreement whereby two or more parties undertake an income generating activity subject to joint control.

Shareholdings in associates and joint ventures are accounted for in the consolidated financial statements using the equity method.

Long term construction contracts in progress

Construction contracts with durations exceeding one year in progress are valued in accordance with IFRS 15. In particular, over-the-time revenues are recognized if it can be demonstrated that: a) the customer simultaneously receives and consumes the benefits of the contract in force at the same time as the service is provided b) the service provided improves.

Construction contracts currently in progress are measured on the basis of the contractual fees that have accrued with reasonable certainty on the basis of the stage of completion, using the "cost to cost" method, so as to allocate the revenues and net result of the contract to the individual periods to which they belong in proportion to the progress being made on the project. Any difference, positive or negative, between the value of the contracts and advances received is recognized as an asset or a liability respectively.
In addition to the contractual fees, contract revenues include variants, price revisions and incentive awards to the extent that it is probable that they represent actual revenues that can be reliably determined. Ascertained losses are recognized independently of the stage of completion of contracts.

Inventories

Inventories of materials and fuel are measured at the lower of weighted average cost and market value at the balance sheet date. Weighted average cost is determined for the period of reference for each inventory code. Weighted average cost includes any additional costs (such as sea freight, customers charges, insurance and lay or demurrage days in the purchase of fuel). Inventories are constantly monitored and, where necessary, obsolete stocks are written down with a charge to the Income Statement.

Financial instruments

They include shareholdings (excluding shareholdings in subsidiaries, joint ventures and associates) held for trading (so-called trading shareholdings) or available for sale, non-current receivables and loans and other non-current financial assets, trade and other receivables deriving from company operations and other current financial assets such as cash and cash equivalents. The latter consist of bank and postal deposits, readily negotiable securities used as temporary investments of surplus cash and financial receivables due within three months. Financial instruments also include financial payables (bank loans and bonds), trade payables, other payables and other financial liabilities and derivatives.

Financial assets and liabilities are recognized at the time that the contractual rights and obligations forming part of the instrument arise.

Financial assets and liabilities are accounted for in accordance with IFRS 9 "Financial Instruments".

Financial assets

Initial recognition

Financial assets are classified into two categories alone - “at fair value” or “at amortized cost”. Classification within the two categories is carried out on the basis of an entity’s business model and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost if both of the following requirements are met: the objective of the entity’s business model is to hold assets to collect contractual cash flows (and therefore in substance not to earn trading profits) and the characteristics of the cash flows of the asset are solely payments of principal and interest. A financial asset is measured at fair value if it is not measured at amortized cost.

All equity instruments – both listed and unlisted – must be measured at fair value.

An entity has the option of presenting changes in the fair value of equity instruments that are not held for trading in equity; that option is not permitted for equity instruments that are held for trading. This designation is permitted on initial recognition, may be adopted for each individual instrument and is irrevocable. If an election is made for this option, changes in the fair value of these instruments may never be reclassified from equity to the income statement. Dividends on the other hand continue to be recognized in the income statement.

In addition, the method of expected credit losses is modified, moving to an impairment model that leads to the early recognition of forward-looking losses.

Subsequent valuation

Measurement subsequent to initial recognition depends on which of the following categories the financial instrument falls into:

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value in the Income Statement with reclassification of cumulative gains and losses (debt instruments);
- Financial assets at fair value in the Income Statement without reversal of cumulative gains and losses at the time of derecognition (equity instruments);
- Financial assets at fair value in the Income Statement.

Financial assets at amortized cost

These are valued using the effective interest method and are subject to impairment.
Gains and losses are recognized in the income statement when the asset is derecognized, modified or revalued.

Investments in equity instruments

On initial recognition, the Group may irrevocably choose to classify its equity investments as equity instruments recognized at fair value through profit and loss when they meet the definition of equity instruments pursuant to IAS 32 “Financial instruments: Presentation” and are not held for trading. The classification is determined for each individual instrument.
Gains and losses on these financial assets are never reclassified to the income statement. Dividends are recognized as other income in the income statement when the right to payment has been approved, except when the Group benefits from such income as a recovery of part of the cost of the financial asset, in which case such profits are recognized in OCI. Equity instruments recognized at fair value through OCI are not subject to impairment testing.

Financial assets measured at fair value through the income statement

This category includes assets held for trading, assets designated at the time of initial recognition as financial assets at fair value with changes recognized in the Income Statement, or financial assets that must be measured at fair value. Assets held for trading are all those assets acquired for sale or repurchase in the short term. Derivatives, including those separated, are classified as financial instruments held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not represented solely by principal and interest payments are classified and measured at fair value in the Income Statement, regardless of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be recognized at fair value in the Income Statement upon initial recognition if this results in the elimination or significant reduction of an accounting mismatch.

Financial instruments at fair value with changes recognized in the Income Statement are recognized in the statement of financial position at fair value and net changes in fair value are recognized in profit/(loss) for the year.

This category includes derivative instruments and listed equity investments that the Group has not irrevocably chosen to classify at fair value through OCI. Dividends on listed equity investments are also recognized as other income in the statement of profit/(loss) for the year when the right to payment is established.

The embedded derivative contained in a non-derivative hybrid contract, in a financial liability or in a principal non-financial contract, is separated from the principal contract and accounted for as a separate derivative, if: its economic characteristics and the risks associated with it are not closely correlated with those of the principal contract; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value in the Income Statement. Embedded derivatives are measured at fair value, with changes in fair value recognized in the Income Statement. A restatement occurs only when there is a change in the terms of the contract that significantly changes the cash flows otherwise expected or a reclassification of a financial asset to a category other than fair value in the Income Statement.

An embedded derivative included in a hybrid contract that contains a financial asset is not separated from the host contract. The financial asset together with the embedded derivative is classified entirely as a financial asset at fair value in the Income Statement.

Derecognition
A financial asset is derecognized when:
- the rights to receive cash flows from the asset no longer apply;
- the company has transferred to a third party the right to receive cash flows from the asset or has assumed a contractual obligation to transfer them. In substance, the transfer is completed when: the company has transferred all the risks and rewards of ownership of the asset or has transferred control of the asset while maintaining the related risks and rewards.

In cases where the company has transferred the rights to receive cash flows from an asset or signed an agreement under which it retains the contractual rights to receive the cash flows from the financial asset but assumes a contractual obligation to pay the cash flows to one or more beneficiaries (pass-through), it assesses whether and to what extent it has retained the risks and rewards of ownership. In the cases in which it has neither transferred nor retained substantially all of the risks and rewards or has not lost control of the asset, it continues to be recognized in the financial statements of the Group to the extent of its continuing involvement in the asset. In this case, the Group also recognizes an associated liability. The transferred asset and the associated liability are valued to reflect the rights and obligations that remain with the Group.
When the entity's continuing involvement is a guarantee of the transferred asset, involvement is measured on the basis of the lower of the amount of the asset and the maximum amount of consideration received that the entity might have to repay.

Financial liabilities
Financial liabilities are classified, at the time of initial recognition, at fair value in the Income Statement, as mortgages and loans or as derivatives designated as hedges.
Directly attributable transaction costs are added to the valuation.

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

The subsequent evaluation depends on the classification of the main instrument:
- financial liabilities at fair value in the Income Statement, typically of a trading nature (settlement and transfer in the short term). This category includes financial derivatives held for trading (speculative);
- loans and receivables: valued at amortized cost using the effective interest method. Gains and losses are recognized in the Income Statement when the liability is settled, as well as through amortization.

A financial liability is derecognized when the obligation underlying the liability is settled or cancelled.

Derivative financial instruments and hedge accounting
These are initially recognized at fair value on the date the contract is signed and the subsequent measurement is also at fair value.
To classify a derivative as a hedge, the company formally designates and documents the hedging relationship, its risk management objectives and the strategy pursued.

From January 1, 2018, the following must be identified: a) the hedging instrument b) the nature of the risk being hedged c) the way in which the company will assess the effectiveness of the hedge.

The hedging relationship is effective if:

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

Transactions that meet the above criteria are accounted for as follows:

Fair value hedging

If a derivative financial instrument is designated as a hedge against exposure to changes in the fair value of an asset or liability attributable to a specific risk, the gain or loss resulting from subsequent changes in fair value of the hedging instrument is recognized in the Income Statement. The profit or loss deriving from the adjustment to fair value of the item hedged, for the part attributable to the hedged risk, changes the book value of this item and is recognized in the Income Statement. Cash flow hedge - If a derivative financial instrument is designated to hedge the exposure to the variability of the cash flows of an asset or a liability recognized in the Financial Statements or of a highly probable transaction, the effective portion of the resulting profits or losses deriving from the fair value adjustment of the derivative instrument is recognized in a specific equity reserve. The cumulative profit or loss is reversed from the equity reserve and recorded in the Income Statement in the same years in which the effects of the hedged transaction are recognized in the Income Statement. The gain or loss associated with that part of the ineffective hedge is recognised in the Income Statement immediately. If the hedged transaction is no longer considered probable, the unrealized gains or losses recognized in the equity reserve are immediately recognized in the Income Statement.

Cash flow hedges

The portion of gain or loss on the hedged instrument relating to the effective portion of the hedge is recognized in other comprehensive income in the cash flow hedge reserve, while the ineffective portion is recognized directly in the Income Statement. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in the fair value of the hedged item.

Amounts accumulated under other components of the comprehensive income statement are recorded, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial component, the accumulated amount in equity is removed from the separate component of equity and included in the cost or other carrying amount of the asset or liability hedged. This is not considered a reclassification of the items recognized in OCI for the period. This also applies in the case of a hedged forecast transaction of a non-financial asset or a non-financial liability that subsequently becomes an irrevocable commitment to which fair value hedge accounting is applied.

For any other cash flow hedge, the amount accumulated in OCI is reclassified in the Income Statement as a reclassification adjustment in the same period or periods during which the hedged cash flows impact profit or loss.

If the cash flow hedge accounting is discontinued, the accumulated amount in OCI must remain so if the hedged future cash flows are expected to occur. Otherwise, the amount shall be immediately reclassified to profit or loss for the period as a reclassification adjustment. After suspension, once the hedged cash flow occurs, any accumulated amount remaining in OCI must be accounted for depending on the nature of the underlying transaction as described above.

Non-current assets held for sale, disposal groups and discontinued operations – IFRS 5

Non-current assets held for sale, disposal groups and discontinued operations whose carrying amount will be recovered principally through sale rather than continuous use are measured at the lower of their carrying amount and fair value less costs to sell. A disposal group is a group of assets to be disposed of together as a group in a single transaction together with the liabilities directly associated with those assets that will be transferred in that transaction. Discontinued operations on the other hand consist of a significant component of the Group such as a separate major line of business or a geographical area of operations or a subsidiary acquired exclusively with a view to resale.
In accordance with IFRSs, the figures for non-current assets held for sale, disposal groups and discontinued operations are shown on two specific lines in the balance sheet: non-current assets held for sale and liabilities directly associated with non-current assets held for sale.

Non-current assets held for sale are not depreciated or amortized and are measured at the lower of carrying amount and fair value less costs to sell; any difference between carrying amount and fair value less costs to sell is recognized in the income statement as a write-down.

The net economic results arising from discontinued operations, and only discontinued operations, pending the disposal process, any gains or losses on disposal and the corresponding comparative figures for the previous year or period are recognized in a specific line of the Income Statement: "Net result from discontinued operations". On the other hand any gains or losses recognized as the result of measuring non-current assets (or disposal groups), classified as held for sale within the meaning of IFRS 5, at fair value less costs to sell are presented in a specific line item of the income statement "Result from non-recurring transactions", as discussed further in the previous section "Format of financial statements".

Employee benefits

The employees' leaving entitlement (TFR) and pension provisions are determined using actuarial methods; the rights accrued by employees during the year are recognized in the Income Statement as "labour costs", whereas the figurative financial cost that the company would have to bear if it were to ask the market for a loan of the same amount as the TFR is recognized as part of the "financial balance". Actuarial gains and losses arising from changes in actuarial assumptions are recognized in income statement taking into account the residual average working life of the employees.
Following the introduction of Finance Law no. 296 of December 27, 2006, only the portion of accrued employees' leaving entitlement that remained in the company has been measured in accordance with IAS 19, as amounts are now paid over to a separate entity as they accrue (either to a supplementary pension scheme or to funds held by INPS). As a result of these payments the company no longer has any obligations in connection with the services employees may render in the future.
Guaranteed employee benefits paid on or after the termination of employment through defined benefit plans (energy discount, health care or other benefits) or long-term benefits (loyalty bonuses) are recognized in the period when the right vests.
The liability for defined benefit plans, net of any plan assets, is determined by independent actuaries on the basis of actuarial assumptions and recognized on an accrual basis in line with the work performed to obtain the benefits.
Gains and losses arising from actuarial calculations are recognized in a specific equity reserve.

Reverse factoring

The Group entered into factoring agreements, typically in the technical form of reverse factoring. On the basis of the contractual structures in place, the supplier has the possibility to sell at its discretion, the receivables from the company to a lending institution. In some cases, the payment terms indicated in the invoice are the subject of further deferments agreed between the supplier and the Group; these deferments can be both burdensome and not burdensome.
In the event of extensions, a quantitative analysis is carried out to verify whether or not the contractual terms have been amended. In this context, the relations, for which the primary obligation is maintained with the supplier and the possible deferment, if granted, does not involve a substantial change in payment terms, retain their nature and are therefore classified as trading liabilities.

Provisions for risks, charges and liabilities for landfills

Provisions for risks and charges regard costs of a determinate nature and of certain or probable existence which at year-end are uncertain in terms of timing or amount. Provisions are recognized when there is a legal or constructive present obligation arising from past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits, and it is possible to make a reasonable estimate of the obligation.
Provisions are recognized at the best estimate of the amount that the company would have to pay to settle the liability or to transfer it to third parties at the balance sheet date. If the effect of discounting is significant, provisions are calculated by discounting expected future cash flows at a pre-tax discount rate that reflects the current market assessment of the time value of money. If discounting is used the increase in the provision due to the passage of time is recognized as financial expense.
If the liability relates to tangible assets (such as the dismantling and reclamation of industrial sites), the initial provision is recognized as a counter-entry to the assets to which it refers; expense is then charged to income statement as the asset in question is depreciated.

Treasury shares

Treasury shares are accounted for as a deduction from equity. In particular, treasury shares are recognized as a negative equity reserve.

Grants

Grants, both from public entities and from third party private entities, are measured at fair value when there is the reasonable certainty that they will be received and that the Group will be able to comply with the terms and conditions for obtaining them.
Grants received to provide support for the cost of specific assets are recognized as a direct deduction from the assets concerned and credited to the income statement over the life of the depreciable asset to which they refer.
Revenue grants (given to provide the company with immediate financial support or as compensation for expenses or losses incurred in a previous accounting period) are recognized in their entirety in the income statement as soon as the conditions for recognizing the grants are met.

Revenues and costs

The recognition of revenues is based on the following five steps: (i) identification of the contract with the customer; (ii) identification of the performance obligations, represented by the contractual promises to transfer goods and/or services to a customer; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations identified on the basis of the stand-alone sale price of each good or service; (v) recognition of the revenue when the relative performance obligation is satisfied, i.e. when the promised good or service is transferred to the customer; the transfer is considered completed when the customer obtains control of the good or service, which can occur continuously over time diluted and extended or at a point in time. Depending on the type of transaction, revenues are recognized on the basis of the following specific criteria:

- revenues for the sale and transport of electricity and gas are recognized at the time that the energy is supplied or the service rendered, even if invoicing has not yet taken place, and are determined by adding estimates of consumption to amounts resulting from pre- established meter-reading schedules. Where applicable, these revenues are based on the tariffs and related tariff restrictions in force during the year prescribed by the law and the Italian Regulation Authority for Energy Networks and Environment and similar foreign bodies;
- connection contributions paid by users, if not for costs incurred to extend the network, are recognized in the income statement on collection and presented as “revenues from services”;
- the revenues billed to users for an extension of the gas network are accounted for as a reduction in the carrying amount of tangible assets and are recognized in the income statement as a reduction in the depreciation charged over the useful life of the cost capitalized to extend the network;
- the revenues and costs involved in withdrawing quantities that are higher or lower than the Group’s share are measured at the prices envisaged in the related purchase or sale contract;
- revenues from the provision of services are recognized according to the stage of completion based on the same criteria as for contract work in progress. If it is impossible to calculate revenues on a reliable basis they are recognized up to the amount of the costs incurred providing they are expected to be recovered;
- revenues from the sale of certificates are recognized at the time of sale.

Revenues are stated net of returns, discounts, allowances and rebates, as well as directly related taxes.
Expenses relate to goods or services sold or consumed during the year or as a result of systematic allocation; if no future use is envisaged they are recognized directly in the income statement.

Result from non-recurring transactions

The item “Non-recurring transactions” consists of the gains or losses arising on the disposal of shareholdings in unconsolidated subsidiaries and associates and other non-operating income and expense.

Financial income and expenses

Financial income is recognized when interest income arises using the effective interest method, i.e. at the rate that exactly discounts expected future cash flows over the expected life of the financial instrument. Financial expense is recognized in the Income Statement on an accrual basis on the basis of the effective interest.

Dividends

Dividend income is recognized when it is established that the shareholders have a right to receive payment, and is recognized as financial income in the Income Statement.

Income taxes

Current taxes
Current income taxes are based on an estimate of taxable income in compliance with tax regulations in force or substantially approved at the balance sheet date, bearing in mind any exemptions or tax credits due. Account is also taken of the fact that the Group now files for tax on a consolidated basis.

Deferred tax assets and liabilities
Deferred tax assets and liabilities are calculated on the temporary differences between the carrying amount of assets and liabilities in the balance sheet and their tax bases, with the exception of goodwill which is not deductible for tax purposes and any differences resulting from investments in subsidiaries which are not expected to reverse in the foreseeable future. The tax rates used are those expected to apply to the period when the temporary differences reverse. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the tax benefit will be realized. The measurement of deferred tax assets takes account of the period for which business plans are available.
When transactions are recognized directly in equity, any related current or deferred tax effects are also recognized directly in equity. Deferred taxes on the undistributed profits of Group companies are only provided for if there is the real intention to distribute such profits and, in any case, if the taxation is not offset as the result of filing a Group tax return.
Deferred tax assets and liabilities are classified as non-current assets and liabilities.
Taxes are only offset when they are levied by the same tax authority, when there is the legal right of set-off and when settlement of the net balance is expected.

Use of estimates

Preparing the financial statements and notes requires the use of estimates and assumptions in determining certain assets and liabilities and measuring contingent assets and liabilities. The actual results after the event could differ from such estimates.
Estimates have been used in assessing the recoverability of assets, to determine certain sales revenues, in provisions for risks and charges, in provisions for receivables and other write-downs, amortization and depreciation, the valuation of derivatives, employee benefits and taxes. The underlying estimates and assumptions are regularly reviewed and the effect of any change is immediately recognized in the income statement.

The following are the key assumptions made by management as part of the process of making these accounting estimates. The inherently critical element of such estimates comes from using assumptions or professional opinions on matters that are by their very nature uncertain. Changes in the conditions underlying the assumptions and opinions used could have a material impact on subsequent results.

Impairment Test
The carrying amount of non-current assets (including goodwill and other intangible assets) and of assets held for sale is reviewed periodically and whenever circumstances or events require a more frequent assessment. If it is considered that the book value of a group of fixed assets has had an impairment loss, it is subject to the application of professional judgement by management and is based on assumptions that include: the identification of the Cash Generating Units, the estimate of the future operating cash flows associated with these CGUs during the reference period of the 2021 - 2030 business plan, the estimate of the cash flows subsequent to this time horizon, the cash flow deriving from the disposal at the end of useful life of the assets, discount rates used (“Wacc”). These assumptions are complex due to their nature and imply recourse to the opinion of the directors, who are also sensitive to future trends in energy markets, macroeconomic scenarios, and the resolutions of ARERA.

For the purpose of preparing the impairment test, the company avails itself of the support of an independent expert, external to the A2A Group.

In the hypothesis in which the recoverable value is lower than the carrying amount, the latter is written down to the extent applicable. Management is of the opinion that the estimates of such recoverable amounts are reasonable, albeit subject to changes in the factors underlying the estimates on which these recoverable amounts have been calculated could produce different measurements. For further details on the way in which impairment testing was carried out and the results of such testing, reference is made to the specific paragraph.

Revenue recognition

Revenues from sales include the estimate of accrued revenues related to gas and electricity consumed by customers and not yet subject to periodic reading at December 31, 2021 and the estimate of revenues accrued for gas and electricity consumed by customers and not yet billed at December 31, 2020, in addition to the revenues already billed to customers based on the periodic consumption readings made during the year. The processes and methods for evaluating and determining these estimates are based on sometimes complex assumptions that by their nature imply recourse to the opinion of the directors, in particular with regard to recognition of accrued revenues, as the methods used by the A2A Group to estimate the quantities of consumption between the date of the last reading and December 31, and therefore to value the revenues accrued during the year, are based on assumptions and complex calculation algorithms that concern various information systems. Furthermore, the estimate of consumption not subject to periodic reading is made by taking as reference the historical profile of each user, adjusted on the basis of climatic correction factors provided by the Regulation Authority for Energy Networks and the Environment (also "ARERA"), to incorporate other variables that can have an impact on consumption.

Provisions for risks and charges

In certain circumstances it is not easy to identify whether a legal or constructive present obligation exists. The directors assess these situations case by case, together with an estimate of the economic resources required to settle the obligation. Estimating such provisions is the result of a complex process that involves subjective judgements on the part of company management. When the directors are of the opinion that it is only possible that a liability could arise, the risks are disclosed in the section on commitments and contingent liabilities without making any provision.

Liabilities for landfills

The liabilities for landfills provision represents the amount set aside to meet the costs which will be incurred for the management of the period of closure and post-closure of landfills currently in use. The future outlays, calculated for each landfill by a specific appraisal updated annually, were discounted in accordance with the provisions of IAS 37.

Bad debts provision

The entry into force of IFRS 9 on January 1, 2018 has led to a change in the recognition of credit losses for the Group. The approach adopted is a forward-looking one, focusing on the probability of future losses on receivables, even in the absence of events that would suggest the need to write-down a credit position (Expected Losses).
Although the provision is considered adequate, the use of different assumptions or changes in prevailing economic conditions, even more so in this period of recession, could give rise to adjustments to the bad debts provision.

Amortization

Depreciation and amortization charges are a significant cost for the company. Non-current assets are depreciated or amortized on a straight-line basis over the useful lives of the assets. The useful lives of the company's non-current assets are established by the directors, with the assistance of expert appraisers, when they are purchased. The company periodically reviews technological and sector changes, dismantling/closure charges and the recovery amount of assets to update their residual useful lives. This periodic update could lead to a change in the period of depreciation or amortization and hence also in the depreciation or amortization charge in future years.

Measurement of derivative instruments

The derivatives used are measured at fair value based on the forward market curve at the balance sheet date, if the underlying of the derivative is traded on markets that provide official, liquid forward prices. If the market does not provide forward prices, forecast price curves are used based on simulation models developed by Group companies internally. However, the actual results of derivatives could differ from the measurements made.
The serious turbulence on markets for the energy commodities traded by the company, as well the fluctuations in exchange and interest rates, could lead to greater volatility in cash flows and in expected results.

Employee benefits

The calculations of expenses and the related liabilities, estimated by independent experts, are based on actuarial assumptions. The full effects of any changes in these actuarial assumptions are recognized in a specific equity reserve.

Business combinations

Accounting for business combinations entails allocating the difference between purchase cost and net carrying amount to the assets and liabilities of the acquired business. For the majority of assets and liabilities this difference is allocated by recognizing the assets and liabilities at fair value. If positive, the unallocated portion is recognized as goodwill. If negative, it is recognized in the income statement. A2A S.p.A. bases its allocations on available information and, for the more significant business combinations, on external appraisals.

Current taxes and future recovery of deferred tax assets

The uncertainties that exist regarding the way of applying certain tax regulations have led the company to taking an interpretative stance when providing for current taxes in the financial statements; such interpretations could be overturned by official clarifications on the part of the tax authorities.
Deferred tax assets are accounted for on the basis of the taxable profit expected to be available in future years. Assessing the expected taxable profit for the purpose of accounting for deferred taxation depends on factors that can vary over time, and may lead to significant effects on the measurement of deferred tax assets.

3.9 Business Units

The A2A Group operates in the production, sale and distribution of gas and electricity, district heating, environmental services and the integrated water cycle.

These sectors are in turn attributable to the "Business Units" specified in the following scheme identified following the reorganization made by management:

Generation and Trading
- Thermoelectric, hydroelectric and other renewable plants
- Energy Management

Market
- Sale of Electricity and Gas
- Energy efficiency
- Electric mobility

Waste
- Waste collection and street sweeping
- Treatment
- Disposal and energy recovery

Smart Infrastructures*
- Electricity networks
- Gas networks
- Integrated water cycle
- District Heating services
- Heat management services
- Development and management of technological infrastructures for integrated digital services
- Public lighting

Corporate
- Corporate services

This breakdown into Business Units reflects the organization of financial reports regularly analyzed by management and the Board of Directors in order to manage and plan the Group's business.

* The Networks Business Unit has changed its name to the Smart Infrastructures Business Unit, as per the Business Plan of January 28, 2022.

3.10 Results sector by sector

millions of euro	GENERATION AND TRADING 01 01 2021 12 31 2021	GENERATION AND TRADING 01 01 2020 12 31 2020 Restated	MARKET 01 01 2021 12 31 2021	MARKET 01 01 2020 12 31 2020 Restated
Revenues	**8,095**	**3,861**	**3,885**	**2,515**
- of which inter-sector	*2,263*	*1,209*	*152*	*105*
Labour costs	**85**	**87**	**53**	**49**
Gross operating income - EBITDA	**368**	**269**	**214**	**202**
% of revenues	*4.5%*	*7.0%*	*5.5%*	*8.0%*
Depreciation, amortization, provisions and write-downs	**(208)**	**(170)**	**(76)**	**(60)**
Net operating income - EBIT	**160**	**99**	**138**	**142**
% of revenues	*2.0%*	*2.6%*	*3.6%*	*5.6%*
Result from non-recurring transactions				
Financial balance				
Result before taxes				
Income taxes				
Result after taxes from operating activities				
Net result from discontinued operations				
Minorities				
Group result of the year				
Gross investments (1)	**144**	**76**	**73**	**53**

(1) See the items "Capex" in the schedules on tangible and intangible assets presented in Notes 1 and 2 to the balance sheet.
It should be noted that the income statement data from January 1 to December 31, 2020 have been reallocated to make them homogeneous to the results by "Business Unit" from January 1 to December 31, 2021.
Moreover, the income statement items were reclassified for 2020, in compliance with IFRS5, to the item "Net result from assets sold/held for sale" to make them homogeneous with the values in the 2021 financial statements.

(*) The Networks Business Unit has changed its name to the Smart Infrastructures Business Unit, as per the Business Plan of January 28, 2022.

	WASTE		SMART INFRASTRUCTURES (*)		CORPORATE		ELIMINATIONS		INCOME STATEMENT	
	01 01 2021 12 31 2021	01 01 2020 12 31 2020 Restated	01 01 2021 12 31 2021	01 01 2020 12 31 2020 Restated	01 01 2021 12 31 2021	01 01 2020 12 31 2020 Restated	01 01 2021 12 31 2021	01 01 2020 12 31 2020 Restated	01 01 2021 12 31 2021	01 01 2020 12 31 2020 Restated
	1,260	1,111	1,280	1,136	301	264	(3,272)	(2,039)	11,549	6,848
	229	*133*	*367*	*344*	*261*	*248*	*(3,272)*	*(2,039)*		
	337	326	105	110	141	131			721	703
	341	282	538	471	(33)	(24)			1,428	1,200
	27.1%	*25.4%*	*42.0%*	*41.5%*	*(11.0%)*	*(9.1%)*			*12.4%*	*17.5%*
	(159)	(171)	(274)	(206)	(51)	(39)			(768)	(646)
	182	111	264	265	(84)	(63)			660	554
	14.4%	*10.0%*	*20.6%*	*23.3%*	*(27.9%)*	*(23.9%)*			*5.7%*	*8.1%*
									-	-
									(70)	(81)
									590	473
									(36)	(99)
									554	374
									(4)	(6)
									(46)	(4)
									504	364
	273	174	516	389	77	51	(9)	(5)	1,074	738

	GENERATION AND TRADING		MARKET	
millions of euro	12 31 2021	12 31 2020	12 31 2021	12 31 2020
Tangible assets	2,205	2,099	42	62
Intangible assets	154	85	286	311
Trade receivables and current financial assets	2,428	1,017	1,406	862
Trade payables and current financial liabilities	2,529	1,007	952	553

It should be noted that the balance sheet data at December 31, 2020 have been reallocated to make them homogeneous to the results by "Business Unit" at December 31, 2021.

(*) The Networks Business Unit has changed its name to the Smart Infrastructures Business Unit, as per the Business Plan of January 28, 2022.

	WASTE		SMART INFRASTRUCTURES (*)		CORPORATE		ELIMINATIONS		TOTAL GROUP	
	12 31 2021	12 31 2020	12 31 2021	12 31 2020	12 31 2021	12 31 2020	12 31 2021	12 31 2020	12 31 2021	12 31 2020
	1,132	908	2,146	2,010	196	229	(133)	(146)	**5,588**	**5,162**
	125	66	2,205	2,197	125	146	230	(68)	**3,125**	**2,737**
	384	413	490	451	75	232	(1,483)	(934)	**3,300**	**2,041**
	373	354	397	461	864	697	(1,475)	(932)	**3,640**	**2,140**

3.11 Notes to the balance sheet

Note that the consolidation perimeter at December 31, 2021 has changed with respect to December 31, 2020 due to the following transactions:

- acquisition and line-by-line consolidation by LGH S.p.A. (now merged into A2A S.p.A.) of 100% of the shares in Agripower S.r.l., a company specialising in the development and management of power generation plants from biogas;
- acquisition by A2A Rinnovabili S.p.A. and line-by-line consolidation of 15 companies with 17 plants and 173 MW of installed photovoltaic capacity, previously managed by Octopus Renewables;
- acquisition and line-by-line consolidation by A2A Rinnovabili S.p.A. of Gash 1 S.r.l. and Gash 2 S.r.l., two project companies with authorization to build two photovoltaic plants;
- as part of the transaction that led to the acquisition of 27.7% of Saxa Gres S.p.A. by A2A Ambiente S.p.A., Energia Anagni S.r.l. and Bioenergia Roccasecca S.r.l., companies that will manage two OFMSW plants, currently under construction, were acquired and consolidated on a line-by-line basis. As part of the same transaction, A2A Ambiente S.p.A. set up two newco's with majority stakes: Waldum Tadinum Energia S.r.l. and Bioenergia Gualdo S.r.l., both consolidated on a line-by-line basis;
- acquisition and consolidation at equity of the investment in Netcity S.r.l., a company operating in the energy efficiency sector;
- acquisition by A2A Ambiente S.p.A. and line-by-line consolidation of 100% of TecnoA S.r.l., a company operating in the treatment of special waste;
- acquisition by A2A Ambiente S.p.A. and consolidation at equity of 30% of the investment in F.lli Omini S.p.A., a company specializing in the demolition of industrial plants;
- incorporation and line-by-line consolidation of Romeo Gas S.p.A..

Finally, the investment held by A2A Energy Solutions S.r.l. in Consul System S.p.A., previously consolidated on a line-by-line basis, has been consolidated at equity following the sale of 26% of its shares at the end of January 2021, and the sale of the investment in Ge.S.I. S.r.l., previously consolidated at equity.

ASSETS

NON-CURRENT ASSETS

1) Tangible assets

millions of euro	Balance at 12 31 2020	First-time consolid. effect	Changes						Balance at 12 31 2021
			Invest.	Other changes	Disposals and sales	Write-downs/ Reversal	Amort.	Total changes	
Land	127	14	4	(4)					141
Buildings	597	5	11	(37)	(2)		(30)	(58)	544
Plant and machinery	3,788	146	214	110	(2)	(8)	(340)	(26)	3,908
Industrial and commercial equipment	50		17	(3)			(9)	5	55
Other assets	122		27	14			(31)	10	132
Landfills	26			6			(7)	(1)	25
Construction in progress and advances	226	34	411	(125)		(2)		284	544
Leasehold improvements	113	2	30	(1)			(20)	9	124
Assets for rights of use	113	16		14			(28)	(14)	115
Total	**5,162**	**217**	**714**	**(26)**	**(4)**	**(10)**	**(465)**	**209**	**5,588**
of which:									
Historical cost	11,703	217	714	160	(91)			783	12,703
Accumulated depreciation	(5,717)			(186)	87		(465)	(564)	(6,281)
Write-downs	(824)					(10)		(10)	(834)

“Tangible assets” amounted to 5,588 million euro at December 31, 2021 (5,162 million euro at December 31, 2020) and include the first-time consolidation effect of 217 million euro.

The changes for the year, net of the above effect, recorded an increase of 209 million euro as follows:
- increase of 714 million euro for capex in the year as further described below;
- net decrease for other changes equal to 26 million euro due to decreases of 54 million euro in application of IFRS5 for assets held for sale of properties located in Milan, increases in the decommissioning provision and landfill closure and post-closure expenses for 26 million euro, increases in rights of use in application of IFRS16 for 17 million euro, decreases in advances and prepayments to suppliers for 4 million euro, reclassifications from tangible assets to intangible assets for 9 million euro, and decrease of 2 million euro due to reclassifications to other items in the financial statements;
- decrease of 4 million euro arising from disposals in the year under review, net of accumulated depreciation;
- decrease of 10 million euro due to write-downs in the year;
- decrease of 465 million euro for the amortization charge for the year.

Capex may be analyzed as follows:
- Capex in the Smart Infrastructures Business Unit totalled 267 million euro and concerned: 156 million euro for the development and maintenance of electricity distribution plants, the extension and reconstruction of the medium and low-voltage network and the installation of new electronic meters; 81 million euro for the development of district heating networks; 8 million euro for work on the fiber optic network and equipment, 5 million euro for interventions on the gas transport network, 15 million euro for the efficiency plan with new LED technology light sources, 1 million euro for the purchase of equipment for the management of the integrated water cycle service, as well as 1 million euro for the installation and development of recharging networks for electric vehicles;
- Capex in the Waste Business Unit amounted to 265 million euro and refer to: 231 million euro for work on the Group’s waste treatment and disposal plants; 21 million euro for the acquisition of mobile means for waste collection and 13 million euro for the acquisition of collection facilities;
- Capex in the Generation and Trading Business Unit increased 135 million euro and concerned: 112 million euro capex on thermoelectric plants, 19 million euro capex on hydroelectric plants, and 4 million euro capex on renewable energy plants;

- Capex in the Market Business Unit increased 14 million euro and concerned: 13 million euro for the energy efficiency plan at customer premises and 1 million euro for work on the electric vehicle recharging network;
- Capex in the Corporate Business Unit amounting to 33 million euro mainly concerned work on buildings in the Milan, Como, Brescia areas and the new Cremona Technology Hub.

Tangible assets include "Assets for rights of use" totalling 115 million euro (113 million euro at December 31, 2020), recognized in accordance with IFRS16 and for which the outstanding payable to lessors at December 31, 2021 amounted to 106 million euro (110 million euro at December 31, 2020). Below is a breakdown of "Assets for rights of use" deriving from operating and financial leases at December 31, 2021:

Assets consisting of rights of use millions of euro	Balance at 12 31 2020	First-time consolid. effect 2021	Changes			Balance at 12 31 2021
			Other changes	Amort.	Total changes	
Land	17	6	3	(7)	(4)	19
Buildings	19		6	(7)	(1)	18
Plant and machinery	33	10	(3)	(1)	(4)	39
Industrial, commercial equipment and other goods	28		2	(3)	(1)	27
Vehicles	16		6	(10)	(4)	12
Total	**113**	**16**	**14**	**(28)**	**(14)**	**115**

It is specified that the Group has made use of the option provided for in paragraph 6 of the standard not to apply the provisions of paragraphs 22 to 49 of the standard to the following categories:
a) short-term leases;
b) leases whose underlying assets are of low value.

With regard to large-scale diversion hydroelectric concessions, it is noted that when they are converted into law (Law no. 12/2019) with amendments to Decree Law December 14, 2018, no. 135 ("Competitiveness Decree Law"), the Legislator intervened in article 11-quater with overall review of the regulations governing large-scale diversion hydroelectric concessions (> 3 MW), as explained in greater detail in paragraph "Regulatory Changes and Impacts on the Business Units of the A2A Group - Energy Business Unit".

The Group is continuing to analyze the impact of regulatory amendments, also in light of the new regulations issued in 2020, and confirms, to date, that the amounts recognized in the financial statements for dry and wet works related to hydroelectric concessions are prudent and recoverable also in accordance with the new regulations.

2) Intangible assets

millions of euro	Balance at 12 31 2020	First-time consolid. effect	Changes						Balance at 12 31 2021
			Invest.	Reclass./ Other changes	Disposals/ Sales	Write-downs	Amort.	Total changes	
Industrial patents and industrial property rights	40		21	13			(22)	12	52
Concessions, licences, trademarks and similar rights	1,876		237	(84)	(2)	(2)	(144)	5	1,881
Goodwill	426	331	2	(13)				(11)	746
Assets in progress	74		83	(37)		(1)		45	119
Other intangible assets	321	20	17	4			(35)	(14)	327
Total	**2,737**	**351**	**360**	**(117)**	**(2)**	**(3)**	**(201)**	**37**	**3,125**

"Intangible assets" amounted to 3,125 million euro at December 31, 2021 (2,737 million euro at December 31, 2020) and include the first-time consolidation effects of 351 million euro.

Through the application of IFRIC 12, from financial year 2010 intangible assets also include assets in concession, which relate to gas distribution.

The changes for the year, net of the above effect, recorded an overall increase of 37 million euro as follows:

- increase of 360 million euro for capex in the year as further described below;
- net decrease of 117 million euro in other changes, due to a decrease following reclassification to other items in the financial statements of assets held for sale relating to gas networks considered non-strategic for the Group (114 million euro), a decrease in environmental certificates for the industrial portfolio (12 million euro) and an increase due to reclassification from tangible to intangible assets (9 million euro);
- decrease of 2 million euro arising from disposals in the year, net of accumulated depreciation;
- decrease of 3 million euro due to write-downs in the year;
- decrease of 201 million euro for the amortization charge for the year under review.

Capex of "Intangible assets" relate to the following:

- Capex in the Smart Infrastructures Business Unit of 243 million euro are for: development and maintenance work on the plants of the gas distribution segment and the replacement of low and medium pressure underground piping for 117 million euro; work on the water transport and distribution network, on the sewage networks and on the purification plants for 92 million euro; contracting costs for the Heat Plants of the Milan, Brescia and Bergamo areas for 3 million euro, and the implementation of information systems for 31 million euro;
- for the Market Business Unit, the increase was 56 million euro due to the implementation of information systems for 39 million euro and costs incurred for the new acquisitions and maintenance of the customer portfolio for 11 million euro, the acquisition of the customer portfolio of Yada Energia S.r.l. for 4 million euro, as well as the capitalization of costs incurred to manage customer contracts in accordance with IAS IFRS15 for 2 million euro;
- for the Corporate Business Unit, the increase was 44 million euro mainly due to the implementation of information systems;
- for the Generation and Trading Business Unit, the increase was 9 million euro and concerned the implementation of information systems;
- for the Waste Business Unit, the increase was 8 million euro and mainly concerned the implementation of information systems.

The item "Other intangible assets" amounted to 327 million euro at December 31, 2021 (321 million euro at December 31, 2020) and includes:

- 224 million euro for customer lists related to the acquisition of customer portfolios by Group companies. These values are amortized based on an estimate of the benefits that will arise in future years, taking into account indicators such as the retention rate and churn rate relating to specific types of customers. In particular, the amount in the financial statements is attributable as follows: 98 million euro to the ACSM-AGAM Group, 40 million euro to the AEB Group, 44 million euro to A2A Energia S.p.A., 14 million euro to A2A Recycling S.r.l., 10 million euro to Electrometal S.r.l., 9 million euro to Asm Energia S.p.A., 5 million euro to Yada Energia S.r.l. and 4 million euro to A2A S.p.A., Aprica S.p.A. and LumEnergia S.p.A.;
- 51 million euro for PPA Società Rinnovabili: the increase in value is linked to the existing agreement with the Energy Services Manager, which allows the affiliated companies to benefit from incentive tariffs for a period of 20 years, which are considerably higher than those existing on the market;
- 15 million euro for Environmental Certificates: emission quotas and White Certificates (Industrial portfolio);
- 13 million euro for PPA of the Agripower group: the increase in value is linked to the existing agreement with the Energy Services Manager, which allows the affiliated companies to benefit from incentive tariffs, which are considerably higher than those existing on the market;
- 24 million euro relating mainly to deferred charges and costs and surface rights and/or easements.

Impairment testing in accordance with IAS 36 on the carrying amount of goodwill and tangible and intangible fixed assets

The objective of the impairment test required by IAS 36 is to ensure that the carrying amount of assets does not exceed their recoverable value.

Impairment testing is carried out whenever there is an indication that an asset may be impaired, while goodwill, which is not amortized on a systematic basis, must be tested for impairment at least on an annual basis, regardless of whether there is any indication of impairment.

A Cash Generating Unit (CGU) is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The definition of a CGU depends essentially on the type of activity carried out by the CGU, the business sector in which it operates and a company's organizational structure.

The impairment test consists of comparing the carrying amount of an asset/cash generating unit (or group of cash generating units) with an estimate of the recoverable value of that asset/cash generating unit (or group of cash generating units). The recoverable value of an asset/cash generating unit (or group of cash generating units) is the higher of its fair value less costs to sell and its value in use.

The fair value less costs to sell of an asset/cash generating unit (or group of cash generating units) is the amount obtainable from the sale of an asset or cash generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The value in use of an asset/cash generating unit (or group of cash generating units) is the present value of the future cash flows expected to be derived from the continuing use of an asset or cash generating unit and from its ultimate disposal. Value in use has been calculated using the discounted cash flow method, which is based on estimating future cash flows and discounting these by applying the appropriate discount rate.

Management made a projection of the future cash flows deriving from each asset/cash generating unit (or group of cash generating units) on the basis of reasonable and supportable assumptions which reflect the value of the asset/cash generating unit (or group of cash generating units) in its present condition and with a view to maintaining the normal conditions of business activities.

In the impairment assessments carried out for the year ended December 31, 2021, Management, in accordance with accounting standard IAS 36[1], deemed it more representative to separate the assets relating to the production of energy from natural gas (CCGT plants) and those relating to the production of energy from renewable sources (hydroelectric, photovoltaic and wind power plants) from the Electricity CGU. This decision was dictated by a number of factors, both external (e.g. the evolution of traditional plants - CCGT - towards a support function to guarantee the stability and flexibility of the national electricity system towards the evolution of renewable plants that will increasingly be energy suppliers, also with a baseload profile) and internal (e.g. the Group's increasing commitment to renewable plants, also confirmed by long-term strategic choices).
As a result, 3 new CGUs were defined starting with the "Energia Elettrica" CGU:

- "Generazione Termoelettrica" CGU
- "Generazione Rinnovabili" CGU
- "Vendita Energia Elettrica" CGU

On January 27, 2022, the A2A Board of Directors approved a long-term plan, which represents an update of the strategy already shown to the markets last year.
In particular, the Plan is based on two main trends, Circular Economy and Energy Transition, to which all the Group's business units contribute: in the coming years, objectives will be pursued mainly aimed at recovering waste heat, reducing water losses, closing the waste cycle, decarbonization and electrification of consumption.

1 IAS 36 at paragraph 72 "Cash-generating units for the same asset or types of assets shall be identified on a uniform basis from period to period, unless the change can be justified."

The main targets identified in the Strategic Plan are:

- 18 billion euro capex over 10 years, of which 7 billion euro for the Circular Economy and 11 billion euro for Energy Transition;
- 90% of capex in line with the UN Sustainable Development Goals;
- EBITDA more than doubled to 2.9 billion euro at the end of the plan;
- net profit growth of about 9% on average per year (CAGR 2020-2030);
- minimum dividends expected to rise steadily;
- 32% reduction in Group emission factor;
- strong increase in installed capacity from renewable sources, +3.9GW compared to 2020;
- strengthening and enhancing the value of gas-fired electricity generation, including through the start-up of one new high-efficiency CCGT plant, already prepared for blending with hydrogen;
- increased material and energy recovery;
- 7,000 direct hires;
- reduction of water losses;
- recovery of waste heat by connecting the Cassano d'Adda plant to the Milan district heating network;
- installation of 24,000 charging points for electric vehicles;
- activation of 200 thousand contracts for recharging services;
- strong commitment to the production of biomethane and green hydrogen;
- development of customer base also outside the historical perimeter thanks to auctions and commercial development.

For the sole purpose of the impairment test, the 2021-2030 Strategic Plan, in line with the provisions of IAS 36 paragraph 33[2], has been appropriately amended to exclude the impact of future improvements and optimizations, as described in more detail below. In particular, the calculation of value in use excludes the amounts of EBITDA and CAPEX relating to extraordinary transactions/M&A and developments in the planning stage, such as, for example, the construction of new waste treatment plants, the development of the hydrogen business, the increase in installed renewable capacity.

An independent expert was engaged to carry out the impairment testing; among other things, the expert analyzed the components and key assumptions included in the economic and financial projections prepared by the Group's management, performed comparisons and tests as to the correctness of the sources and assumptions used and developed the assumptions about the growth rate beyond the plan's horizon to be used for calculating normalized flows through to the end of the useful lives of the plants. Consistently with the indications of IAS 36, the management team will continue to monitor the evolution of the macro-economic and geo-political conditions and all other impairment indicators, promptly incorporating changes in value of the CGUs or assets, as, moreover, has been done in recent years.

Finally, the independent expert estimated the discount rate consistent with the cash flows considered, i.e. post-tax weighted average cost of capital (WACC). In detail, the WACC rate used was estimated according to the criteria widely used in valuation practice and in line with last year's impairment exercise in order to reflect current market valuations with reference to the current value of money, country risk and the specific risks associated with the activity.

2 Which requires "b) basing cash flow projections on the most recent budget/forecast approved by management, however excluding any future cash inflows or outflows estimated to arise from future restructuring or improvements or optimizations in business performance. Projections based on these budgets/forecasts must cover a maximum period of five years, unless a longer time frame can be justified".

Goodwill

At December 31, 2021, goodwill amounted to 746 million euro:

millions of euro	Balance at 12 31 2020	Changes					Balance at 12 31 2021
		Reclassific.	First-time consolid. acquis. 2021	PPA Effect	Write-downs	Total changes	
CGU:							
A2A Ambiente	269					-	269
A2A Reti Gas	41					-	41
A2A Gas	31			43		43	74
A2A Calore	22					-	22
A2A Vendita Energia Elettrica				7		7	7
A2A Generazione Rinnovabili	1			65		65	66
Total	**364**	**-**	**-**	**115**	**-**	**115**	**479**
First-time consolidation effect							
AEB Group	50			(50)		(50)	-
Flabrum and Solar Italy V	12			(12)		(12)	-
Octopus			65	(65)		-	-
Agripower Group			10	(10)		-	-
TecnoA			267			267	267
Total	**62**	**-**	**342**	**(137)**	**-**	**205**	**267**
Total Goodwill	**426**	**-**	**342**	**(22)**	**-**	**320**	**746**

In March 2021, the A2A Group completed the acquisition of 15 companies with 17 plants, previously managed by Octopus Renewables, which resulted in the recognition of goodwill of 65 million euro.

This acquisition falls under the dictates of IFRS 3 and at December 31, 2021, this goodwill was confirmed by the Purchase Price Allocation (PPA) process and fully allocated to the "Generazione Rinnovabili" CGU.

On March 19, 2021, the A2A Group acquired the Agripower Group, which operates in the development and management of power generation plants from biogas. The first-time consolidation resulted in the recognition of provisional goodwill for 10 million euro. In accordance with IFRS 3, the Group concluded the Purchase Price Allocation (PPA) activity by allocating goodwill to other intangible assets.

In December 2021, the A2A Group acquired 100% of TecnoA, a leading company in central and southern Italy in the treatment of industrial waste. The effect of the first-time consolidation relating to the acquisition of the company resulted in the provisional recognition of goodwill of 267 million euro pending completion of the Purchase Price Allocation as better described in the paragraph "Other information" 3) Transactions IFRS 3 Revised.

In accordance with IFRS 3, the Group, with reference to the acquisition of Flabrum S.r.l. and Solar Italy V S.r.l. in the previous year, completed the Purchase Price Allocation process entirely allocating the goodwill provisionally recognized at December 31, 2020, amounting to 12 million euro.

In 2021, the Group allocated to the Electricity Sales CGU (7 million euro) and to the Gas CGU (43 million euro), the residual goodwill arising from the combination of the AEB Group, which took place on November 1, 2020 and for which the Purchase Price Allocation process had already been completed at December 31, 2020.

Reference is made to the paragraph "Other information" for further details on acquisitions regulated by IFRS 3 and Purchase Price Allocation processes.

Since goodwill does not generate independent cash flows and cannot be sold separately, the impairment testing of recognized goodwill is carried out in a residual manner by referring to the Cash Generating Unit (or group of Cash Generating Units) to which it may be reasonably allocated.

The following table sets out the goodwill allocated to each individual Cash Generating Unit, specifying for each the recoverable value and the discount and growth rates used with comparative figures of the previous year.

CGU with Goodwill	Value in millions of euro at 12 31 2021	Recoverable Value	WACC 2021 post-tax (1)	Growth rate g 2021	Balance scenario (2)	
					WACC of reference (3)	Growth rate g
A2A Ambiente	269	Use value	5.3%	0.0%	10.6%	0.0%
A2A Reti Gas	41	Use value	5.2%	0.0%	5.3%	0.0%
A2A Gas	74	Use value	5.4%	0.0%	22.8%	0.0%
A2A Generazione Rinnovabili	66	Use value	5.6%	0.0%	10.9%	0.0%
A2A Calore	22	Use value	4.6%	0.0%	4.6%	0.0%
A2A Vendita Energia Elettrica	7	Use value	5.4%	0.0%	12.9%	0.0%
Total	**479**					

(1) Nominal post-tax discount rate applied to future cash flows.
(2) Rates resulting from the sensitivity assessment made by the expert in order to achieve balance between the use values and carrying amounts subjected to impairment testing.
(3) The simulation was performed on the WACC rate of reference, with the simultaneous adjustment of the terminal flow rate (if applicable).

CGU with Goodwill	Value in millions of euro at 12 31 2020	Recoverable Value	WACC 2021 post-tax (1)	Growth rate g 2020	Balance scenario (2)	
					WACC of reference (3)	Growth rate g
A2A Ambiente	269	Use value	6.0%	1.0%	9.9%	1.0%
A2A Reti gas	41	Use value	5.6%	0.0%	5.8%	0.0%
A2A Gas	31	Use value	6.2%	0.0%	25.3%	0.0%
A2A Calore	22	Use value	5.3%	1.0%	5.5%	1.0%
A2A Vendita Energia Elettrica	1	Use value	6.4%	0.0%	6.4%	0.0%
Total	**364**					

(1) Nominal post-tax discount rate applied to future cash flows.
(2) Rates resulting from the sensitivity assessment made by the expert in order to achieve balance between the use values and carrying amounts subjected to impairment testing.
(3) The simulation was performed on the WACC rate of reference, with the simultaneous adjustment of the terminal flow rate (if applicable).

With reference to the CGU included in the scope of consolidation of the A2A Group at December 31, 2021, and precisely "A2A Calore" CGU, "A2A Reti Gas" CGU, "A2A Reti Elettriche" CGU, "A2A Ambiente" CGU, "A2A Gas" CGU, "Vendita Energia Elettrica" CGU and "Generazione Rinnovabili" CGU, the analysis conducted allowed achieving the estimated recoverable value at December 31, 2021 calculated using the financial method. In particular, the analysis regarding the maintenance of the value of the CGUs was carried out as follows:

- for the "A2A Calore", "A2A Ambiente" and "A2A Reti Elettriche" CGUs, it was conducted by comparing the recoverable value determined as fair-weighted average of the values in use of the definite useful life scenario (consistent with the average duration of the concessions in place) and the indefinite useful life scenario;
- for the "A2A Reti Gas" CGU, the analysis was conducted by comparing the recoverable value for the definite useful life scenario only;
- for the "A2A Gas" CGU, the "Generazione Rinnovabili" CGU and the "Vendita Energia Elettrica" CGU, the analysis was conducted by comparing the recoverable value for the indefinite useful life scenario only.

Further analyses and sensitivity analyses were conducted considering the potential effects of the changes in the reference parameters of the WACC, which showed no particular criticality for all the CGUs subject to impairment testing.

"A2A Ambiente" Cash Generating Unit

The "A2A Ambiente" Cash Generating Unit operates in the solid urban waste segment and in the special and hazardous waste segment, performs collection and street sweeping activities in the municipalities of Milan, Brescia, Bergamo, Lodi and Como and in a number of municipalities of the relative provinces, is the owner of waste-to-energy and industrial plants (in the municipalities of Milan, Brescia, Bergamo, Filago, Corteolona, Cremona, Parona and Como) and manages the Acerra waste-to-energy plant. It also has several waste treatment plants and a number of landfills.
The A2A Group's consolidated financial statements at December 31, 2021 include goodwill of 269 million euro associated with this CGU, which has been impairment tested as required by IAS 36. Of this goodwill, 227 million euro arises from the acquisition of the Ecodeco Group between 2005 and 2008 (the former Ecodeco Cash Generating Unit) and 5 million euro from the merger between ASM Brescia S.p.A. (subsequently incorporated into AEM S.p.A., with simultaneous change of its name into A2A S.p.A.) and BAS S.p.A., 30 million euro as the residual value of the goodwill of the LGH Group at the end of the PPA process for the acquisition of 51% of the Group, 2 million euro to the allocation to the CGU in 2019 of a residual portion of the goodwill recorded following the consolidation of the ACSM-AGAM Group and 5 million euro as residual goodwill at the conclusion of the PPA activity for the acquisition of the company Electrometal S.r.l..
In determining the value in use, an average of a scenario with indefinite useful life and one with definite useful life was considered, the time horizon of which was calculated on the residual useful life of the plants.

No impairment loss was noted during the impairment testing as the recoverable value exceeds the net capital employed including the value of goodwill recorded.
The sensitivity analyses carried out have shown that, all other factors being equal, an increase of 0.1% in WACC confirms recoverable values that are higher than carrying amounts, and therefore do not show impairment losses as defined by IAS 36.

"A2A Reti Gas" Cash Generating Unit

The "A2A Reti Gas" CGU includes the Group's gas distribution and metering activities. In particular, it deals with the design and construction of gas networks, their operation and maintenance, as well as the management of requests for connection and quality control and continuity of service.
The goodwill of 41 million euro associated to the "A2A Reti Gas" CGU arises from various acquisitions made by A2A Reti Gas S.p.A. (now Unareti S.p.A.) over the last few years, relating to companies operating as gas distributors in about 200 Italian municipalities (the activity is mainly concentrated in Lombardy and Piedmont) for 38 million euro as well as 3 million euro to the allocation to the CGU in 2019 of a portion of the goodwill recorded following the consolidation of the ACSM-AGAM Group.

The recoverable value of goodwill attributed to the "A2A Reti Gas" Cash Generating Unit was calculated by referring to its value in use.
In determining the value in use, an average between a scenario based on the RAB as of December 31, 2021 and a scenario with a time horizon corresponding to the weighted average useful life of the existing concessions was considered.

No impairment loss was noted during the impairment testing as the recoverable value exceeds the net capital employed including the value of goodwill recorded.
The sensitivity analyses carried out have shown that, all other factors being equal, a 0.1% increase in WACC does not indicate a significant impairment losses (impairment of about -2 million euro).

"A2A Gas" Cash Generating Unit

The goodwill arising from the consolidation of the "A2A Gas" Business Unit, amounting to 74 million euro, refers to the area involved in selling gas to end customers (residential and business) and wholesalers and was impairment tested. It should be noted that the "A2A Gas" CGU consists of the portion of goodwill arising from the merger between BAS S.p.A. and A2A S.p.A. for 7 million euro, for 24 million euro to the allocation to the CGU in 2019 of a portion of the goodwill recorded following the consolidation of the ACSM-AGAM Group and for 43 million euro of a portion of goodwill allocated to the CGU following the consolidation of the AEB Group.
The recoverable value of the goodwill attributed to the CGU during the impairment test, was determined by considering an indefinite useful life scenario.

No impairment loss was noted during the impairment testing as the recoverable value exceeds the net capital employed including the value of goodwill recorded.
The sensitivity analyses carried out have shown that, all other factors being equal, an increase of 0.1% in WACC confirms recoverable values that are higher than carrying amounts, and therefore do not show impairment losses as defined by IAS 36.

"A2A Calore" Cash Generating Unit

The goodwill arising from the consolidation of the "A2A Calore" Business Unit, amounting to 22 million euro, is held by a number of companies of the A2A Group active in the production, distribution and sale of district heating. In particular, the CGU in question includes 18 million euro, a part of the goodwill arising from the merger between BAS S.p.A. and A2A S.p.A., and 1 million euro to the allocation to the CGU in 2019 of a portion of the goodwill recorded following the consolidation of the ACSM-AGAM Group.
The recoverable value of the goodwill attributed to the "A2A Calore" CGU during the impairment test was determined as the average of a scenario with indefinite useful life and definite useful life the time horizon of which was calculated over the remaining useful life of the plants.

No impairment loss was noted during the impairment testing as the recoverable value exceeds the net capital employed including the value of goodwill recorded.
The sensitivity analyses carried out have shown that, all other factors being equal, a 0.1% increase in WACC does not confirm recoverable values higher than carrying amounts, resulting in an impairment loss of about -12 million euro.

"Generazione Rinnovabili" Cash Generating Unit

The activity of the "Generazione Rinnovabili" Cash Generating Unit relates to the management of the Group's hydroelectric, photovoltaic and wind power plants and the consequent production of electricity. The total installed capacity is about 2.2 GW.

The goodwill arising from the consolidation of the "Generazione Rinnovabili" Cash Generating Unit, amounting to 66 million euro, refers for 65 million euro to the allocation of goodwill generated by the acquisition of the Octopus Renewables portfolio, not subject to Impairment test as the transaction was completed in 2021, and for the remaining part to the allocation to the CGU of a portion of the goodwill recorded as a result of the consolidation of the ACSM-AGAM Group, carried out in 2019.

The recoverable value of the goodwill attributed to the CGU during the impairment test, was determined by considering an indefinite useful life scenario.

No impairment loss was noted during the impairment testing as the recoverable value exceeds the net capital employed including the value of goodwill recorded.
The sensitivity analyses carried out have shown that, all other factors being equal, an increase of 0.1% in WACC confirms recoverable values that are higher than carrying amounts, and therefore do not show impairment losses as defined by IAS 36.

"Vendita Energia Elettrica" Cash Generating Unit

The "Vendita Energia Elettrica" Cash Generating Unit is active in the retail sale of electricity to customers in the free market and does not include the activities of the Greater Protection service*.

The goodwill arising from the consolidation of the "Vendita Energia Elettrica" Cash Generating Unit, amounting to 7 million euro, refers to the allocation to the CGU of a portion of the goodwill recorded following the consolidation of the AEB Group, the results of which were consolidated in 2020.

The recoverable value of the goodwill attributed to the CGU during the impairment test, was determined by considering an indefinite useful life scenario.

No impairment loss was noted during the impairment testing as the recoverable value exceeds the net capital employed including the value of goodwill recorded.
The sensitivity analyses carried out have shown that, all other factors being equal, an increase of 0.1% in WACC confirms recoverable values that are higher than carrying amounts, and therefore do not show impairment losses as defined by IAS 36.

* The Greater Protection service applies to customers with low-voltage domestic utilities, utilities for other non-domestic uses and public lighting (in other words, small businesses connected to a low voltage supply, with less than 50 employees and annual turnover < 10 million euro). This category includes all users who selected the so-called Free Market and ended up without a supplier. The Protected Category service guarantees the supply of electricity at prices established by ARERA (Regulation Authority for Energy Networks and Environment).

CGU without Goodwill 12 31 2021	Recoverable Value	WACC 2021 post tax (1)	Balance scenario (2) WACC of reference (3)
CGU Reti Elettriche	Use value	4.9%	4.9%
CGU Generazione Termoelettrica	Use value	5.9%	5.9%
CGU Monfalcone	Use value	5.9%	n.s.
CGU San Filippo del Mela	Use value	5.9%	5.9%

CGU without Goodwill 12 31 2020	Recoverable Value	WACC 2020 post tax (1)	Balance scenario (2) WACC of reference (3)
CGU Reti Elettriche	Use value	5.3%	5.3%
CGU Generazione Termoelettrica	Use value	6.4%	6.4%
CGU Monfalcone	Use value	6.4%	n.s.
CGU San Filippo del Mela	Use value	6.4%	6.4%

(1) Nominal post-tax discount rate applied to future cash flows.
(2) Rates resulting from the sensitivity assessment made by the expert in order to achieve balance between the use values and carrying amounts subjected to impairment testing.
(3) The simulation was performed on the WACC rate of reference, with the simultaneous adjustment of the terminal flow rate (if applicable).

"A2A Reti Elettriche" Cash Generating Unit

The "A2A Reti Elettriche" CGU includes the Group's electricity distribution and metering activities. In particular, it deals with the design and construction of electricity networks, their operation and maintenance, as well as the management of requests for connection and quality control and continuity of service.
The value in use of this CGU was determined as the average of the values in use obtained from two scenarios: one based on an estimate of definite useful life (equal to the expiration of the existing concession) and the other based on an estimate of indefinite useful life (i.e., assuming that the concession would be renewed in perpetuity).

No impairment loss was identified during the impairment test as the recoverable value is higher than the net capital employed.
The sensitivity analyses carried out have shown that, all other factors being equal, a 0.1% increase in WACC does not indicate a significant impairment losses (impairment of about -2 million euro).

"Generazione Termoelettrica" Cash Generating Unit

The activity of the "Generazione Termoelettrica" Cash Generating Unit is aimed at the production of electricity from gas-fired thermoelectric power plants (CCGT). The A2A Group operates CCGT plants with a total installed capacity of 5,233 MW.

The value in use of this CGU was determined from a single indefinite useful life scenario.

For the purposes of the Impairment Test on the carrying amount of tangible assets relating to the Generazione Termoelettrica CGU, the Enterprise Value of the assets (Value in Use) was compared with the relative Carrying Amount at December 31, 2021.

No impairment loss was identified during the impairment test as the difference between the recoverable value and the net invested capital is not material.
The sensitivity analyses carried out have shown that, all other factors being equal, a 0.1% increase in WACC does not confirm recoverable values higher than carrying amounts, resulting in an impairment loss of about -10 million euro.

"Monfalcone" Cash Generating Unit

The Monfalcone CGU includes the Monfalcone coal-fired power plant.

The value in use of this CGU was determined on the basis of a definite useful life scenario, the time horizon of which was set equal to the expiry of the existing AIA and the expected coal phase-out.

No impairment loss was identified during the impairment test as the recoverable value is in line with the net capital employed, deemed recoverable.

"San Filippo del Mela" Cash Generating Unit

The power plant in San Filippo del Mela includes two plants: SFM 150 kV (group 1) and SFM 220 kV (groups 2, 5 and 6).
With Resolution no. 803/2016 of December 28, 2016, the Authority recognized the San Filippo del Mela plant as one of the essential plants eligible for the reintegration of costs for the period of contracting with Terna, which will concern the five-year period 2017-2021; from the point of view of plants, the Group's request for admission to reintegration concerned only the 220 kV plant (UP SF2, UP SF5, UP SF6) with the provision of the 150 kV (UP SF1) plant as reserve of UP SF2. During 2020, by way of Resolution 269/2020, ARERA granted the application for recognition of essentiality of the plant in 2022.

The value in use of this CGU was determined on the basis of a definite useful life scenario, the time horizon of which was set equal to the expiry of the existing AIA.

No impairment loss was identified during the impairment test as the recoverable value is in line with the net capital employed.

3) Shareholdings and other non-current financial assets

millions of euro	Balance at 12 31 2020	First-time consolid. effect acquisitions 2021	Changes	Balance at 12 31 2021	*of which included in the NFP* 12 31 2020	*of which included in the NFP* 12 31 2021
Shareholdings carried according to equity method	17		16	33	-	-
Other non-current financial assets	36	2	26	64	21	24
Total shareholdings and other non-current financial assets	**53**	**2**	**42**	**97**	**21**	**24**

The following table provides details of the changes in the value of "Shareholdings carried according to equity method":

Shareholdings carried according to equity method millions of euro	TOTAL
Balance at December 31, 2020	**17**
First-time consolidation effect acquisitions 2021	**-**
Changes during the year:	
- acquisitions and capital increases	7
- valuations at equity	2
- write-downs	-
- dividends received from shareholdings in companies carried at equity	(3)
- sales	-
- other changes	1
- reclassifications	9
Total Changes	**16**
Balance at December 31, 2021	**33**

The increase of 16 million euro in "Shareholdings carried according to equity method" is due to the change in the consolidation method used for Consul System S.p.A., which led to a net increase, net of dividends collected, for 7 million euro, to the acquisition of 30% of the investment in F.lli Omini for 6 million euro, to the acquisition of 49% of the investment in NetCity S.r.l. for 1 million euro and other increases for 2 million euro referring to the valuations for the year.

The details of the shareholdings are provided in annex no. 4 "List of shareholdings in companies carried at equity".

At December 31, 2021, "Other non-current financial assets" showed a balance of 64 million euro, an increase of 28 million euro compared with the figure at December 31, 2020, of which 2 million euro is attributable to the effects of the initial consolidations, 14 million euro to the reclassification under non-current assets, following the request to deposit in a specific account, the amounts seized by the Court of Taranto as part of the proceedings underway against the subsidiary Linea Ambiente S.r.l., 11 million euro referring to investments made in innovative start-ups through Corporate Venture Capital projects, 4 million euro to financial assets towards third parties relating to a non-interest bearing loan granted during the year to the company Sinergie Italiane S.r.l. in liquidation and other decreases of 1 million euro.

At December 31, 2021, "Other non-current financial assets" include, in addition to the above, 24 million euro in medium/long-term financial receivables, of which 11 million euro relating to loans to third parties, 4 million euro from the Municipality of Brescia, relating to the management of public lighting in application of IFRIC 12, 7 million euro deriving from the management of the Cedrasco biocube plant by the subsidiary Bioase in application of IFRIC 12 and 2 million euro in other financial assets. This item also includes 7 million euro for equity investments in other companies, details of which are provided in Annex 5 "List of equity investments in other companies".

4) Deferred tax assets

millions of euro	Balance at 12 31 2020	First-time consolidation effect acquisitions 2021	Net Changes	Balance at 12 31 2021
Deferred tax assets	**265**	**-**	**159**	**424**

"Deferred tax assets" amounted to 424 million euro (265 million euro at December 31, 2020) and showed an increase of 159 million euro. The change includes the release of deferred tax liabilities, following the exercise of the realignment option pursuant to DL 104/2020, exercised by some Group companies, which allows the realignment of the differences between higher statutory values and lower values for tax purposes on tangible assets and the consequent deduction of higher tax amortization starting from the current year, as well as the release of a part of deferred IRAP tax assets as the Group considered their recoverability to be unreasonable. The impact of the release of deferred/tax assets/liabilities was equal to 168 million euro.

The item includes the net effect, as detailed in the table below to which reference is made, of deferred tax liabilities and deferred tax assets for IRES and IRAP on changes and provisions made solely for tax purposes. The recoverability of "Deferred tax assets" recorded in the financial statements is considered likely, as the future plans envisage taxable income sufficient to use the deferred tax assets.
At December 31, 2021, the amounts relative to deferred tax assets/deferred tax liabilities have been expressed as net ("offsetting") as per IAS 12 standards.

The following tables sets out the main deferred tax assets and liabilities.

	Consolidated financial statements 12 31 2020	First-time consolid. effect	Accruals (A)	Uses (B)	Adjust. Rates (C)	Total (A+B+C)	IFRS 9 at Equity Net	IAS 19 Revised at Equity Net	Other changes / Reclass.	Deferred tax assets/ liabilities and Assets and liabilities held for sale	Consolidated financial statements 12 31 2021
Detail of deferred tax assets/liabilities											
Deferred tax liabilities											
Measurement differences for tangible assets	491	-	-	(170)	-	(170)	-	-	-	(11)	310
Application of the financial instrument standard (IFRS 9)	-	-	-	-	-	-	-	-	-	-	-
Measurement differences for intangible assets	79	-	-	(16)	-	(16)	-	-	-	-	63
Deferred capital gains	-	-	-	-	-	-	-	-	-		-
Employee leaving entitlement (TFR)	2	-	-	-	-	-	-	-	-		2
Goodwill	6	-	-	-	-	-	-	-	-		6
Other deferred tax liabilities	2	5	-	-	-	-	-	1	-	-	8
Total deferred tax liabilities (A)	**580**	**5**	**-**	**(186)**	**-**	**(186)**	**-**	**1**	**-**	**(11)**	**389**
Deferred tax assets											
Taxed risk provisions	111	-	14	(13)	-	1	-	9	-	-	121
Measurement differences for tangible assets	526	-	7	(49)	-	(42)	-	-	-	(6)	478
Application of the financial instrument standard (IFRS 9)	(5)	-	-	-	-	-	(14)	-	-	-	(19)
Bad debt provision	11	-	10	-	-	10	-	-	-	-	21
Measurement differences for intangible assets	5	-	3	-	-	3	-	-	-	-	8
Grants	16	-	-	-	-	-	-	-	-	-	16
Goodwill	173	-	18	(16)	-	2	-	-	-	-	175
Other deferred tax assets	8	5	1	(1)	-	-	-	-	-	-	13
Total deferred tax assets (B)	**845**	**5**	**53**	**(79)**	**-**	**(26)**	**(14)**	**9**	**-**	**(6)**	**813**
NET EFFECT DEFERRED TAX ASSETS/LIABILITIES (B-A)	**265**	**-**	**53**	**107**	**-**	**160**	**(14)**	**8**	**-**	**5**	**424**

5) Other non-current assets

millions of euro	Balance at 12 31 2020	First-time consolid. effect acquisitions 2021	Changes	Balance at 12 31 2021	*of which included in the NFP* 12 31 2020	*of which included in the NFP* 12 31 2021
Other non-current assets	28	-	(3)	25	-	-
Total other non-current assets	**28**	**-**	**(3)**	**25**	**-**	**-**

"Other non-current assets" decreased 3 million euro over December 31, 2020 and consist of security deposits and costs already incurred, however pertaining to future years.

CURRENT ASSETS

6) Inventories

millions of euro	Balance at 12 31 2020	First-time consolidation effect acquisitions 2021	Changes	Balance at 12 31 2021
- Materials	77	9	10	96
- Material obsolescence provision	(20)		(2)	(22)
Total materials	**57**	**9**	**8**	**74**
- Fuel	73		49	122
- Others	9		(1)	8
Raw and ancillary materials and consumables	**139**	**9**	**56**	**204**
Third-party fuel	**-**	**-**	**-**	**-**
Total inventories	**139**	**9**	**56**	**204**

Inventories amounted to 204 million euro (139 million euro at December 31, 2020), net of the related obsolescence provision for 22 million euro (20 million euro at December 31, 2020).
Inventories, net of the first-time consolidation effects of 9 million euro, showed an overall increase of 56 million euro, as detailed below:

- 49 million euro related to the increase in inventories of fuels reflecting the fuels prices trend (which include the inventories of fuels for the production of electricity, as well as the gas inventories for the sale and storage thereof);
- 8 million euro related to the increase in inventories of materials, including the allocation to the material obsolescence provision;
- 3 million euro related to the increase in inventories of trading white certificates;
- other decreases amounting to 4 million euro.

7) Trade receivables

millions of euro	Balance at 12 31 2020	First-time consolidation effect acquisitions 2021	Changes	Balance at 12 31 2021
Trade receivables - invoices issued	831	9	284	1,124
Trade receivables - invoices to be issued	1,329		971	2,300
(Bad debts provision)	(130)		(3)	(133)
Total trade receivables	**2,030**	**9**	**1,252**	**3,291**

As of December 31, 2021 the "Trade receivables" amounted to 3,291 million euro (2,030 million euro at December 31, 2020), with an increase of 1,261 million euro. In detail, the changes were as follows:

- for 1,247 million euro, the increase in trade receivables from customers, which at December 31, 2021, showed a balance of 3,163 million euro (1,916 million euro at December 31, 2020);
- for 22 million euro, the increase in receivables from associates, which had a balance of 51 million euro (29 million euro at the end of the previous year);
- for 9 million euro, the decrease in receivables from the Municipalities of Milan and Brescia; this item had an overall balance of 76 million euro (85 million euro in the previous year).

The change in trade receivables is primarily due to the increase in tariffs for the sale of electricity and gas in the last quarter of the year and in turn determined by the increase in the price of commodities.

The "Bad debts provision", calculated in compliance with IFRS 9, amounted to 133 million euro and showed a net increase of 3 million euro compared to December 31, 2020. This provision is considered adequate to cover the risks to which it relates.
The changes in the Bad debts provision are outlined in the following table:

millions of euro	Balance at 12 31 2020	First-time consolidation effect acquisitions 2021	Provisions	Uses	Other changes	Balance at 12 31 2021
Bad debts provision	**130**	**-**	**33**	**(29)**	**(1)**	**133**

The losses on receivables incurred in 2021 are not significantly different from those recorded in previous years. Consequently, the Group has allocated to the bad debts provision an amount of 33 million euro (31 million euro at December 31, 2020).
It should be noted that the Group, taking into account the impact of the tariff increase in the last quarter of the year when assessing the risks of expected losses on receivables as at December 31, 2021, as provided for by IFRS 9, deemed it appropriate to introduce a "expected credit losses" adjustment of 12 million euro.

The following is the aging of trade receivables:

millions of euro	12 31 2021	12 31 2020
Trade receivables of which:	**3,291**	**2,030**
Current	**840**	**588**
Past due of which:	**284**	**241**
- Past due up to 30 days	90	55
- Past due from 31 to 180 days	69	51
- Past due from 181 to 365 days	32	40
- Past due over 365 days	93	95
Invoices to be issued	**2,300**	**1,331**
Bad debts provision	**(133)**	**(130)**

The increase in commodity prices noted especially in the last quarter of 2021 and continued in the early months of 2022, resulted in an increase in sales and, consequently, in the amount of trade receivables. The valuation of trade receivables and their recoverability is carried out in accordance with IFRS 9.

Given the high quality of customers, largely subject to credit check-in during the contract activation phase, and the significant proportion of bills paid by direct debit, amounting to 58% of the total, despite the increase in trade receivables, there was no significant deterioration in payment performance on the part of customers. In fact, the collection time detected in the first two months of 2022 is on average 3 days less than in the same period of 2021 and in line with what was detected in the pre-pandemic period.

In conclusion, considering the high energy prices, it is reasonable to expect some difficulties from customers. However, for the reasons described above, the Group does not expect any significant deterioration in payment performance.

8) Other current assets

millions of euro	Balance at 12 31 2020	First-time consolid. effect acquisitions 2021	Changes	Balance at 12 31 2021	*of which included in the NFP* 12 31 2020	*of which included in the NFP* 12 31 2021
Current derivatives (commodity derivatives)	426		3,311	3,737	-	-
Other current assets of which:	259	10	45	314		
- receivables from Cassa per i Servizi Energetici e Ambientali	112		(17)	95		
- advances to suppliers	27		15	42		
- receivables from employees	1		-	1		
- tax receivables	53	5	(6)	52		
- receivables related to future years	24	2	-	26		
- receivables from Ergosud	2		-	2		
- receivables from social security entities	2		-	2		
- stamp office	1		-	1		
- receivables for damage compensation	3		-	3		
- receivables for COSAP advances	2		(1)	1		
- receivables for security deposits	3		34	37		
- receivables for RAI fee	3		-	3		
- credit transfer Gesi	-		2	2		
- other sundry receivables	26	3	18	47		
Total other current assets	**685**	**10**	**3,356**	**4,051**	**-**	**-**

"Other current assets" showed a balance of 4,051 million euro compared to 685 million euro at December 31, 2020, highlighting, net of the first-time consolidations of 10 million euro, an increase of 3,356 million euro.
"Current derivative instruments" increased by 3,311 million euro due to significant differentials between subscription prices and forward prices, which were affected by price volatility in the markets of raw materials, despite a significant reduction in the overall volumes handled during the year.
"Other current liabilities" include 3,708 million euro in "Current derivatives".
Receivables from Cassa per i Servizi Energetici e Ambientali, amounting to 95 million euro (112 million euro at December 31, 2020), mainly refer to receivables for equalizations pertaining to both 2021 and to outstanding receivables for equalizations pertaining to previous years and receivables for tariff components, net of collections made in the current year.
Tax receivables, amounting to 52 million euro, mainly relate to tax receivables from the tax authorities for withholding taxes, VAT and excise.
Other sundry receivables include 21 million euro in receivables for works to upgrade and improve energy efficiency in condominiums and third parties, for which tax benefits will be available under the building bonus scheme.

9) Current financial assets

millions of euro	Balance at 12 31 2020	First-time consolid. effect acquisitions 2021	Changes	Balance at 12 31 2021	*of which included in the NFP* 12 31 2020	*of which included in the NFP* 12 31 2021
Other financial assets	11	-	(2)	9	*11*	*9*
Total current financial assets	**11**	**-**	**(2)**	**9**	***11***	***9***

"Current financial assets" amounted to 9 million euro (11 million euro at December 31, 2020). This item mainly refers to financial receivables from minority shareholders and third parties.

10) Current tax assets

millions of euro	Balance at 12 31 2020	First-time consolidation effect acquisitions 2021	Changes	Balance at 12 31 2021
Current tax assets	**76**	**-**	**(8)**	**68**

At December 31, 2021, this item amounted to 68 million euro (76 million euro at December 31, 2020) and refers to IRES and IRAP receivables for amounts requested for reimbursement on payments of previous years, and the remaining credit for Robin Tax paid in previous years and that will be recovered in subsequent years.

11) Cash and cash equivalents

millions of euro	Balance at 12 31 2020	First-time consolid. effect acquisitions 2021	Changes	Balance at 12 31 2021	*of which included in the NFP*	
					12 31 2020	*12 31 2021*
Cash and cash equivalents	**1,012**	**27**	**(75)**	**964**	***1,012***	***964***

"Cash and cash equivalents" at December 31, 2021 represent the sum of the Group's bank and postal asset balances. The increase related to the effect of the first-time consolidation of acquisitions in 2021 amounted to 27 million euro.

Bank deposits include interest accrued even if it was not credited by the end of the financial year under review.

12) Non-current assets held for sale

millions of euro	Balance at 12 31 2020	First-time consolid. effect acquisitions 2021	Changes	Balance at 12 31 2021	*of which included in the NFP*	
					12 31 2020	*12 31 2021*
Non-current assets held for sale	**28**	**-**	**134**	**162**	**-**	**-**

At December 31, 2021, "Non-current assets held for sale" amounted to 162 million euro (28 million euro at December 31, 2020) and refer for 117 million euro to the reclassification of some assets relating to gas distribution referring to ATEM deemed non-strategic for the Group and for 45 million euro to the reclassification of three properties located in Milan sold in February 2022.

EQUITY AND LIABILITIES

EQUITY

Equity, which amounted to 4,303 million euro at December 31, 2021 (4,116 million euro at December 31, 2020), is set out in the following table:

millions of euro	Balance at 12 31 2020	Changes	Balance at 12 31 2021
Equity pertaining to the Group:			
Share capital	1,629	-	1,629
(Treasury shares)	(54)	54	0
Reserves	1,598	29	1,627
Group result of the year	364	140	504
Total equity pertaining to the Group	**3,537**	**223**	**3,760**
Minority interests	579	(36)	543
Total equity	**4,116**	**187**	**4,303**

The change of the Shareholders' equity was overall positive for 187 million euro. The net profit for the year generated a positive effect of 504 million euro, offset by the distribution of 248 million euro in dividends.
In the second quarter of 2021 was the share buyback program authorized by the Shareholders' Meeting on April 29, 2021, resulting in an increase in treasury shares held in portfolio of 109 million euro. The Group subsequently acquired the remaining 49% of the share capital of LGH S.p.A. by means of a merger by incorporation into A2A S.p.A., through the assignment, in favour of the minority shareholders, of the total number of treasury shares in portfolio, amounting to 163 million euro, including 54 million euro of treasury shares already held at December 31, 2020.
Lastly, the net fair value gain of cash flow hedge derivatives and the IAS 19 reserves for a total of 7 million euro and the net decrease in minority interests for 36 million euro also affected shareholders' equity.

13) Share capital

"Share capital" amounted to 1,629 million euro and consists of 3,132,905,277 ordinary shares each of nominal value 0.52 euro.

14) Treasury shares

"Treasury shares" had no value at December 31, 2021 (54 million euro at December 31, 2020).
At December 31, 2020 treasury shares held by the parent A2A S.p.A. were 23,721,421, equivalent to 54 million euro. During the second quarter of 2021, the parent A2A S.p.A. purchased treasury shares for a value of 109 million euro, by virtue of the share buyback program initiated on May 13, 2021 and concluded on June 24, 2021, thus coming to hold 86,154,895 treasury shares, equal to 2.75% of the share capital. The Group then proceeded to acquire 49% of the share capital of LGH S.p.A. through the assignment of these treasury shares to minority shareholders.

15) Reserves

millions of euro	Balance at 12 31 2020	Changes	Balance at 12 31 2021
Reserves	**1,598**	**29**	**1,627**
of which:			
- Change in the fair value of cash flow hedge derivatives and fair value bonds	(7)	47	40
- Tax effect	1	(13)	(12)
Cash flow hedge reserves	**(6)**	**34**	**28**
Change in the IAS 19 Revised reserve - Employee Benefits	(66)	(38)	(104)
Tax effect	17	11	28
IAS 19 Revised reserve - Employee Benefits	**(49)**	**(27)**	**(76)**

Reserves, which amounted to 1,627 million euro (1,598 million euro at December 31, 2020), consist of the legal reserve, extraordinary reserves, and the retained earnings of subsidiaries.

This item also includes the cash flow hedge reserve, positive for 28 million euro, which refers to the period-end measurement of derivatives qualifying for hedge accounting, and the fair value measurement of the Bonds in foreign currency net of the tax effect.
The balance also includes negative reserves of 76 million euro arising from the adoption of IAS 19 Revised "Employee Benefits" which requires actuarial profits and losses to be recognized directly in an equity reserve.
The item includes the equity reserve deriving from the first application of IFRS 9, and in particular the impairment of trade receivables according to the expected losses model.

Reconciliation between the result of the year of A2A S.p.A. and the Group result of the year millions of euro	2021	2020
Result of the year A2A S.p.A.	**485**	**546**
Intra-group dividends eliminated from the consolidated financial statements	(444)	(452)
Result of subsidiaries, associates and joint ventures not included in the financial statements of A2A S.p.A.	532	433
Reversal of impairment of subsidiary shareholdings in A2A S.p.A.'s financial statements	2	-
Other consolidation adjustments	(71)	(163)
Group result of the year	**504**	**364**

Reconciliation between the equity of A2A S.p.A. and equity pertaining to the Group millions of euro	12 31 2021	12 31 2020
Equity pertaining to A2A S.p.A.	**3,332**	**3,177**
- Elimination of the portion of the equity reserve resulting from profit on intra-group operations for the transfer of business units	(378)	(386)
- Retained earnings (losses)	579	736
- Intra-group dividends eliminated from the consolidated financial statements	(444)	(452)
- Result of subsidiaries not included in the financial statements of A2A S.p.A.	532	433
- Reversal of impairment of subsidiary shareholdings in A2A S.p.A.'s financial statements	2	-
- Other consolidation adjustments	137	29
Equity pertaining to the Group	**3,760**	**3,537**

16) Result of the year

Positive result for 504 million euro.

17) Minority interests

millions of euro	Balance at 12 31 2020	Changes	Balance at 12 31 2021
Minority interests	**579**	**(36)**	**543**

"Minority interests" amounted to 543 million euro (579 million euro at December 31, 2020) and mainly represent the portions of capital, reserves and result pertaining to minority shareholders related to third-party shareholders.

The decrease was due to the effect of the purchase of 49% of LGH S.p.A., as better described in the paragraph "Treasury shares", net of the result for the period attributable to minority interests.

LIABILITIES

NON-CURRENT LIABILITIES

18) Non-current financial liabilities

millions of euro	Balance at 12 31 2020	First-time consolid. effect acquisitions 2021	Changes	Balance at 12 31 2021	*of which included in the NFP*	
					12 31 2020	*12 31 2021*
Non-convertible bonds	2,690	-	490	3,180	*2,690*	*3,180*
Payables to banks	928	40	(117)	851	*928*	*851*
Financial payables for non-current rights of use	89	10	(10)	89	*89*	*89*
Payables to other lenders	202	88	(88)	202	*202*	*202*
Total non-current financial liabilities	**3,909**	**138**	**275**	**4,322**	***3,909***	***4,322***

"Non-current financial liabilities" amounted to 4,322 million euro (3,909 million euro at December 31, 2020), with an increase of 275 million euro, net of the first-time consolidation effect of the year for 138 million euro.

"Non-convertible bonds" amounting to 3,180 million euro (2,690 million euro at December 31, 2020) relate to the following bonds, which are accounted for at amortized cost:
- 300 million euro, Private Placement maturing in December 2023 and coupon of 4.00%, the nominal value of which is equal to 300 million euro;
- 300 million euro, Private Placement maturing in March 2024 and coupon of 1.25%, the nominal value of which is equal to 300 million euro;
- 299 million euro, maturing in February 2025 and coupon of 1.75%, the nominal value of which is equal to 300 million euro;
- 297 million euro, maturing in October 2027 and coupon of 1.625%, the nominal value of which is equal to 300 million euro;
- 107 million euro, Private Placement in yen maturing in August 2036 and fixed rate of 5.405%, the nominal value of which is equal to 14 billion yen;
- 395 million euro, maturing in July 2029 and coupon of 1.00%, the nominal value of which is equal to 400 million euro;
- 493 million euro, maturing in October 2032 and coupon of 0.625%, the nominal value of which is equal to 500 million euro;
- 495 million euro, maturing in July 2031 and coupon of 0.625%, the nominal value of which is equal to 500 million euro;
- 494 million euro, maturing in November 2033 and coupon of 1%, the nominal value of which is equal to 500 million euro.

The increase in the non-current component of "Non-convertible bonds" of 490 million euro compared to December 31, 2020 was due to the counter effect of the subscription of the new bonds maturing in 2031 and 2033 (both with nominal value 500 million euro recorded net of amortized cost), partly offset by the reclassification to "Current financial liabilities" of the bond maturing in 2022 (499 million euro) and the decrease in the ECB exchange rate applied to the yen bond.

Non-current "Payables to banks" amounted to 851 million euro, the effect of the first-time consolidation brought an increase of 40 million euro. These payables were repaid early. During the year, the further decrease of 117 million euro is attributable to the payment of ordinary instalments due during the year, with the consequent reclassification to current liabilities of the capital portions due within the following year.

"Payables to other lenders" increased 88 million euro due to the effect of the first-time consolidation. These payables were subsequently settled during the year.
The following table shows the comparison, for each long-term debt category, between the book value and the fair value, including the portion falling due in the next 12 months. For listed debt instruments, the fair value is determined using stock prices, while for unlisted securities the fair value is determined using valuation models for each category of financial instrument and using market data relating to the closing date of the financial year, including the credit spreads of the A2A Group.

millions of euro	Nominal value	Book value	Current portion	Non-current portion	Fair value
Bonds	3,698	3,713	533	3,180	3,762
Loans from banks and other lenders	1,244	1,243	190	1,053	1,250
Total	**4,942**	**4,956**	**723**	**4,233**	**5,012**

19) Employee benefits

At December 31, 2021, the balance on this item amounted to 294 million euro (278 million euro at December 31, 2020) with changes as follows:

millions of euro	Balance at 12 31 2020	First-time consolid. effect acquisitions 2021	Accruals	Uses	Other changes	Balance at 12 31 2021
Employee leaving entitlement (TFR)	148	1	35	(16)	(32)	136
Employee benefits	130	-	-	(7)	35	158
Total employee benefits	**278**	**1**	**35**	**(23)**	**3**	**294**

The change during the year is attributable for 35 million euro to provisions for the year, for 23 million euro to the decrease due to disbursements and for 34 million euro to the net decrease related to payments to pension funds. In addition, actuarial valuations for the year include the increase resulting from actuarial gains/losses for a total of 37 million euro, mainly due to the increase in electricity costs.

Technical valuations were carried out on the basis of the following assumptions:

	2021	2020
Discount rate	from -0.17% to 0.98%	from -0.3% to 0.3%
Annual inflation rate	1.75%	0.8%
Annual seniority bonus increase rate	2.0%	2.0%
Annual additional months increase rate	0.0%	0.0%
Annual cost of electricity increase rate	2.0%	2.0%
Annual cost of gas increase rate	0.0%	0.0%
Annual salary increase rate	1.0%	1.0%
Annual TFR increase rate	2.8%	2.1%
Average annual increase rate of supplementary pensions	1.1%	1.1%
Annual turnover frequencies	from 2.0% a 5.0%	from 4.0% a 5.0%
Annual TFR advance frequencies	from 2.0% a 2.5%	from 2.0% a 2.5%

It is noted that:

- the discount rate used by the Group varies from company to company on the basis of the average financial term of the bond. The discount rate used is that corresponding to Iboxx Corporate AA;
- the annual rate of salary increase applied exclusively to companies with fewer than 50 employees on average in 2006 was determined on the basis of the reference data communicated by Group companies;
- the annual rate of TFR increase, according to art. 2120 of the Civil Code, is equal to 75% of inflation plus 1.5 percentage points;
- the annual advance and turnover frequencies are derived from historical experiences of the Group and the frequencies arising from the experience of the Actuary on a significant number of similar companies;
- for the demographic technical bases, it is noted that:
  - for "death", the tables AS62 (Electricity and gas discount), RG48 (TFR and other plans) and TG62 (Premungas) were used;
  - for "inability", the INPS tables divided by age and gender were used;
  - for "retirement", the 100% parameter was used upon reaching the requirements of AGO (Obligatory General Insurance);
  - for the "probability of leaving the family", the table in the INPS model was used for projections to 2010;
  - for the "frequency of the various structures of surviving nuclei and average age of members", the table in the INPS model was used for projections to 2010.

20) Provisions for risks, charges and liabilities for landfills

millions of euro	Balance at 12 31 2020	First-time consolid. effect acquisitions 2021	Provisions	Releases	Utilizations	Other changes	Balance at 12 31 2021
Decommissioning provisions	301	3	10		(13)	26	327
Landfill closing and post-closing expense provisions	184		19		(9)	19	213
Tax provisions	48		7	(1)			54
Personnel lawsuits and disputes provisions	48		6	(1)	(1)		52
Other risk provisions	171		24	(8)	(6)	(30)	151
Provisions for risks, charges and liabilities for landfills	**752**	**3**	**66**	**(10)**	**(29)**	**15**	**797**

At December 31, 2021, provision for risks, charges and liabilities for landfills amounted to 797 million euro and showed an increase of 45 million euro.

"Decommissioning provisions", which amounted to 327 million euro, include charges for costs of dismantling and recovery of production sites mainly related to thermoelectric plants and waste-to-energy plants. The changes for the period concerned uses for 13 million euro, to cover the expenses incurred during the reporting year, allocations for 10 million euro and other increases for 26 million euro, due to the update of the discount rates used to estimate the future costs of dismantling and restoration of the sites having "Tangible assets" as balancing entry and the update of the appraisals. The first-time consolidation effects amounted to 3 million euro.

The "Landfill closing and post-closing expense provisions", which amounted to 213 million euro, refer to all the costs that will have to be incurred in the future for the sealing of the landfills in cultivation at the reporting date and for the subsequent post-operative management, as required by current regulations. Changes in the year included utilizations of 9 million euro, which represent actual disbursements during the period, allocations of 19 million euro related to adjustments to the provisions for landfills following the update of the appraisals, inflation and discount rates, and other increases of 19 million euro.

"Tax Provisions", which amounted to 54 million euro, refer to provisions for pending or potential litigation with the tax authorities or territorial entities for direct and indirect taxes, levies and excises. This item increased compared to December 31, 2020 by 6 million euro as a result of provisions for the year.

"Personnel lawsuits and disputes provisions", which totalled 52 million euro, refer to litigation with third parties for 47 million euro and employees for 3 million euro to cover liabilities that may arise from pending litigation, and lawsuits with Social Security Institutions for 2 million euro related to social security contributions that the Group believes it will not be required to pay and are the subject of specific disputes.

"Other provisions for risks", which amounted to 151 million euro, refer to provisions relating to public water derivation fees for 55 million euro, to the mobility provision for the costs arising from the corporate restructuring plan, for 2 million euro, as well as other provisions for 94 million euro, which also include the provision related to the dispute over the Grottaglie landfill. The main components of these provisions are net allocations of 16 million euro, of which 10 million euro related to additional charges for hydroelectric derivation surcharges, uses of 6 million euro and other decreases of 30 million euro.

21) Other non-current liabilities

millions of euro	Balance at 12 31 2020	First-time consolid. effect acquisitions 2021	Changes	Balance at 12 31 2021	*of which included in the NFP*	
					12 31 2020	*12 31 2021*
Other non-current liabilities	127	1	(10)	118	*31*	-
Non-current derivatives	19	1	(9)	11	*19*	*11*
Total other non-current liabilities	**146**	**2**	**(19)**	**129**	***50***	***11***

At December 31, 2021, this item decreased by 17 million euro compared to the balance at the end of the previous year.

"Other non-current liabilities", which showed a balance of 118 million euro, refer to security deposits from customers, for 92 million euro, to liabilities pertaining to future years for 13 million euro, to medium/long-term payables to suppliers for 3 million euro, as well as other non-current liabilities for 10 million euro.

"Non-current derivatives" amounted to 11 million euro and showed a negative change of 9 million euro deriving from the fair value valuation of financial instruments at the end of the current year, net of the impact of first-time consolidation in the first half of 2021 for 1 million euro.

CURRENT LIABILITIES

22) Trade payables and other current liabilities

millions of euro	Balance at 12 31 2020	First-time consolid. effect acquisitions 2021	Changes	Balance at 12 31 2021	*of which included in the NFP*	
					12 31 2020	*12 31 2021*
Advances	3		5	8		
Payables to suppliers	1,549	13	1,324	2,886		
Total trade payables	**1,552**	**13**	**1,329**	**2,894**	**-**	**-**
Payables to pension and social security institutions	44		2	46		
Current derivatives (commodity derivatives)	403	1	3,304	3,708		
Other current liabilities of which:	419	8	306	733		
- Payables to personnel	96	1	(4)	93		
- Payables to Cassa per i Servizi Energetici e Ambientali	81		62	143		
- Tax payables	45		39	84		
- Payables for tax transparency	7		-	7		
- Payables for energy tariff components	66		(66)	-		
- Payables for A.T.O.	3		(1)	2		
- Payables to customers for work to be performed	15		3	18		
- Payables to customers for interest on security deposits	2		-	2		
- Payables to third-party shareholders	1		-	1		
- Payables for the purchase of equity investments	20		11	31		*31*
- Payables for liabilities of subsequent years	18		258	276		
- Payables for auxiliary services	15		2	17		
- Payables for collections to be allocated	11		4	15		
- Payables to insurance companies	5		(1)	4		
- Payables for environmental compensation	3		1	4		
- Payables for RAI fee	8		(1)	7		
- Sundry payables	23	7	(1)	29		
Total other current liabilities	**866**	**9**	**3,612**	**4,487**	**-**	***31***
Total trade payables and other current liabilities	**2,418**	**22**	**4,941**	**7,381**	**-**	***31***

“Trade receivables and other current liabilities” amounted to 7,381 million euro (2,418 million euro at December 31, 2020), representing an increase of 4,963 million euro.

“Trade receivables” amounted to 2,894 million euro and compared to the closing of the previous year, represent an increase of 1,329 million euro, excluding the first-time consolidation effects of the period for 13 million euro.

“Payables to social security institutions” amounted to 46 million euro, up 2 million euro compared to December 31, 2020 and relate to the Group’s debt position with social security and pension institutions.

“Current derivative instruments” amounted to 3,708 million euro (403 million euro at December 31, 2020) and refer to the fair value valuation of commodity derivatives. The increase is the period under review is due to the significant differentials between subscription prices and forward prices, influenced by price volatility in commodity markets despite a significant reduction in overall volumes traded during the year.
“Other current assets” included 3,737 million euro in “Current derivatives”.

"Other current liabilities" mainly refer to:

- payables to employees for 93 million euro (96 million euro at December 31, 2020), relating to payables to employees for the productivity bonus accrued during the period, as well as the expense for holidays accrued but not taken at December 31, 2021;
- payables to the CSEA - Cassa per i Servizi Energetici e Ambientali for 143 million euro (81 million euro at December 31, 2020) regarding the payable for the tariff components, invoiced and not yet paid, as well as the payable for equalization liabilities related both to prior years and the period under review. This item includes the payable for energy tariff components of 53 million euro (66 million euro at December 31, 2020) reclassified from the corresponding detailed item at the end of the previous year as the collection of these charges was transferred from the GSE to the CSEA;
- tax payables of 84 million euro (45 million euro at December 31, 2020), referring to payables to the tax authorities for excise duties, withholding taxes and VAT, with a significant change compared to the previous year attributable primarily to the 20 million euro increase in excise duties payable and the 15 million euro increase in payables for water derivation fees;
- payables relating to advance collections of electricity and gas futures contracts, the economic effect of which will be seen in the following year, amounting to 276 million euro (18 million euro at December 31, 2020);
- payables for the purchase of shareholdings of 31 million euro (20 million euro at December 31, 2020) relating to the purchases concluded in the previous years in the photovoltaic sector.

23) Current financial liabilities

millions of euro	Balance at 12 31 2020	First-time consolid. effect acquisitions 2021	Changes	Balance at 12 31 2021	*of which included in the NFP*	
					12 31 2020	*12 31 2021*
Non-convertible bonds	398	-	135	533	*398*	*533*
Payables to banks	168	17	4	189	*168*	*189*
Current financial payables for rights of use	21	2	-	23	*21*	*23*
Payables to other lenders	1	26	(26)	1	*1*	*1*
Total current financial liabilities	**588**	**45**	**113**	**746**	***588***	***746***

"Current financial liabilities" amounted to 746 million euro (588 million euro at December 31, 2020) and, net of the first-time consolidation effects of 45 million euro in the year, showed an increase of 113 million euro.

"Non-Convertible Bonds" amount to 533 million euro, an increase of 135 million euro, as the net effect of the decrease in the principal repaid for the bonds that matured during the year and the reclassification of the bond maturing in January 2022 from "Non-current financial liabilities".

Current "Payables to banks" amount to 189 million euro, representing an increase of 4 million euro compared with the end of the previous year, net of first-time consolidations of 17 million euro.

24) Tax payables

millions of euro	Balance at 12 31 2020	First-time consolidation effect acquisitions 2021	Changes	Balance at 12 31 2021
Tax payables	**5**	**-**	**16**	**21**

Tax payables amounted to 21 million euro (5 million euro at December 31, 2020) representing an increase of 16 million euro over the previous year-end.
This item includes, net of the payments made during the year, 21 million euro in substitute taxes recognized following the release of deferred taxes in connection with the realignment option provided for by DL 104/2020 exercised by the Group as better described in note 4) Deferred tax assets.

25) Liabilities directly associated with non-current assets held for sale

millions of euro	Balance at 12 31 2020	First-time consolid. effect acquisitions 2021	Changes	Balance at 12 31 2021	*of which included in the NFP*	
					12 31 2020	*12 31 2021*
Liabilities directly associated with non-current assets held for sale	**14**	**-**	**1**	**15**	**-**	**-**

At December 31, 2021, “Liabilities directly associated with non-current assets held for sale” had a value of 15 million euro. The item at December 31, 2021 refers to the reclassification of some liabilities related to the gas distribution networks business unit referring to ATEMs considered non-strategic for the Group.

3.12 Net debt

26) Net debt
(pursuant to Communication ESMA/31-62-1426)

The following table provides details of net debt:

millions of euro	Note	12 31 2021	First-time consolid. effect acquisitions 2021	12 31 2020 Restated (*)	12 31 2020 Published
Bonds - non-current portion	18	3,180		2,690	2,690
Bank loans - non-current portion	18	851	40	928	928
Non-current financial payables for rights of use	18	89	9	89	89
Non-current payables to other lenders	18	202	88	202	202
Other non-current liabilities	21	11	1	50	19
Total medium/long-term debt		**4,333**	**138**	**3,959**	**3,928**
Non-current financial assets - related parties	3	(5)		(4)	(4)
Non-current financial assets	3	(19)	(2)	(17)	(17)
Total medium/long-term financial receivables		**(24)**	**(2)**	**(21)**	**(21)**
Total non-current net debt		**4,309**	**136**	**3,938**	**3,907**
Bonds - current portion	23	533		398	398
Bank loans - current portion	23	189	17	168	168
Current financial payables for rights of use	23	23	2	21	21
Current amounts due to other providers of finance	23	1	26	1	1
Current financial liabilities - related parties	22	31	1		
Total short-term debt		**777**	**46**	**588**	**588**
Other current financial assets	9	(8)		(11)	(11)
Current financial assets - related parties	9	(1)		-	-
Total short-term financial receivables		**(9)**	**-**	**(11)**	**(11)**
Cash and cash equivalents	11	(964)	(27)	(1,012)	(1,012)
Total current net debt		**(196)**	**19**	**(435)**	**(435)**
Net debt		**4,113**	**155**	**3,503**	**3,472**

(*) The amount restated at December 31, 2020 implements guidance ESMA/31-62-1426 on balance sheet items to be included in the Net Financial Position.

The Group net financial position was 4,113 million euro.
The application of the new ESMA guidelines on the representation of financial debt led to a worsening of the net financial position of 31 million euro, corresponding to deferred prices arising from M&A transactions concluded in previous years.

Insofar as the disclosure about indirect financial debt is concerned, the Group has identified financial commitments due within one year in connection with employee benefits, decommissioning provisions and liabilities for landfills, tax disputes and reverse factoring, amounting to about 77 million euro.

Pursuant to IAS 7 “Cash Flow Statement”, the following are the changes in financial assets and liabilities:

millions of euro	12 31 2020	Cash flow	Non-cash flow			12 31 2021
			First-time consolid. effect acquisitions 2021	Change in fair value	Other changes	
Bonds	3,088	635	-	(3)	(7)	3,713
Financial payables	1,409	(260)	183	-	23	1,355
Other liabilities	19	(1)	2	(8)	*30*	42
Financial assets	(32)	(1)	(2)	-	2	(33)
Net liabilities deriving from financing activities	**4,484**	**373**	**183**	**(11)**	**48**	**5,077**
Cash and cash equivalents	(1,012)	75	(27)	-	-	(964)
Net debt	**3,472**	**448**	**156**	**(11)**	**48**	**4,113**

3.13 Notes to the income statement

For changes in the scope of consolidation as of December 31, 2021, please refer to the "Notes to the Balance Sheet Items" section of these Notes.

Moreover, the economic figures at December 31, 2021 are not consistent with the previous year due to the following extraordinary transactions in 2020:

- line-by-line consolidation of the AEB Group as of November 1, 2020.
- acquisition by A2A Rinnovabili S.p.A. and line-by-line consolidation of 100% of Flabrum S.r.l. and Solar Italy V S.r.l., companies operating in the sector of power generation from renewable sources;
- acquisition by LGH S.p.A. (now merged into A2A S.p.A.) and line-by-line consolidation of Agritre S.r.l., Tre Stock S.r.l. (merged already in December 2020 into LGH S.p.A.) and Fragea S.r.l., companies operating in the biomass generation sector.

It should be noted that some income statement items, referring to non-current assets held for sale (three buildings located in Milan sold in February 2022 and assets concerning gas distribution referring to ATEMs considered non-strategic for the Group) in compliance with the provisions of IFRS 5, were reclassified to the item "Net result from non-current assets held for sale". As a result, the values as of December 31, 2020 have been restated.

27) Revenues

Revenues for the year amounted to 11,549 million euro (6,848 million euro at December 31, 2020), which was therefore an increase of 4,701 million euro (+68.6%).

Details of the more significant items are as follows:

Revenues millions of euro	12 31 2021	12 31 2020 Restated	Change	% 2021/2020
Revenues from the sale of goods	10,129	5,538	4,591	82.9%
Revenues from services	1,223	1,117	106	9.5%
Total revenues from the sale of goods and services	**11,352**	**6,655**	**4,697**	**70.6%**
Other operating income	**197**	**193**	**4**	**2.1%**
Total revenues	**11,549**	**6,848**	**4,701**	**68.6%**

The increase was in wholesale energy markets primarily due to the extraordinary increase in electricity and gas prices recorded in 2021. Revenues in the retail market were also up thanks to higher unit prices and higher quantities sold to customers in the gas and electricity market. Finally, new companies contributed to the aforementioned positive change, acquired in 2020 (AEB Group, consolidated on a line-by-line basis from November 2020, Agritre, Fragea, Tre Stock S.r.l. and Flabrum) and in 2021 (Octopus, Agripower).

Further details of the main items are as follows:

millions of euro	12 31 2021	12 31 2020 Restated	Change	% 2021/2020
Sale and distribution of electricity	6,572	3,290	3,282	99.8%
Sale and distribution of gas	2,814	1,783	1,031	57.8%
Sale of heat	220	175	45	25.7%
Sale of materials	75	41	34	82.9%
Sale of water	90	83	7	8.4%
Sales of environmental certificates	323	136	187	n.s.
Connection contributions	35	30	5	16.7%
Total revenues from the sale of goods	**10,129**	**5,538**	**4,591**	**82.9%**
Services to customers	1,223	1,117	106	9.5%
Total revenues from services	**1,223**	**1,117**	**106**	**9.5%**
Total revenues from the sale of goods and services	**11,352**	**6,655**	**4,697**	**70.6%**
Reintegration of costs plant S. Filippo del Mela (plant essential Unit)	15	51	(36)	(70.6%)
Damage compensation	9	10	(1)	(10.0%)
Contributions - Cassa Servizi Energetici ed Ambientali	8	5	3	60.0%
Rents receivable	4	4	-	0.0%
Contingent assets	50	34	16	47.1%
Incentives for production from renewable sources (feed-in tariff)	74	59	15	25.4%
Other revenues	37	30	7	23.3%
Other operating income	**197**	**193**	**4**	**2.1%**
Total revenues	**11,549**	**6,848**	**4,701**	**68.6%**

Revenue from heat sales increased by 45 million euro mainly as a result of the increase in prices and quantities sold in the year under review compared to 2020.

The increase in revenues from the sale of environmental certificates, amounting to 187 million euro, is primarily due to the increase in the CO_2 price linked to the reference scenario.

"Other operating income" increased by 4 million euro mainly due to higher revenues related to incentives on net production from renewable sources of 15 million euro, higher other revenues of 7 million euro and higher contingent assets of 16 million euro partially offset by lower revenues for the reinstatement of generation costs incurred for the San Filippo del Mela power plant (Essential Plant) pursuant to Resolution 803/2016 of 36 million euro.

Further details on the reasons for the performance of revenues relating to the various Business Units can be found in the paragraph "Result by sector".

28) Operating expenses

"Operating expenses" amounted to 9,400 million euro (4,945 million euro at December 31, 2020), therefore representing an increase of 4,455 million euro.

The main components of this item are as follows:

Operating expenses millions of euro	12 31 2021	12 31 2020 Restated	Change	% 2021/2020
Costs for raw materials and consumables	7,563	3,406	4,157	n.s.
Costs for services	1,525	1,281	244	19.0%
Total costs for raw materials and services	**9,088**	**4,687**	**4,401**	**93.9%**
Other operating expenses	**312**	**258**	**54**	**20.9%**
Total operating expenses	**9,400**	**4,945**	**4,455**	**90.1%**

"Costs for raw materials and services" amounted to 9,088 million euro (4,687 million euro at December 31, 2020), representing an increase of 4,401 million euro, of which 231 million euro, attributable to the consolidation of the AEB Group, and of which 21 million euro deriving from the first-time consolidation of the companies acquired in 2021.
This increase was due to the combined effect of the following factors:

- an increase of 4,257 million euro in the purchase of raw materials and consumables, due to an increase in costs for the purchase of power and fuel of 3,876 million euro, an increase in the costs relating to the purchase of environmental certificates of 355 million euro, an increase in purchase of materials of 29 million euro, an increase in water purchases for 1 million euro and a net decrease of 4 million euro arising from hedging gains and losses on operating derivatives;
- an increase of 244 million euro in costs for delivery, subcontracted work and services;
- the decrease in inventories of fuel and materials for 100 million euro.

For further information, the following table sets out details of the more significant components:

millions of euro	12 31 2021	12 31 2020 Restated	Change	% 2021/2020
Purchases of power and fuel	6,869	2,993	3,876	n.s.
Purchases of materials	158	129	29	22.5%
Purchases of water	3	2	1	50.0%
Hedging losses on operating derivatives	4	9	(5)	(55.6%)
Hedging gains on operating derivatives	(12)	(13)	1	(7.7%)
Purchases of emission certificates and allowances	596	241	355	n.s.
Total expenses for raw materials and consumables	**7,618**	**3,361**	**4,257**	**n.s**
Delivery and transmission costs	808	663	145	21.9%
Maintenance and repairs	203	177	26	14.7%
Other services	514	441	73	16.6%
Total expenses for services	**1,525**	**1,281**	**244**	**19.0%**
Change in inventories of fuel and materials	(55)	45	(100)	n.s.
Total expenses for raw materials and services	**9,088**	**4,687**	**4,401**	**93.9%**
Leasehold improvements	118	99	19	19.2%
Concession fees	102	85	17	20.0%
Contributions to territorial entities, consortia and ARERA	12	10	2	20.0%
Taxes and duties	36	35	1	2.9%
Damages and penalties	5	3	2	66.7%
Contingent liabilities	19	10	9	90.0%
Other costs	20	16	4	25.0%
Other operating expenses	**312**	**258**	**54**	**20.9%**
Total operating expenses	**9,400**	**4,945**	**4,455**	**90.1%**

Trading margin

The following table sets out the results arising from the trading portfolio, including the effect of changes in derivative instruments, these figures relate to trading in electricity, gas and environmental certificates.

Trading margin millions of euro	Note	12 31 2021	12 31 2020	Change
Revenues	27	247	1,368	(1,121)
Operating expenses	28	(221)	(1,358)	1,137
Total trading margin		**26**	**10**	**16**

The “Trading margin” was up by 16 million euro compared to December 31, 2020. Thanks to the persistence of significant volatility in the commodity market and exceptional price levels especially in the second half of 2021, systematic trading activity contributed steadily to margin growth during the year. The scarcity of price liquidity combined with high volatility over a sufficiently large period created an ideal context for operating in Market Making mode.

29) Labour costs

Excluding capitalized costs, labour costs at December 31, 2021 totalled 721 million euro (703 million euro at December 31, 2020), of which 38 million euro related to the consolidation of the AEB Group, and of which 3 million euro related to the first-time consolidation of the companies acquired in 2021.

"Labour costs" may be analysed as follows:

Labour costs millions of euro	12 31 2021	12 31 2020 Restated	Change	% 2021/2020
Wages and salaries	562	531	31	5.8%
Social security charges	189	179	10	5.6%
Employee leaving entitlement (TFR)	35	31	4	12.9%
Other costs	35	44	(9)	(20.5%)
Total labour costs before capitalizations	**821**	**785**	**36**	**4.6%**
Capitalized labour costs	(100)	(82)	(18)	22.0%
Total labour costs	**721**	**703**	**18**	**2.6%**

The table below shows the average number of employees by category:

	12 31 2021	12 31 2020	Change
Managers	206	203	3
Middle Managers	786	765	21
White-collar workers	5,729	5,499	230
Blue-collar workers	6,455	6,440	15
Total	**13,176**	**12,907**	**269**

At December 31, 2021, the average labour cost per capita amounted to 54.72 thousand euro. In the previous year, it was 56.79 thousand euro.

At December 31, 2021, the Group had 13,267 employees, of whom 721 related to the consolidation of the AEB Group. At December 31, 2020, the Group had 12,978 employees.

Other personnel costs include less than 1 million euro (2 million euro at December 31, 2020) costs relating to the total cost of the company's restructuring plan related to future staff leaving for redundancy.

30) Gross operating income

As a result of the above movements, consolidated "Gross operating income" at December 31, 2021 amounted to 1,428 million euro (1,200 million euro at December 31, 2020), of which 63 million euro arising from the consolidation of the AEB Group and 16 million euro from the first-time consolidation of the companies acquired in 2021.

Further details may be found in the section "Results sector by sector".

31) Depreciation, amortization, provisions and write-downs

"Depreciation, amortization, provisions and write-downs" totalled 768 million euro (646 million euro at December 31, 2020), of which 41 million euro from the consolidation of the AEB Group and 15 million euro from the first-time consolidation of the companies acquired in 2021, representing an increase of 122 million euro.

The following table provides details of the individual items:

Depreciation, amortization, provisions and write-downs millions of euro	12 31 2021	12 31 2020 Restated	Change	% 2021/2020
Amortization of intangible assets	201	136	65	47.8%
Depreciation of tangible assets	465	411	54	13.1%
Net write-downs of fixed assets	13	5	8	n.s.
Total amortization, depreciation and write-downs	**679**	**552**	**127**	**23.0%**
Provisions for risks	56	64	(8)	(12.5%)
Bad debt provision on receivables recognized as current assets	33	30	3	10.0%
Total depreciation, amortization, provisions and write-downs	**768**	**646**	**122**	**18.9%**

"Depreciation, amortization and write-downs" totalled 679 million euro (552 million euro at December 31, 2020), of which 38 million euro from the consolidation of the AEB Group, recording an overall increase of 127 million euro.
Amortization of intangible assets amounted to 201 million euro (136 million euro at December 31, 2020). The item shows higher amortization and depreciation of 65 million euro, of which 11 million euro deriving from the consolidation of the AEB Group, 4 million euro relating to the consolidation of Flabrum and Agripower, 24 million euro relating to the recovery of amortization relating to the gas distribution network in ATEM Milan1, 20 million euro relating to the implementation of IT systems and 6 million euro relating to the integrated water service and gas distribution and metering.

Depreciation of tangible assets show an increase of 54 million euro compared to December 31, 2020 and includes:

- higher depreciation of 9 million euro, relating to the consolidation of the AEB Group;
- higher depreciation of 12 million euro relating to the consolidation, from 2021, of Agripower and Octopus;
- higher depreciation of 2 million euro, relating to the plan for replacement of electricity meters;
- higher depreciation of 2 million euro for rights of use;
- higher depreciation of 5 million euro following the new appraisals on landfills;
- higher depreciation of 9 million euro relating to the decommissioning of some plants;
- higher depreciation of 7 million euro relating to the increased operating hours of the turbogas plants;
- higher depreciation of 8 million euro mainly relating to the investments which went into production after December 31, 2020.

With regard to large-scale diversion hydroelectric concessions, reference should be made to note 1) Tangible assets for further information about the regulatory developments in the sector.

Write-downs for the year amounted to 13 million euro, of which 9 million euro deriving from consolidation of the AEB Group, 1 million euro from write-downs of the Asrab and Cavaglià landfills, 1 million euro from write-downs of the electrical network and abandoned gas pipes and 2 million euro from write-downs of electronic equipment no longer used in the Group's operations.

The balance of "Provisions for risks" shows a net effect of 56 million euro (64 million euro at December 31, 2020) due to allocations in the year of 66 million euro, offset by the surpluses of 10 million euro since some ongoing disputes have ceased to exist.
Allocations for the year included 13 million euro allocation for public water diversion fees, 7 million euro allocation to tax provisions, 29 million euro allocation to provisions for landfill closure and post-closure expenses and decommissioning, 6 million euro allocation to personnel lawsuits and disputes provisions and 11 million euro other provisions for ongoing disputes. Surpluses in provisions for risks amounted to 10 million euro and include 3 million euro for the release of provisions for additional fees paid for hydroelectric power plants, 2 million euro for the release of provisions for legal and tax disputes and other releases for 5 million euro.

For further information, reference is made to note 20) Provisions for risks, charges and liabilities for landfills.

The "Bad debts provision" showed a balance of 33 million euro (30 million euro at December 31, 2020), of which 1 million euro deriving from the consolidation of the AEB Group, determined by the allocation for the year.

32) Net operating income

"Net operating income" amounted to 660 million euro (554 million euro at December 31, 2020).

33) Result from non-recurring transactions

The Result from non-recurring transactions was nil at December 31, 2021 (nil at December 31, 2020).

34) Financial balance

The "Financial balance" closed with net expense of 70 million euro (net expense of 81 million euro at December 31, 2020).

Details of the more significant items are as follows:

Financial balance millions of euro	12 31 2021	12 31 2020 Restated	Change	% 2021/2020
Financial income	17	12	5	41.7%
Financial expenses	(89)	(93)	4	(4.3%)
Affiliates	2	-	2	n.s
Total financial balance	**(70)**	**(81)**	**11**	**(13.6%)**

"Financial income" amounted to 17 million euro (12 million euro at December 31, 2020) and may be analyzed as follows:

Financial income millions of euro	12 31 2021	12 31 2020 Restated	Change	% 2021/2020
Gains on disposals of financial assets	2	-	2	n.s.
Other financial income of which:	15	12	3	25.0%
- *Financial income from the Municipality of Brescia (IFRIC 12)*	*6*	*6*	*-*	*0.0%*
- *Foreign exchange gains*	*3*	*1*	*2*	*n.s.*
- *Other income*	*6*	*5*	*1*	*20.0%*
Total financial income	**17**	**12**	**5**	**41.7%**

“Financial expense”, which amounted to 89 million euro, decreased by 4 million euro over the balance at December 31, 2020, and may be analyzed as follows:

Financial expenses millions of euro	12 31 2021	12 31 2020 Restated	Change	% 2021/2020
Interest on bond loans	63	73	(10)	(13.7%)
Interest charged by banks	4	3	1	33.3%
Realized on financial derivatives	3	6	(3)	(50.0%)
Decommissioning costs	2	-	2	n.s.
Other financial expenses of which:	17	11	6	54.5%
- *Discounting charges*	*3*	*2*	*1*	*50.0%*
- *Financial expenses (IFRS 16)*	*1*	*1*	*-*	*0.0%*
- *Financial expenses (IFRIC 12)*	*2*	*3*	*(1)*	*(33.3%)*
- *Foreign exchange losses*	*2*	*2*	*-*	*0.0%*
- *Other expenses*	*9*	*3*	*6*	*n.s.*
Total financial expenses before capitalizations	**89**	**93**	**(4)**	**(4.3%)**
Capitalized financial expenses	-	-	-	(0.0%)
Total financial expenses	**89**	**93**	**(4)**	**(4.3%)**

The decrease of 10 million euro in interest on bonds is due mainly to the refinancing of bonds that matured with the issuance of newer, more recent bonds at lower rates.

The Equity Method valuation of shareholdings was positive for 2 million euro (nil at December 31, 2020), and was mainly attributable to the positive valuation of the shareholdings held in the companies Consul System and Metamer.

35) Income taxes

Income taxes millions of euro	12 31 2021	12 31 2020	Change
Current IRES	166	130	36
Current IRAP	35	28	7
Effect of differences - taxes of previous years	(5)	(56)	51
Total current taxes	**196**	**102**	**94**
Deferred tax assets	22	39	(17)
Deferred tax liabilities	(182)	(42)	(140)
Total losses/gains for income taxes	**36**	**99**	**(63)**

“Income taxes” for the year amounted to 36 million euro (99 million euro at December 31, 2020).
The parent A2A has determined the IRAP taxes for 2021 on the basis of the application of art. 5 of Legislative Decree no. 446 of December 15, 1997. The parent A2A has determined IRAP at a rate of 4.20% since, pursuant to art. 162-bis of Presidential Decree no. 917 of December 22, 1986, in 2021 it does not qualify as a so-called “industrial holding”.

The reduction in taxes with respect to the previous year reflects the release of deferred tax liabilities following the realignment option pursuant to DL 104/2020, exercised by some Group companies, which allowed the realignment of the differences between higher statutory values and lower values for tax purposes on tangible assets and the consequent deduction of higher tax amortization starting from the current year, as well as the release of a part of deferred IRAP tax assets as the Group considered their recoverability to be unreasonable. The impact of the release of deferred tax assets/liabilities amounted to 168 million euro, while the recognition of a substitute tax following the realignment option pursuant to DL 104/2020 was equal to 23 million euro.

The reconciliation between the tax burden posted in the Consolidated Financial Statements and theoretical tax liabilities, calculated on the basis of theoretical rates applicable in Italy, is as follows:

millions of euro	2021	2020 Restated
Pre-tax result	**590**	**473**
Net write-downs of fixed assets	13	5
Pre-tax result adjusted by write-downs and the result of assets held for sale	**603**	**478**
Theoretical rates based on applicable tax rates (1)	145	115
Tax effect of write-downs	(3)	(1)
Adjustment of prior year taxes	(5)	(56)
Reversal of deferred tax liabilities/assets	(168)	-
Substitute tax for realignment	23	-
Permanent differences	9	14
Total taxes charged to Income statement (excluding IRAP)	**1**	**72**
Current IRAP	35	28
Total taxes charged to Income statement	**36**	**100**

(1) Taxes have been calculated considering a theoretical IRES rate of 24%

36) Net result from discontinued operations

The "Net result from discontinued operations" is negative and equal to 4 million euro (negative for 6 million euro at December 31, 2020) and refers to the reclassification of revenues, costs and amortization relating to some assets concerning gas distribution referring to ATEMs considered non-strategic for the Group and three properties in the Milan area which, in compliance with IFRS5, at December 31, 2021 were reclassified under "Assets held for sale".

37) Result of minorities

The "Result of minorities" is negative for the Group for 46 million euro and mainly includes the portion attributable to minority interests of the ACSM-AGAM Group and the AEB Group. In the previous year, the item showed a negative balance for the Group for 4 million euro.

38) Group result of the year

The "Group result of the year" was positive for 504 million euro (positive for 364 million euro at December 31, 2020).

3.14 Earnings per share

39) Earnings per share

	01 01 2021 12 31 2021	01 01 2020 12 31 2020
Earnings (loss) per share (in euro)		
- basic	0.1639	0.1170
- basic, from continuing operations	0.1651	0.1175
- basic, from assets held for sale	(0.0012)	(0.0005)
- diluted	0.1639	0.1170
- diluted, from continuing operations	0.1651	0.1175
- diluted, from assets held for sale	(0.0012)	(0.0005)
Weighted average number of outstanding shares for the calculation of earnings (loss) per share		
- basic	3,073,686,277	3,109,183,856
- diluted	3,073,686,277	3,109,183,856

3.15 Note on related party transactions

40) Note on related party transactions

The definition of "related parties" is included in the international accounting standard describing the disclosures which must be made for related party transactions in financial statements (revised IAS 24).

Relationships with parent companies and their subsidiaries

On October 5, 2007, the Municipalities of Milan and Brescia signed a Shareholders' Agreement to regulate the ownership structure of A2A S.p.A.; this gave the Municipalities joint control over the company.
Specifically, the merger effective January 1, 2008, regardless of the legal structure established, was considered a joint venture, whose joint control was exercised by the Municipalities of Milan and Brescia, each of which owned a share equal to 27.5%.
On June 13, 2014, the Shareholders' Meeting modified the company's governance system, passing from the original two-tier system, adopted in 2007, to a "traditional" system of management and control through the appointment of the Board of Directors.
In December 2014, the Municipalities of Milan and Brescia sold a total shareholding of 0.51% of A2A S.p.A., while in the first two months of 2015, the Municipalities of Milan and Brescia sold an additional shareholding of 4.5% of A2A S.p.A..
On October 4, 2016, the Municipalities of Milan and Brescia renewed for another three years, with effect from January 1, 2017, the Shareholders' Agreement signed on December 30, 2013, concerning 1,566,452,642 ordinary shares representing 50% plus two shares of the share capital of A2A S.p.A.. On May 20, 2016, the two Municipalities had proceeded to sign an appendix to the Agreement, which envisaged reducing from six months to three months the term of the agreement, during which it is possible to terminate the same.
On October 26, 2016, the Municipality of Milan received from the Municipality of Brescia the proposal, approved by the Council of said Municipality on October 25, 2016, to partially amend the shareholders' agreement relating to A2A S.p.A. existing between the two Municipalities. In particular, said proposal requires the commitment of the two Municipalities to maintain syndicated and bound, in the new agreement, a number of shares held by them in equal measure, equal to 42% of the share capital of A2A S.p.A.. On November 4, 2016, the Council of the Municipality of Milan, after having favourably examined the proposal of the Municipality of Brescia of a partial amendment to the shareholders' agreement, submitted to the Municipal Council the proposal of the new shareholders' agreement for the final determinations of competence.
On January 23, 2017, the Milan City Council approved the new Shareholders' Agreement between the Municipality of Milan and the Municipality of Brescia regarding the shareholding in A2A S.p.A. and has undertaken the commitment not to proceed with the disposal of any shares owned by the Municipality of Milan.
On August 2, 2019, the Municipality of Milan, also on behalf of the Municipality of Brescia, announced that the aforementioned Shareholders' Agreement was not subject to termination. Consequently, the agreement is to be considered renewed with effect from February 1, 2020 to January 31, 2023.
At the date of approval of these Consolidated financial statements at December 31, 2021, the two shareholders held a shareholding of 50% plus two shares that enables the two municipalities to maintain control over the Company.

The A2A Group companies and the Municipalities of Milan and Brescia routinely entertain commercial relationships related to the supply of electricity, gas, heat, and potable water, management of public lighting systems and street lights, management of water purification and sewers, garbage collection and street sweeping and video surveillance.
Similarly, the A2A Group companies entertain commercial relationships with the companies directly and indirectly controlled by the Municipalities of Milan and Brescia, for example, Metropolitana Milanese S.p.A., ATM S.p.A., Brescia Mobilità S.p.A., Brescia Trasporti S.p.A. and Centrale del Latte di Brescia S.p.A., supplying them with electrical energy, gas, heat, water purification and sewer service at market rates appropriate to the supply conditions and providing the services required. Note that these companies are considered related parties in the preparation of the financial statement schedules pursuant to Consob Resolution 17221 of March 12, 2010.
The relationships between the Municipalities of Milan and Brescia and the A2A Group, in relation to granting the services associated with public lighting, street lights, management and supply of electricity, gas, heat, and water purification and sewer service are regulated by special conventions and specific contracts.
The relationships between the companies controlled by the Municipalities of Milan and Brescia, which refer to the supply of electricity, are at arm's length conditions.

On April 12, 2017, Amsa S.p.A., a subsidiary of A2A S.p.A., signed a contract with the Municipality of Milan for the management of environmental protection services for the period January 1, 2017 - February 8, 2021, extended until April 30, 2022. On December 30, 2021, the Municipality of Milan sent to the Republic of Italy Official Journal the call for tenders for the
European open procedure for the contracting of the municipal waste management service with reduced environmental impact from a life-cycle perspective, pursuant to the action plan for the environmental sustainability of consumption in the public administration sector (PAN GPP) and the Decree of the Ministry of the Environment and Protection of Land and Sea of February 13, 2014.
The call for tenders stipulated that bids had to be submitted by the deadline of July 11, 2022; therefore, it is foreseeable in any case that the Municipality of Milan will extend the technical extension for the time necessary to reach final awarding of the tender.
Furthermore, the Municipality of Milan has communicated through the official channels where the tender is notified that, by means of Orders no. 264/2022 and no. 265/2022, published on March 2, 2022, the Lombardy Regional Administrative Court, Milan, Section I, granted the precautionary requests submitted by two economic operators and, as a result, suspended the tender procedure, setting the public hearing on November 9, 2022 for discussion of the merits of the appeal.
Pending the deadlines and the suspension, Amsa is preparing documentation for participation in the call.

Relationships with subsidiaries and affiliates

The parent company A2A S.p.A., operates like a centralized treasury for the majority of the subsidiaries. Relations between the companies are regulated through current accounts between the parent company and the subsidiaries, on which rates are applied, at market conditions, based on variable Euribor, with specific spreads for companies. For the financial year 2021, A2A S.p.A. and its subsidiaries have adopted the VAT procedure of the Group.
Note that for IRES purposes, A2A S.p.A. files for tax on a consolidated basis, together with its main subsidiaries, in accordance with arts. 117-129 of DPR 917/86. To this end, with each of the subsidiaries joining, a special contract was drawn up to regulate the tax advantages/disadvantages transferred, with specific reference to the current entries. These contracts also govern the transfer of any excess of ROL as set forth by prevailing legislation.

The parent company provides the subsidiaries and affiliates with administrative, fiscal, legal, management and technical services in order to optimize the resources available in the company and to use the existing expertise in terms of economic convenience. These services are governed by specific service contracts stipulated annually. A2A S.p.A. also makes office space and operating areas at its own premises available to subsidiaries and associates, as well as associated services. These are provided at market conditions.
The companies A2A gencogas S.p.A. and A2A Energiefuture S.p.A., for a monthly fee related to the actual availability of the thermoelectric plants, provide to the Parent Company the power generation service.

As of July 1, 2018, the ACSM-AGAM Group's related-party transactions with related parties of the A2A Group are shown as related parties.

As of November 1, 2020, the AEB Group's related-party transactions with related parties of the A2A Group are shown as related parties.

Lastly, in compliance with the requirements of the "Regulation on provisions relating to related party transactions" adopted by Consob with Resolution no. 17221 of March 12, 2010 and subsequently amended by Resolution no. 17389 of June 23, 2010, by way of a resolution of November 11, 2010 the Management Board approved, following the favorable opinion of the Internal Control Committee, the prescribed procedure for identifying the rules and controls designed to ensure the transparency and substantial and procedural correctness of the related party transactions carried out by A2A S.p.A. directly or through its subsidiaries. The aforementioned Procedure was applied effective January 1, 2011 and subsequently amended on August 1, 2012, November 7 and December 18, 2013 and June 22, 2015.
Following a periodic review, the Procedure was subsequently amended/supplemented and approved by the Board of Directors on June 20, 2016, subject to the favourable opinion of the Audit and Risks Committee and then updated on June 22, 2017, in view of Consob Resolution no. 19925 of March 22, 2017 and on December 16, 2019, in view of the amendments to art. 192-quinquies of Legislative Decree February 24, 1998, no. 58 ("TUF") (art. 4 of Legislative Decree May 10, 2019, no. 49).
Lastly, by resolution of the Board of Directors on June 25, 2021, subject to the favourable opinion of the Related Parties Committee established by board resolution of May 13, 2021, the Procedure was amended - effective as of July 1, 2021 - to comply with the Related Parties Regulation, as amended by Consob resolution no. 21624 of December 10, 2020, in implementation of the so-called "Shareholders' Rights II" Directive. The aforementioned Procedure can be found on the website www.a2a.eu.

Below are the tables with detail of the related party transactions, in accordance with the Consob Resolution no. 17221 of March 12, 2010:

Balance sheet thousands of euro	Total 12 31 2021	Of which with related parties								
		Companies associated and subsidiaries of associates	Companies related	Municipality of Milan	Subsidiaries direct and indirect Municipality of Milan	Municipality of Brescia	Subsidiaries direct and indirect Municipality of Brescia	Related parties individuals	Total related parties	% effect on the balance sheet item
TOTAL ASSETS OF WHICH:	**18,008**	**51**	**47**	**67**	**12**	**14**	**-**	**-**	**191**	**1.1%**
Non-current assets	*9,259*	*2*	*41*	*-*	*-*	*4*	*-*	*-*	*47*	*0.5%*
Shareholdings	33	2	31						33	100.0%
Other non-current financial assets	64		10			4			14	21.9%
Current assets	*8,587*	*49*	*6*	*67*	*12*	*10*	*-*	*-*	*144*	*1.7%*
Trade receivables	3,291	49	5	67	12	9			142	4.3%
Other current assets	4,051		1						1	0.0%
Current financial assets	9					1			1	11.1%
TOTAL LIABILITIES OF WHICH:	**13,690**	**72**	**1**	**2**	**1**	**7**	**-**	**-**	**83**	**0.6%**
Non-current liabilities	*5,542*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*0.0%*
Current liabilities	*8,148*	*72*	*1*	*2*	*1*	*7*	*-*	*-*	*83*	*1.0%*
Trade payables	2,894	65	1	2	1	7			76	2.6%
Other current liabilities	4,487	7							7	0.2%

Income statement thousands of euro	Total 12 31 2021	Of which with related parties								
		Companies associated and subsidiaries of associates	Companies related	Municipality of Milan	Subsidiaries direct and indirect Municipality of Milan	Municipality of Brescia	Subsidiaries direct and indirect Municipality of Brescia	Related parties individuals	Total related parties	% effect on the balance sheet item
REVENUES	**11,549**	**54**	**23**	**315**	**43**	**40**	**3**	**-**	**478**	**4.1%**
Revenues from the sale of goods and services	11,352	54	23	315	43	40	3		478	4.2%
OPERATING EXPENSES	**9,400**	**64**	**5**	**2**	**8**	**8**	**-**	**-**	**87**	**0.9%**
Expenses for raw materials and services	9,088		5		8				13	0.1%
Other operating expenses	312	64		2		8			74	23.7%
LABOUR COSTS	**721**	**-**	**-**	**-**	**-**	**-**	**-**	**2**	**2**	**0.3%**
FINANCIAL BALANCE	**(70)**	**-**	**(5)**	**-**	**-**	**6**	**-**	**-**	**1**	**(1.4%)**
Financial income	17					6			6	35.3%
Financial expenses	89		**7**						7	7.9%
Affiliates	2		2						2	100.0%

The complete financial statements are included in the section "Consolidated financial statements" of this report pursuant to Consob Resolution no. 17221 of March 12, 2010.

It should be noted that during the year, the A2A Group made grants totalling 3 million euro to foundations that have been included on a voluntary basis among related parties. Specifically, these involve: Fondazione AEM, Fondazione ASM, Comitato Banco dell'Energia Onlus, Fondazione Teatro alla Scala and Fondazione Brescia Musei.

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With regard to the compensation paid to the corporate governance bodies, reference shall be made to the document "Remuneration Report – 2022" available on the website www.a2a.eu.

3.16 Consob Communication no. DEM/6064293 of July 28, 2006

41) Consob Communication no. DEM/6064293 of July 28, 2006

On December 31, 2021 the merger by incorporation of LGH S.p.A. into A2A S.p.A. became effective.

It should also be noted that some Group companies have exercised the realignment option, as provided for by Decree Law 104/2020, which makes it possible to realign the differences between higher statutory values and lower values for tax purposes on tangible assets by releasing deferred tax liabilities as better specified in note 4) Deferred tax assets.

3.17 Guarantees and commitments with third parties

millions of euro	12 31 2021	12 31 2020
Guarantees received	966	918
Guarantees provided	1,509	1,265

Guarantees received

Guarantees received amounted to 966 million euro (918 million euro at December 31, 2020) and included 392 million euro for sureties and security deposits issued by subcontractors to guarantee the proper execution of the work assigned and 517 million euro for sureties and security deposits received from customers to guarantee the regularity of payments and guarantees received by the ACSM-AGAM Group for 43 million euro and guarantees received by the AEB Group for 14 million euro.

Guarantees provided and commitments with third parties

Guarantees provided amounted to 1,509 million euro (1,265 million euro at December 31, 2020), of which for obligations undertaken in the loan agreements of 60 million euro. These guarantees have been issued by banks for 1,178 million euro, insurance companies for 57 million euro and the parent company A2A S.p.A., as parent company guarantee, for 274 million euro and guarantees provided by the ACSM-AGAM Group for 82 million euro and guarantees provided by the AEB Group for 53 million euro.

* * *

Group companies hold third party assets under concession, relating mainly to the integrated water cycle, amounting to 66 million euro.

* * *

As described in greater detail in paragraph 8) Update of the main legal and tax disputes still pending, Linea Ambiente S.r.l. - Grottaglie landfill, part of the shares held by Linea Ambiente S.r.l. in Lomellina Energia S.r.l. are subject to judicial seizure.

3.18 Other information

1) Significant events for the Group after December 31, 2021

For a description, reference is made to the paragraph "Significant events after December 31, 2021" of the Report on operations.

2) Information on treasury shares

At December 31, 2021, A2A S.p.A. had no treasury shares.
In the second quarter of 2021 was the share buyback program authorized by the Shareholders' Meeting on April 29, 2021, resulting in an increase in treasury shares held in portfolio of 109 million euro. The Group subsequently completed the purchase of the remaining 49% of the share capital of LGH S.p.A., which was then merged by incorporation into A2A S.p.A., by means of the allocation, in favour of the minority shareholders, of the total number of treasury shares in portfolio, amounting to 163 million euro, including 54 million euro of treasury shares already held at December 31, 2020.

At December 31, 2021, no treasury shares were held through subsidiaries, finance companies or nominees.

3) Transactions as per IFRS 3 revised

In 2021, the A2A Group completed the following acquisitions of investments, which fall within the provisions of IFRS 3:
- acquisition and line-by-line consolidation of 100% of the shares in Agripower S.r.l., a company specialising in the development and management of power generation plants from biogas;
- acquisition by A2A Rinnovabili S.p.A. and line-by-line consolidation of 15 companies with 17 plants and 173MW of installed photovoltaic capacity, previously managed by Octopus Renewables;
- acquisition and line-by-line consolidation by A2A Rinnovabili S.p.A. of Gash 1 S.r.l. and Gash 2 S.r.l., two project companies with authorization to build two photovoltaic plants;
- acquisition and full consolidation by A2A Ambiente S.p.A. of TecnoA S.r.l., a special waste processing company.

Moreover, in 2021, the Purchase Price Allocation process resulting from the acquisitions completed by A2A Rinnovabili in 2020 and 2021 was concluded, a description of which is provided in the paragraphs below.

The transactions summarized above are classified as business combinations in accordance with international standard IFRS 3 "Business Combinations"; the Group fully consolidated the companies through the application of the acquisition method prescribed by IFRS 3, by virtue of the control obtained on the entities acquired.
IFRS 3 requires all business combinations to be accounted for using the acquisition method within twelve months from acquisition. The acquirer must therefore recognize all the identifiable assets, liabilities and contingent liabilities relating to the acquisition at their fair values at the acquisition date and highlight the eventual recognition of goodwill.
The fee transferred in a business combination is determined at the date of acquisition of control and is equal to the fair value of assets transferred, liabilities incurred, and any equity instruments issued by the acquirer. Costs directly attributable to the transaction are recognized in the income statement when incurred. At the date of acquisition of control, the net equity of the investee companies is determined by attributing to individual assets and liabilities their fair value, except in cases where the IFRS provisions provide a different valuation criterion. Any residual difference with respect to the purchase cost, if positive, is recognized under the item "Goodwill" (hereinafter also goodwill); if negative, it is recognized in the income statement.

Business Combinations Agripower Group

On March 19, 2021, LGH S.p.A. (subsequently merged into A2A S.p.A.) completed the acquisition of the Agripower Group, which is active in the development and management of electricity generation plants from biogas.
The acquisition was completed by public auction for a consideration of 10.2 million euro. The price was fully settled at the closing of the transaction.
On closing, the transaction generated goodwill of 9.9 million euro. In compliance with the provisions of IFRS 3, the Group concluded the Purchase Price Allocation (PPA) activity by allocating 13.7 million euro to other intangible assets (GSE Agreement) and the related deferred taxes of 3.8 million euro.

Business Combinations Rinnovabili Group

Flabrum S.r.l.

In November 2020, A2A Rinnovabili completed the acquisition of 100% of the company Flabrum S.r.l., which owns a wind farm with a nominal capacity of 8.2 MW. The acquisition was concluded for a value of 13.9 million euro, of which 11.9 million euro for the purchase of the shareholding and 2 million euro for the entry of the loan of the former shareholders. The price was fully settled at the closing of the transaction. On closing, the transaction generated goodwill of 11.2 million euro, which, in accordance with IFRS 3, the Group has repaid via the Purchase Price Allocation process. This process was completed with the allocation of the higher value to intangible assets (GSE agreement) amounting to 12.6 million euro, to tangible assets (wind plant) amounting to 2.9 million euro, as well as the recognition of deferred taxes amounting to 4.3 million euro.

Octopus Group

In March 2021, A2A Rinnovabili completed the acquisition of 100% of a photovoltaic portfolio consisting of 17 plants, previously managed by Octopus Renewables. The acquisition was completed for 229 million euro, including 117 million euro for the purchase of equity investments, 89 million euro to take over former shareholders' loan, 21 million euro to repay bank loans and 2 million euro in trade payables paid to the previous owners. The price was fully settled at the closing of the transaction.
At the time of closing, the transaction generated goodwill of 65 million euro, confirmed by the Purchase Price Allocation process that was concluded within the timeframe provided for by IFRS 3.

Gash 1 S.r.l. and Gash 2 S.r.l.

In April 2021, A2A Rinnovabili completed the acquisition of 100% of the shareholdings in Gash 1 S.r.l. and Gash 2 S.r.l., companies holding authorizations for the construction of photovoltaic parks of approximately 2 MW. The transaction closed for a total of 0.4 million euro, generating insignificant goodwill allocated directly to other intangible assets.

Business combination TecnoA S.r.l.

On December 12, 2021, A2A Ambiente S.p.A., a company wholly owned by A2A S.p.A., acquired 100% of the investment in TecnoA S.r.l., a special waste processing company. The agreement was reached for a value, fully paid at transaction closing, equal to 276 million euro.
The acquisition of the shareholding generated goodwill of 267 million euro, which will be allocated through the Purchase Price Allocation process within the time frame required by IFRS 3.

4) Information on non-current assets and liabilities held for sale and discontinued operations (IFRS 5)

The items "Non-current assets held for sale" and "Liabilities directly associated with non-current assets held for sale" at December 31, 2021 include the reclassification of certain assets and the associated liabilities relating to gas distribution referring to ATEM considered non-strategic for the Group, the reclassification of assets owned by the parent A2A S.p.A. referring to three properties located in Milan that were sold in February 2022 and the reclassification of the shareholding in Sviluppo Turistico Lago Iseo S.p.A. for which A2A S.p.A. exercised the right of withdrawal.
At December 31, 2020, the item included 25 million euro for the assets of the subsidiary Consul System S.p.A., following the sale of a 26% shareholding, finalized on January 28, 2021, and 3 million euro for the reclassification of the shareholding in Ge.S.I. S.r.l. following the exercise of the sale option of the entire shareholding in September 2021.
Summarized figures relating to these assets and liabilities are as follows.

millions of euro	Gas distribution assets	Immobili A2A S.p.A.	Total
Non-current assets	114	45	159
Current assets	3		3
Total assets	**117**	**45**	**162**
Non-current liabilities	10		10
Current liabilities	5		5
Total liabilities	**15**	**-**	**15**

The impact on the Income Statement of the reclassification of revenues, operating costs and amortization and depreciation amounts to 4 million euro.

5) Rules on public funding (Compliance with art. 1, paragraphs 125 et seq. of Law 124/17)

Pursuant to art. 1, paragraphs 125 et seq. of Law 124/17, considering that the Group companies have not received "subsidies, grants, advantages, contributions or aid, whether in cash or in kind, not general and with no consideration, remuneration or compensation", this note is negative.

It is understood that other information is (also in line with the principle set out in art. 18 of Law 241/1990) available elsewhere, including the State Aid Register, also under the criterion set out in paragraph 127 of the same art. 1 of Law 124/17, which prescribes to "avoid the accumulation of irrelevant information".

It should also be noted that the companies of the A2A Group operate (for the most part) in regulated sectors. Therefore, some sums are recognized by public bodies, but not as subsidies/contributions, but as recognition of the activities they provide or as forms of compensation for costs incurred to meet specific regulatory obligations and in any case by virtue of a general regime (e.g. energy incentives). Also all these forms of payment have not been indicated: also in compliance with both the literal aspect of the regulations and with the interpretation criteria that the Group companies have identified (see above).

6) Financial risk management

The A2A Group operates in the electricity, natural gas and district heating industry and is exposed to various financial risks in performing its activity:
a) commodity risk;
b) interest rate risk;
c) exchange rate risk not related to commodities;
d) liquidity risk;
e) credit risk;
f) equity risk;
g) default and covenant non-compliance risk.

The commodity price risk, related to the volatility of energy commodity prices (gas, electricity, fuel oil, coal, etc.) and prices of environmental securities (EUA/ETS emission rights, green certificates, white certificates, etc.), consists of the possible negative effects that a change in the market price of one or more commodities may have on the cash flows and income prospects of the company, including the exchange rate risk related to the same commodities.

Interest rate risk is the risk of additional financial costs as the result of an unfavourable change in interest rates.

Currency risk not related to commodities is the risk of higher costs or lower revenues because of an unfavourable change in exchange rates between currencies.

Liquidity risk is the risk that financial resources will not be sufficient to meet established financial and business obligations in a timely manner.

Credit risk is the exposure to potential losses deriving from non-performance of commitments by commercial, trading and financial counterparties.

Equity risk is the possibility of incurring losses due to an unfavourable change in the price of shares.

Default and covenant non-compliance risk represent the possibility that loan agreements or bond regulations to which one or more Group companies are party contain provisions allowing the counterparties, banks or bondholders, to ask the debtor for immediate reimbursement of the amounts lent if certain events take place.

Details on the risks to which the A2A Group is exposed are provided below.

a. Commodity risk

a.1) Commodity price risk and exchange rate risk involved in commodity activities
The Group is exposed to price risk, including the related currency risk, on all of the energy commodities that it handles, namely electricity, natural gas, heat, coal, fuel oil and environmental certificates; the results of production, purchases and sales are similarly affected by fluctuations in the prices of such energy commodities. These fluctuations act both directly and indirectly, through formulas and indexing in the pricing structure.

To stabilize cash flows and to assure the Group's economic and financial stability, A2A S.p.A. has an Energy Risk Policy that sets out clear guidelines to manage and control the above risks, based on guidance by the Committee of Chief Risk Officers Organizational Independence and Governance Working Group (CCRO) and the Group on Risk Management of Eurelectric. Reference was also made to the Accords of the Basel Committee on bank supervision and the requirements laid down in international accounting standards on how to recognize the volatility of commodity price and financial derivatives in the income statement and balance sheet.

In the A2A Group, assessment of this kind of risk is centralized at the holding company, which has established a Group Risk Management Organizational Unit as part of the Planning, Finance and Control Organizational Unit. This unit has the task to manage and monitor market and commodity risks, to create and evaluate structured products, to propose financial energy risk hedging strategies, and to support senior management in defining the Group's energy risk management policies.

Each year, the Board of Directors of A2A S.p.A. sets the Group's commodity risk limits approving the PaR and VaR proposed (prepared in the Risk Committee) in conjunction with approval of the Budget/ Business Plan; Group Risk Management supervises the situation to ensure compliance with these limits and proposes to senior management the hedging strategies designed to bring risk within the set limits, if exceeded.

The activities that are subject to risk management include all of the positions on the physical market for energy products, both purchasing/production and sales, and all of the positions in the energy derivatives market taken by Group companies.

For the purpose of monitoring risks, industrial and trading portfolios have been separated and are managed in different ways. The industrial portfolio consists of the physical and financial contracts directly relating to the Group's industrial operations, namely where the objective is to enhance production capacity also through the wholesaling and retailing of gas, electricity and heat.

The trading portfolio comprises all contracts, both physical and financial, entered into to supplement the profits made from the industrial activities, i.e. all contracts that are ancillary though not strictly necessary to the industrial activity.
In order to identify trading activity, the A2A Group follows the Capital Adequacy Directive and the definition of assets held for trading provided by International Accounting Standard (IFRS) 9: namely assets held for the purpose of short-term profit taking on market prices or margins, without being for hedging purposes, and designed to create a high-turnover portfolio.
Given that they exist for different purposes, the two portfolios have been segregated and are monitored separately with specific tools and limits. More specifically, the trading portfolio is subject to particular risk control and management procedures as laid down in Deal Life Cycle documents.

Senior management is systematically updated on changes in the Group's commodity risk by the Group Risk Management Unit, which controls the Group's net exposure. This is calculated centrally on the entire asset and contract portfolio and monitors the overall level of economic risk assumed by the industrial and trading portfolios (Profit at Risk - PaR, Value at Risk - VaR, Stop Loss).

a.2) Commodity derivatives, analysis of transactions

Derivatives of the industrial portfolio considered hedges
The hedging of price risk by means of derivatives focuses on protecting against the volatility of energy prices on the power exchange (IPEX-EEX), stabilizing electricity price margins on the wholesale market with particular attention being paid to fixed price energy sales and purchases and stabilizing price differences deriving from various indexing mechanisms for the pricing of gas and electricity. To that end, hedging contracts were executed during the year on electricity purchase and sale agreements and on contracts to hedge the fee for the use of electricity transport capacity between the areas of the IPEX market (CCC contracts); hedging contracts were also concluded for the purchase and sale of gas so as to protect sales margins and at the same time keep the risk profile to within the limits set by the Group's Energy Risk Policy.
As part of the optimization of the portfolio of greenhouse gas emission allowances (see Directive 2003/87/ EC), the A2A Group has stipulated Future contracts on the ICE ECX (European Climate Exchange) price. These are considered hedging transactions from an accounting point of view in the event of demonstrable surplus/deficit quotas.
The fair value at December 31, 2021 was 60.1 million euro (24.0 million euro at December 31, 2020).

Derivatives of the industrial portfolio not considered hedges
Again with a view to optimising the Industrial Portfolio, Future contracts have been entered into on the ICE ECX (European Climate Exchange) stock exchange price. These do not qualify as hedging transactions from an accounting point of view as they fail to meet the requirement set out in the accounting standards. The fair value at December 31, 2021 was 0.3 million euro (-0.5 million euro at December 31, 2020).

Derivatives of the Trading Portfolio
As part of its trading activity, the A2A Group has taken out Future contracts on major European energy stock exchanges (EEX, ICE) and Forward and Option contracts on the price of electricity with delivery in Italy and neighboring countries such as France, Germany and Switzerland. The Group has also stipulated Future contracts on the ICE ECX (European Climate Exchange) stock exchange price. Also as part of trading activities, both Future and Forward contracts were also stipulated for the market price of gas (ICE-Endex CEGH, PEGAS).
The fair value at December 31, 2021 was -31.6 million euro (-0.6 million euro at December 31, 2020).

a.3) Energy Derivatives, risk assessment of Industrial Portfolio derivatives
PaR[1] or Profit at Risk, is used to assess the impact that fluctuations in the market price of the underlying have on the financial derivatives taken out by the A2A Group that are attributable to the industrial portfolio. It is the change in the value of a financial instruments portfolio within set probability assumptions as the result of a shift in the market indices. The PaR is calculated using the Montecarlo Method (at least 10,000 trials) and a 99% confidence level. It simulates scenarios for each relevant price driver depending on the volatility and correlations associated with each one, using as the central level the forward market curves at the balance sheet date, if available. By means of this method, after having obtained a distribution of probability associated with changes in the result of outstanding financial contracts, it is possible to extrapolate the maximum change expected over a time horizon given by the accounting period at a set level of probability. Based on this method, over the time horizon of the accounting period and in the event of extreme market movements and at a 99% confidence level, the expected maximum negative change in financial derivatives outstanding at December 31, 2021 was 310.036 million euro (54.970 million euro at December 31, 2020).

The following are the results of the simulation with the related maximum variances:

millions of euro	12 31 2021		12 31 2020	
Profit at Risk (PaR)	Worst case	Best case	Worst case	Best case
Confidence level 99%	**(310.036)**	**468.517**	**(54.970)**	**74.029**

The A2A Group therefore expects, with a 99% probability, not to have changes compared to the fair value at December 31, 2021 exceeding 310.036 million euro of its entire portfolio of financial instruments due to commodity price fluctuations in the 12 months following. The increase over the prior year is attributable to the combined effect of higher prices and volatility of energy commodities that occurred at the end of 2021. If there are any negative changes in the fair value of hedge derivatives, these would be compensated by changes in the underlying physical.

a.4) Energy Derivatives, risk assessment of Trading Portfolio derivatives
VaR[2] (Value at Risk)is used to assess the impact that fluctuations in the market price of the underlying have on the financial derivatives taken out by the A2A Group that are attributable to the trading portfolio. It is the negative change in the value of a financial instruments portfolio within set probability assumptions as the result of an unfavourable shift in the market indices. VaR is calculated using the RiskMetrics method with a holding period of 3 days and a confidence level of 99%. Alternative methods are used for contracts where it is not possible to perform a daily estimate of VaR such as stress test analysis
Based on this method, in the case of extreme market movements, with a confidence level of 99% and a holding period of 3 days, the maximum estimated loss on the derivatives in question was 1.673 million euro at December 31, 2021 (0.315 million at December 31, 2020). In order to ensure closer monitoring of activities, VaR and Stop Loss (the sum of VaR, P&L Realized and P&L Unrealized) limits are also set.

1 Profit at Risk: statistical measurement of the maximum potential negative deviation of the margin of an asset portfolio in case of unfavourable market changes over a given time horizon and with a defined confidence interval.
2 Value at Risk: statistical measurement of the maximum potential drop in the fair value of an asset portfolio in the event of unfavourable movements in the market with a given time horizon and confidence level.

The following are the results of the assessments:

millions of euro	12 31 2021		12 31 2020	
Value at Risk (VaR)	VaR	Stop Loss	VaR	Stop Loss
Confidence level 99%, holding period 3 days	**(1.673)**	**(1.673)**	**(0.315)**	**(0.315)**

b. Interest rate risk

The volatility of financial expenses associated to the performance of interest rates is monitored and mitigated through a policy of interest rate risk management aimed at identifying a balanced mix of fixed-rate and variable rate loans and the use of derivatives that limit the effects of fluctuations in interest rates.

The book value and type of gross debt at December 31, 2021 are shown in the table below:

millions of euro	12 31 2021			12 31 2020		
	Before hedging	After hedging	% after hedging	Before hedging	After hedging	% after hedging
Fixed rate	3,844	4,005	79%	3,143	3,333	74%
Variable rate	1,255	1,094	21%	1,355	1,165	26%
Total	**5,099**	**5,099**	**100%**	**4,498**	**4,498**	**100%**

At December 31, 2021, the following are the hedging instruments for interest rate risk:

millions of euro		12 31 2021		12 31 2020	
HEDGING INSTRUMENT	HEDGED ASSET	Fair value	Notional	Fair value	Notional
IRS	Floating rate loan subsidiaries	(0.1)	13.8	(0.3)	16.4
Collar	Floating rate loan A2A	(1.6)	38.1	(3.5)	57.1
Total		**(1.7)**	**51.9**	**(3.8)**	**73.5**

With reference to the accounting treatment, hedging derivatives for interest rate risk can be classified as follows:

millions of euro

ACCOUNTING TREATMENT	TYPE OF DERIVATIVES	FINANCIAL ASSETS				FINANCIAL LIABILITIES			
		NOTIONAL		FAIR VALUE		NOTIONAL		FAIR VALUE	
		at 12/31/2021	at 12/31/2020	at 12/31/2021	at 12/31/2020	at 12/31/2021	at 12/31/2020	at 12/31/2021	at 12/31/2020
Cash flow hedge	IRS	-	-	-	-	13.8	16.4	(0.1)	(0.3)
Cash flow hedge	Collar	-	-	-	-	38.1	57.1	(1.6)	(3.5)
Total		**-**	**-**	**-**	**-**	**51.9**	**73.5**	**(1.7)**	**(3.8)**

Derivatives on interest rates at December 31, 2021 in cash flow hedge refer to the following loans:

Loan	Derivative	Accounting
A2A S.p.A. variable rate bank loan, maturity November 2023, residual debt at December 31, 2021 of 38.1 million euro.	Collar on 100% of the amount of the loan until maturity thereof. At December 31, 2021, the fair value was negative for 1.6 million euro.	The loan is measured at amortized cost. The collar is a cash flow hedge, with 100% recognized in a specific equity reserve.
ACSM AGAM variable rate bank loan, maturity December 2025, residual debt at December 31, 2021 of 8.9 million euro.	IRS on 100% of the amount of the loan until maturity thereof. At December 31, 2021, the fair value was positive for 32 thousand euro.	The loan is measured at amortized cost. The IRS is a cash flow hedge, with 100% recognized in a specific equity reserve.
ACSM AGAM variable rate bank loan, maturity June 2023, residual debt at December 31, 2021 of 3.0 million euro.	IRS on 100% of the amount of the loan until maturity thereof. At December 31, 2021, the fair value was negative for 23 thousand euro.	The loan is measured at amortized cost. The IRS is a cash flow hedge, with 100% recognized in a specific equity reserve.
Donna Rica variable rate financial lease, maturity June 2027, residual debt at December 31, 2021 of 1.9 million euro.	IRS on 100% of the amount of the lease until maturity thereof. At December 31, 2021, the fair value was negative for 123 thousand euro.	The loan is measured at amortized cost. The IRS is a cash flow hedge, with 100% recognized in a specific equity reserve.

The A2A Group performs sensitivity analysis by estimating the effects on the value of financial statement items relating to the portfolio of financial instruments deriving from changes in the level of interest rates. In particular, the sensitivity analysis measures the potential impact on the Income Statement and shareholders' equity of different market scenarios that would determine the change in fair value of derivative financial instruments and the change in financial expenses related to the portion of gross debt not hedged.
These market scenarios are obtained by shifting the reference interest rate curve at the reporting date up and down in parallel.
Keeping all other variables constant, the pre-tax result would be influenced by changes in the level of interest rates as follows:

millions of euro	Effect on the Income Statement (before tax)		Effect on Equity (before tax)	
	-50 bps	+50 bps	-50 bps	+50 bps
Change in financial expenses on gross variable-rate debt after hedging	-	(2.4)	-	-
Change in fair value of derivative financial instruments classified as non-hedge	-	-	-	-
Change in fair value of derivative financial instruments classified as hedge (excluding BCVA as per IFRS 13):				
Cash flow hedge	-	-	(0.2)	(0.2)
Fair value hedge	-	-	-	-

c. Exchange rate risk not related to commodities

In relation to exchange rate risk other than that included in the price of commodities, the hedging instrument at December 31, 2021 is as follows:

millions of euro		12 31 2021		12 31 2020	
HEDGING INSTRUMENT	HEDGED ASSET	Fair value	Notional	Fair value	Notional
Cross Currency IRS	Fixed rate bond in foreign currency	(9.0)	98.0	(14.7)	98.0
Total		**(9.0)**	**98.0**	**(14.7)**	**98.0**

With regard to the accounting treatment, it is specified that the hedging derivative above is in cash flow hedge with full recognition in the equity reserve.

In particular, the underlying of the Cross Currency IRS derivative refers to the bond at fixed rate of 14 billion yen with maturity 2036 bullet issued in 2006.
A cross currency swap contract was stipulated for the entire duration of this loan, which converts the principal and interest payments from yen into euro.

At December 31, 2021, the fair value of the hedge was negative for 9.0 million euro.
The fair value and, as a consequence, the effect on equity, would improve by 17.8 million euro in the event of a 10% increase in the forward curve of the euro/yen exchange rate with an appreciation of the yen, while it would worsen by 4.3 million euro in the event of a 10% drop in the forward curve of the euro/yen exchange rate with a depreciation of the yen.
The sensitivity analysis was performed with the aim of calculating the effect of changes in the forward curve of the euro/yen exchange rate on the fair value ignoring any impact on the adjustment due to the bCVA.

d. Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations in a timely manner or that it is able to do so under unfavourable economic conditions.
The profile of the Group's gross debt maturities is as follows:

millions of euro	Accounting Balance 12 31 2021	Portions maturing within 12 months	Portions maturing beyond 12 months	Portions maturing by				
				12 31 2023	12 31 2024	12 31 2025	12 31 2026	After
Bonds	3,713	533	3,180	300	300	299	-	2,281
Financial payables for rights of use (*)	112	23	89	15	13	11	9	41
Loans from banks and other lenders	1,274	221	1,053	146	78	85	67	677
Total	**5,099**	**777**	**4,322**	**461**	**391**	**395**	**76**	**2,999**

(*) Including finance leases.

The risk management policy is realized through (i) a debt management strategy diversified by funding sources and maturities, and (ii) maintenance of financial resources sufficient to meet scheduled and unexpected commitments over a given time horizon.

At December 31, 2021, the Group had a total of 2,089 million euro, as follows:
(i) committed revolving credit lines of 1,100 million euro, of which 600 million euro maturing in 2023 and 500 million euro maturing in 2026, unused;
(ii) unused long-term EIB loans for a total of 25 million euro;
(iii) cash and cash equivalents totaling 964 million euro, including 886 million euro at the Parent Company level.

A2A also maintains a Bond Issue Program (Euro Medium Term Note Programme) of 6 billion euro, of which 2,400 million euro available at December 31, 2021.

The following table analyzes the worst case for financial liabilities (excluding payables for rights of use and including trade payables), in which all of the amounts shown are non-discounted future nominal cash flows determined on the basis of residual contractual maturities for both principal and interest. The undiscounted nominal flows of derivative contracts on interest rates are also included. Finally, any revocable financial lines used and current accounts payable are due within the next financial year.

12 31 2021 millions of euro	1-3 MONTHS	4-12 MONTHS	AFTER 12 MONTHS	TOTAL
Bonds	530	35	3,474	4,039
Loans from banks and other lenders	77	148	1,096	1,321
Total financial flows	**607**	**183**	**4,570**	**5,360**
Payables to suppliers	567	28	8	603
Total trade flows	**567**	**28**	**8**	**603**

12 31 2020 millions of euro	1-3 MONTHS	4-12 MONTHS	AFTER 12 MONTHS	TOTAL
Bonds	397	27	2,947	3,371
Loans from banks and other lenders	61	111	1,148	1,320
Total financial flows	**458**	**138**	**4,095**	**4,691**
Payables to suppliers	476	19	2	497
Total trade flows	**476**	**19**	**2**	**497**

e. Credit risk

Credit risk relates to the possibility that a counterparty, commercial or trading, may be in default, or fail to respect its commitment in the manner and timing provided by contract. This type of risk is managed by the Group through specific procedures (Credit Policy, Energy Risk Management procedure) and appropriate mitigation actions.

This risk is overseen by both the Credit Management function allocated centrally (and the corresponding functions of the operating companies) and the Group Risk Management Organizational Unit responsible for supporting the Group companies with reference to both commercial and trading activities. Risk mitigation is through the prior assessment of the creditworthiness of the counterparty and the constant verification of compliance with exposure limit as well as through the request for adequate guarantees.

The credit terms granted to customers as a whole have a variety of deadlines, in accordance with applicable law and market practice. In cases of delayed payment, default interest is charged as explicitly prescribed by the underlying supply contracts or by current law (application of the default rate as per Legislative Decree 231/2002).
Trade receivables are stated in the balance sheet net of any write-downs; the amount shown is considered to be a correct reflection of the realizable value of the receivables portfolio. For the aging of trade receivables, reference is made to note “Trade receivables”.

f. Equity risk

At December 31, 2021, the A2A Group was not exposed to equity risk.
In particular, it is noted that the parent A2A S.p.A. does not hold any treasury shares at December 31, 2021, as described in greater detail in note 14) Treasury shares of these Notes to the balance sheet.
As prescribed by IAS/IFRS, treasury shares do not constitute an equity risk as their purchase cost is deducted from equity, and even if they are sold any gain or loss on the purchase cost does not have any effect on income statement.

g. Covenants compliance risk

Bonds, loans, leases and committed revolving bank lines present Terms and Conditions in line with the market for each type of instrument. In particular, they envisage: (i) negative pledge clauses under which the parent company undertakes not to pledge, with exceptions, guarantees on its assets or those of its directly held subsidiaries over and above a specific threshold; (ii) cross- default/acceleration clauses which entail immediate reimbursement of the loans in the event of serious non-performance; and (iii) clauses that provide for immediate repayment in the event of declared insolvency on the part of certain Group companies.

Bonds include (i) 3,600 million euro nominal (book value of 3,604 million euro at December 31, 2021) issued as part of the EMTN Programme, which provide to investors a Change of Control Put in the event of a change of control of the company resulting in a rating downgrade at sub-investment grade level in the following 180 days (if within said 180 days, the company's rating should return to investment grade, the option may not be exercised); (ii) 98 million euro nominal (book value at December 31, 2021 109 million euro) relating to the private bond in yen with maturity 2036 with a Put right clause in favour of the investor in the event that the rating is lower than BBB- or equivalent level (sub-investment grade).

The loans stipulated with the European Investment Bank, with nominal debt and book value of 759 million euro, of which 377 million with maturity beyond 5 years, contain a Credit Rating clause (if rating below BBB- or equivalent level to sub-investment grade), and include a change of control clause of the parent company, with the right for the bank to invoke, upon notice to the company containing indication of the reasons, the early repayment of the loan.

A loan of the subsidiary Fragea, whose residual debt at December 31, 2021 was 2.5 million euro, is secured by collateral on the property and plant financed.

Some ACSM-AGAM bank loans include financial covenants, as shown in the relevant table below.

The committed revolving bank lines available, for a total of 1,100 million euro, provide a Change of Control clause which, in the event of a change of control of the parent company causing a Material Adverse Effect, allows the banks to request the facility to be extinguished and any amounts drawn down to be repaid.

At December 31, 2021, there was no situation of non-compliance with the covenants of the A2A Group companies.

A2A Group - Financial covenants at December 31, 2021

COMPANY	LENDER	LEVEL OF REFERENCE	LEVEL RECOGNIZED	DATE OF RECOGNITION
ACSM-AGAM	BEI	Available cash flow/net financial debt => 14.0%	29.3%	12/31/2021
		Financial debt/equity <= 75.0%	39.0%	12/31/2021
		Net financial debt/Ebitda <= 3.0	2.18	12/31/2021
ACSM-AGAM	Unicredit	Debt Service Coverage Ratio <=3.0	2.18	12/31/2021
		Gearing <= 1.0	0.17	12/31/2021

Analysis of forward transactions and derivatives

Tests were performed to determine whether these transactions qualify for hedge accounting in accordance with International Accounting Standard IFRS 9.
In particular:

1) transactions qualifying for hedge accounting under IFRS 9: can be analyzed between transactions to hedge cash flows (cash flow hedges) and transactions to hedge fair value of assets and liabilities (fair value hedges). For the cash flow hedges, the accrued result is included in gross operating margin when realized on commodity derivatives and in the financial balance for interest rate and currency derivatives, whereas the future value is shown in equity. For fair value hedge transactions, the impacts in the Income Statement are recorded within the same line of the financial statements;
2) transactions not considered as hedges for the purposes of IFRS 9, can be:
    a. margin hedges: for all hedging transactions of cash flows or the market value in line with internal risk policies, the accrued result and future value are included in gross operating margin for commodity derivatives and in the financial balance for interest rate and currency derivatives;
    b. trading transactions: the accrued result and future value are recognized above gross operating margin for commodities transactions and in financial income and expense for interest rate and currency transactions.

The use of derivatives in the A2A Group is governed by a coordinated set of procedures (Energy Risk Policy, Deal Life Cycle) which are based on industry best practices and designed to limit the risk of the Group being exposed to commodity price fluctuations, based on a cash flow hedging strategy.

The derivatives are measured at fair value based on the forward market curve at the balance sheet date, if the asset underlying the derivative is traded on markets with a forward pricing structure. In the absence of a forward market curve, fair value is measured on the basis of internal estimates using models that refer to industry best practices.
The A2A Group uses "continuous-time" discounting to measure fair value. As a discount factor, it uses the interest rate for risk-free assets, identified in the Euro Overnight Index Average (EONIA) rate and represented in its forward structure by the Overnight Index Swap (OIS) curve. The fair value of the cash flow hedges has been classified on the basis of the underlying derivative contracts in accordance with IFRS 9.

In compliance with the provisions of IFRS 13, the fair value of an over-the-counter (OTC) financial instrument is determined taking into account the non-performance risk. To quantify the fair value adjustment attributable to this risk, A2A has, in line with best market practices, developed a proprietary model called the "bilateral Credit Value Adjustment" (bCVA), which takes into account changes in the creditworthiness of the counterpart as well as the changes in its own creditworthiness.
The bCVA has two addends, calculated by considering the possibility that both counterparties go bankrupt, known as the Credit Value Adjustment (CVA) and the Debit Value Adjustment (DVA):

- the CVA is a negative component and contemplates the probability that the counterparty will default and at the same time that A2A has a receivable due from the counterparty;
- the DVA is a positive component and contemplates the probability that A2A will default and at the same time that the counterparty has a receivable due from A2A.

The bCVA is therefore calculated with reference to the exposure, measured on the basis of the market value of the derivative at the time of the default, the Probability of Default (PD) and the Loss Given Default (LGD). This latter item, which represents the non- recoverable portion of the receivable in the case of default, is measured on the basis of the IRB Foundation Methodology as stated in the Basel 2 accords, whereas the PD is measured on the basis of the rating of the counterparties (internal rating based where not available) and the historic probability of default associated with this and published annually by Standard & Poor's.

Applying the above method did not result in significant changes in fair value measurements.

Instruments outstanding at December 31, 2021

A) On interest and exchange rates

The following analyses show the notional amounts of derivative contracts stipulated and not expired at the reporting date, by maturity:

millions of euro	Notional value (a)						Balance sheet value (b)	Progressive effect to the Income statement at 12 31 2021 (c)
	Due within 1 year		Due in 1 to 5 years		Due over 5 years			
	to be received	to be paid	to be received	to be paid	to be received	to be paid		
Interest rate risk management								
cash flow hedges as per IFRS 9		23.6		27.9		0.4	(1.7)	
not considered hedges as per IFRS 9								
Total derivatives on interest rates	**-**	**23.6**	**-**	**27.9**	**-**	**0.4**	**(1.7)**	**-**
Exchange rate risk management								
considered hedges as per IFRS 9								
- on commercial transactions								
- on non-commercial transactions						98.0	(9.0)	
not considered hedges as per IFRS 9								
- on commercial transactions								
- on non-commercial transactions								
Total derivatives on exchange rates	**-**	**-**	**-**	**-**	**-**	**98.0**	**(9.0)**	**-**

(a) Represents the sum of the notional value of the elementary contracts that derive from any dismantling of complex contracts.
(b) Represents the net receivable (+) or payable (-) recognized in the balance sheet following the measurement of derivatives at fair value.
(c) Represents the adjustment of derivatives to fair value recognized over time in the Income Statement from stipulation of the contract to the present date.

B) On commodities

The following is an analysis of the commodity derivative contracts outstanding at the balance sheet date set up for the purpose of managing the risk of the fluctuations in the market prices of commodities.

Energy product price risk management	Unit of measurement	Volume by Maturity: Due within 1 year	Volume by Maturity: Due within two years	Volume by Maturity: Due within five years	Notional Value	Fair Value: Balance sheet value (*)	Fair Value: Progressive effect to Income statement (**)
		Quantity			Millions of euro		
A. Cash flow hedges as per IFRS 9 of which:						**60.1**	**-**
- Electricity	TWh	5.4	0.1	0.1	498.4	(17.8)	
- Oil	Bbl					-	
- Coal	Tons					-	
- Natural Gas	TWh	4.5			429.8	59.3	
- Natural Gas	Millions of cubic metres					-	
- Exchange rate	Millions of dollars					-	
- Emission rights	Tons	766,000			43.1	18.6	
B. considered fair value hedges as per IFRS 9						**-**	**-**
C. not considered hedges as per IFRS 9 of which:						**(31.3)**	**(30.2)**
C.1 hedge margin						**0.3**	**0.7**
- Electricity	TWh						
- Oil	Bbl						
- Natural Gas	Degrees day						
- Natural Gas	TWh						
- CO_2 emission rights	Tons	183,000			13.4	0.3	0.7
- Exchange rate	Millions of dollars						
C.2 trading transactions						**(31.6)**	**(30.9)**
- Electricity	TWh	29.5	4.5	0.3	4,296.3	(1.6)	3.2
- Natural Gas	TWh	101.9	18.6	3.1	5,001.8	(29.6)	(33.7)
- CO_2 emission rights	Tons	716,000	140,000		49.4	(0.4)	(0.4)
- Environmental Certificates	MWh						
- Environmental Certificates	Tep						
Total						**28.8**	**(30.2)**

(*) Represents the net receivable (+) or payable (-) recognized in the balance sheet following the measurement of derivatives at fair value.

(**) Represents the adjustment of derivatives to fair value recognized over time in the Income Statement from stipulation of the contract to the present date.

Financial and operating results for derivative transactions at December 31, 2021

Effects on the balance sheet

The following table shows the balance sheet figures at December 31, 2021, for derivative transactions.

millions of euro	NOTE	TOTAL
ASSETS		
NON-CURRENT ASSETS		**-**
Other non-current assets - Derivatives	5	-
CURRENT ASSETS		**3,737**
Other current assets - Derivatives	8	3,737
TOTAL ASSETS		**3,737**
LIABILITIES		
NON-CURRENT LIABILITIES		**11**
Other non-current liabilities - Derivatives	21	11
CURRENT LIABILITIES		**3,708**
Trade payables and other current liabilities - Derivatives	22	3,708
TOTAL LIABILITIES		**3,719**

Effect on the income statement

The following table sets out the income statement figures at December 31, 2021 arising from the management of derivatives.

millions of euro	Note	Realised during the year	Change in fair value during the year	Amounts recognized in the income statement
REVENUES	27			
REVENUES FROM THE SALE OF GOODS				
Energy product price risk management and exchange rate risk management on commodities				
- considered hedges as per IFRS 9		515	-	515
- not considered hedges as per IFRS 9		122	(2,341)	(2,219)
Total revenues from the sale of goods		**637**	**(2,341)**	**(1,704)**
OPERATING EXPENSES	28			
Expenses for raw materials and services				
Energy product price risk management and exchange rate risk management on commodities				
- considered hedges as per IFRS 9		6	-	6
- not considered hedges as per IFRS 9		(124)	2,311	2,187
Total costs for raw materials and services		**(118)**	**2,311**	**2,193**
Total recognized in Gross operating income (*)		**519**	**(30)**	**489**
FINANCIAL BALANCE	34			
Financial income				
Interest rate risk management and equity risk management				
Income on derivatives				
- considered hedges as per IFRS 9		-	-	-
- not considered hedges as per IFRS 9		-	-	-
Total		**-**	**-**	**-**
Total financial income		**-**	**-**	**-**
Financial expenses				
Interest rate risk management and equity risk management				
Expenses on derivatives				
- considered hedges as per IFRS 9		(2)	-	(2)
- not considered hedges as per IFRS 9		-	-	-
Total		**(2)**	**-**	**(2)**
Total financial expenses		**(2)**	**-**	**(2)**
TOTAL RECOGNIZED IN FINANCIAL BALANCE		**(2)**	**-**	**(2)**

(*) The figures do not include the effect of the net presentation of the negotiation margin of trading activities.

Classes of financial instruments

To complete the analyses required by IFRS 7 and IFRS 13, the following table sets out the various types of financial instrument that are to be found in the various balance sheet items, with an indication of the accounting policies used and, in the case of financial instruments measured at fair value, an indication of where changes are recognized (income statement or equity).
The last column of the table shows the fair value of the instrument at December 31, 2021, where applicable.

millions of euro	Criteria to measure the reported amount of financial instruments						
	Note	Financial instruments measured at fair value with changes recognized in:			Financial instruments measured at amortized cost	Amount as stated in the Consolidated balance sheet at 12 31 2021	Fair value at 12 31 2021 (*)
		Income statement	Equity				
		(1)	(2)	(3)	(4)		
ASSETS							
Other non-current financial assets							
Financial assets measured at fair value of which:							
- unlisted		40				40	n.a.
- listed						-	-
Financial assets held to maturity					1	1	1
Other non-current financial assets					23	23	23
Total other non-current financial assets	3					**64**	
Other non-current assets	5				25	25	25
Trade receivables	7				3,291	3,291	3,291
Other current assets	8	3,581	156		314	4,051	4,051
Current financial assets	9				9	9	9
Cash and cash equivalents	11				964	964	964
LIABILITIES							
Financial liabilities							
Non-current and current bonds	18 and 23		109		3,604	3,713	3,713
Other non-current and current financial liabilities	18 and 23				1,355	1,355	1,355
Other non-current liabilities	21		11		118	129	129
Trade payables	22				2,894	2,894	2,894
Other current liabilities	22	3,612	96		779	4,487	4,487

(*) The fair value has not been calculated for receivables and payables not related to derivative contracts and loans as the corresponding carrying amount is a good approximation to this.
(1) Financial assets and liabilities measured at fair value with the changes in fair value recognized in the income statement.
(2) Cash flow hedges.
(3) Financial assets available for sale measured at fair value with profit/loss recognized in equity.
(4) Loans and receivables and financial liabilities measured at amortized cost.

Fair value hierarchy

IFRS 7 and IFRS 13 require that fair value classification of financial instruments to be based on the quality of the input source used to calculate the fair value.
In particular, IFRS 7 and IFRS 13 set out three levels of fair value:

- level 1: this level consists of financial assets and liabilities for which fair value is based on (unadjusted) prices for identical assets or liabilities quoted on active official or over-the-counter markets;
- level 2: this level consists of financial assets and liabilities for which fair value is based on inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly;
- level 3: this level consists of financial assets and liabilities for which fair value is based on unobservable market data. This level includes instruments measured on the basis of internal estimates made using proprietary methods based on best sector practice.

An analysis of the assets and liabilities included in the three fair value levels is set out in the following fair value hierarchy table.

millions of euro	NOTE	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets measured at fair value	3	-	1	4	5
Other current assets	8	3,712	-	25	3,737
TOTAL ASSETS		**3,712**	**1**	**29**	**3,742**
Non-current financial liabilities	18	107	-	-	107
Other non-current liabilities	21	-	11	-	11
Other current liabilities	22	3,692	-	16	3,708
TOTAL LIABILITIES		**3,799**	**11**	**16**	**3,826**

Sensitivity analysis for financial instruments included in level 3

As required by IFRS 13, the following table sets out the effects arising from changes in the unobservable parameters used in calculating fair value for financial instruments included in level 3 of the hierarchy.

FINANCIAL INSTRUMENT	PARAMETER	PARAMETER CHANGE	SENSITIVITY (MILLIONS OF EURO)
Commodity Derivatives	Probability of Default (PD)	1%	0.02
Commodity Derivatives	Loss Given Default (LGD)	25%	0.00
Commodity Derivatives	Underlying interconnection capacity zonal Italy (CCC)	1%	0.06

7) Main regulatory provisions regarding concessions and agreements in the sectors of activity in which the A2A Group operates

Large hydroelectric derivation concessions

The national legislation on large-scale hydroelectric concessions (i.e. plants with a nominal power greater than or equal to 3 MW) was originally dictated by R.D. December 11, 1933, no. 1775, which was based on the granting of concessions by the state in a long-term logic.

Said regulatory framework was subsequently superseded first by electricity sector nationalization Law no. 1643/1962, which resulted in Enel taking over the majority[3] of hydroelectric concessions with the relative recognition of an unlimited duration, and then by the liberalisation of the electricity market as a result of Legislative Decree no. 79/1999(implementing Directive 96/92/EC), which introduced with art. 12 (and subsequent amendments) the principles of:

- the temporariness of the concessions, establishing a validity period (2029) for concessions without expiration because they are owned by Enel and assigning the term of December 31, 2010 for concessions that have already expired or are expiring by that date;
- contestability of concessions in the event of expiration, forfeiture or renunciation, providing, no later than 5 years before the expiration, the call for tenders by the competent administration (i.e. the Region) for the allocation of the same for consideration.

Pending the reallocation of concessions, Legislative Decree 79/1999 (article 12, paragraph 8bis) provides that the outgoing concession holder is to continue to operate the concession under the same conditions as those laid down in the regulations and specifications in force. In this stalemate, some Regions have enacted laws aimed at regulating the "temporary continuation of operations" for expired concessions, also providing for the imposition of an additional fee.

Article 11-quater of Law no. 12/2019 has, in part, further amended the rules governing large derivation hydroelectric concessions. The new rules provide that the Regions shall regulate with their own laws by March 31, 2020 (deadline extended to October 31, 2020 by the Cura Italia Decree Law, and to date not respected by many Regions) methods, procedures and criteria for the allocation of concessions, which may be entrusted to economic operators identified through a tender, or to public/private joint ventures with selection of the private partner through a tender, or through forms of partnership under Legislative Decree 50/2016. The procedure for awarding the contract must be started within 2 years of the entry into force of the individual Regional Laws and, in any case, no later than October 31, 2022 (D.L. 18/2020).

The duration of the new concessions will have to be between 20 and 40 years, with the possibility of extending the maximum period by a further 10 years depending on the complexity of the project proposal and the amount of investment.

The new rule also provides that a specific regional measure (after consulting ARERA) will define:

- a State fee to be paid on a six-monthly basis to the Regions, comprising a fixed component linked to the average nominal power of the concession and a variable calculated as a percentage of normalized revenues;
- the possible obligation for the concessionaires to supply annually and free of charge 220 kWh per kW of concession power for at least 50% destined to public services of the provincial territories involved in the derivation.

For concessions expired or expiring before July 31, 2024, which are temporarily continued, an additional fee is also charged.

In terms of compensation to outgoing operators, the rule prescribes:

- • for wet works: the transfer without compensation of ownership to the Regions, except for the compensation only of investments not yet amortized;
- • for dry works: the recognition of a residual value derived from accounting records or certified appraisal. In the event of non-inclusion in the project of the incoming concessionaire, removal and disposal of movable property is envisaged at the expense of the proposer, while immovable property remains the property of the entitled parties.

In compliance with the provisions of the legislative framework in force and in line with the provisions of ARERA Resolution 490/2019/I/eel ("*Guidelines for the issue of non-binding opinions on draft regional laws on state fees*"[4]), the Lombardy Region, with article 31 of R.L. 23/2019 di Assestamento al Bilancio

3 With the exception of derivations in the ownership of self-producers, municipal companies and local authorities.

4 The variable component of the fee should be equal to a percentage, in any case defined by the Regions, of the sum of the products between the hourly quantity of electricity fed into the grid and the corresponding hourly zonal price recorded on the Day-Ahead Market (MGP), while the fixed component should derive from environmental and/or water-use-related assessments that are outside the Authority's competence.

(Budget Reconciliation) 2020-22, has defined, starting from 2020, the obligation to supply free energy to the Region by all holders of concessions of large derivation (220 kWh for each kW of concession power), whether they are exercised before or after expiry, providing both the physical delivery and its monetization (even in full) to be calculated on the basis of an average hourly zonal price weighted on the quantity of electricity fed into the grid by the plant.

Moreover, in April 2020, the Lombardy Region approved Regional Law no. 5/2020 (recently amended with Regional Law no. 19/2021), which regulates the procedures for assigning concessions for large hydroelectric derivations and determines the state fee based on the new two-component structure[5], in addition to the additional fee payable by the outgoing concessionaire for the temporary continuation of expired concessions until the award procedures are completed (and, in any case, no later than July 31, 2024), determined on a reconnaissance basis at 20 €/kW.

The Law also defines the criteria for the acquisition of assets pertaining to the concession (see dry works and wet works) by the Region and the reconnaissance activity aimed at the subsequent putting out to tender.

The large-scale derivation hydroelectric concessions held by A2A S.p.A. located in Valtellina (with a nominal concession capacity of over 200 MW) have for the most part expired: the Lombardy Region with Regional Council Resolution (D.G.R.) no. X/5823 of December 29, 2021 allowed the temporary continuation of the year until December 31, 2022, establishing the payment of an additional fee and the non-application of the partial exemption from the state fee on the Premadio 1, Grosio, Lovero and Stazzona plants (both forecasts challenged by the company[6]). Other A2A S.p.A. concessions (plants in Mese, Udine and Calabria with a total nominal concession capacity of about 345 MW), originally owned by Enel, expire in 2029. The three large-scale derivations of Linea Green S.p.A. (Resio, expired and under temporary continuation until December 31, 2022, Mazzuno and Darfo not yet expired), as well as the concession of Gravedona of AEVV Impianti S.r.l. (ACSM-AGAM Group) with an expiry date of 2029.

Concessions for thermoelectric power plants

As far as concessions for thermoelectric power plants are concerned, the relevant regulations have evolved in a very heterogeneous manner. For example, with reference to concessions for the derivation of public water for industrial use, the discipline was initially defined by Law no. 2644 of August 10, 1884 and by Royal Decree 1775/1933 to subsequently have an outline on a more local basis also through agreements with specific consortia of reclamation and irrigation.

The granting bodies may be identified alternatively in the Region and in the Province for concessions for the derivation of public water and for those relating to the occupation of state-owned areas and in the Port Authorities for concessions relating to the occupation of maritime state-owned areas.

A2A Energiefuture S.p.A. and A2A gencogas S.p.A. hold the following types of concessions for the operation of their own thermoelectric power plants:

- concessions for the derivation of public water: (i) for the cooling of thermoelectric power plants; (ii) for industrial use; (iii) for other uses;
- concessions for the occupation of: (i) state-owned areas; (ii) maritime state-owned areas.

Concessions for the natural gas distribution and metering service

The regulations governing concessions for the distribution of natural gas through local networks, initially contained in the deeds of award stipulated with the municipalities in implementation of laws of principle dated back to the early 1900s, have been revised by articles 14 and 15 of Legislative Decree 164/2000 (transposing Directive 98/30/EC), which defined the criteria for standardizing the sector. Specifically, the following was determined: (i) a maximum duration of 12 years for concessions, (ii) the award of the service by local authorities through a public tender and that (iii) the relationship with the operator is regulated by a specific standard contract approved by ministerial decree containing, in particular, the procedures for performing the service, the quality objectives, the economic aspects and the conditions for early termination of the authority for failure by the operator.
Subsequently, in implementation of Law Decree 159/2007, according to which the tenders for the award of the gas distribution service must no longer be carried out by individual municipalities but by Minimum Territorial Areas (ATEM), the Ministerial Decree MiSE of January 19, 2011 identified 177 ATEM, while the subsequent Ministerial Decree of October 18, 2011 defined the municipalities belonging to each ATEM.

The reform process was completed with the entry into force of Ministerial Decree 226 of November 12, 2011, which over the years has been subject to numerous innovations extended also to Legislative Decree

5 With reference to the fixed component, the Council Resolution provided for 35 €/kW from 2021.
6 For further information, reference should be made to the section entitled "Update of the main legal and tax disputes still pending".

164/2000, which defined the tender criteria and procedures, as well as the methods for determining the residual industrial value (VIR) of existing plants dedicated to providing the service. Ministerial Decree 226/2011 also indicated for each ATEM the terms within which the Contracting Authority has the obligation to start the tender procedure. The Municipality acts as the granting body of the concession, which continues even if it ceases as a result of the aforementioned early termination, until the full performance of the tenders for ATEM[7].

Also in view of the very modest start-up of sector tenders in recent years, the *Annual Market and Competition Law 2022*, whose parliamentary approval process is still in progress, provides for regulations aimed at increasing the level of competition in the sector and, at the same time, speeding up the procedures for carrying out these tenders. By way of example only, this includes the valorization at VIR of the distribution and metering networks and plants owned by the local authority or one of its asset companies that wish to sell these assets during the tenders.

As far as the A2A Group is concerned, the natural gas distribution concessions are held by the companies Unareti S.p.A., Azienda Servizi Valtrompia S.p.A., LD Reti S.p.A. (LGH Group), Lereti S.p.A.[8], Reti Valtellina Valchiavenna S.r.l. and Serenissima Gas S.p.A. (three companies of the ACSM-AGAM Group) and RetiPiù S.r.l.[9] (AEB Group).

The main contracts relate to the ATEM of Milan 1 - City and Plant of Milan (in which Unareti S.p.A., assignee of the service following a tender launched pursuant to Ministerial Decree 226/2011, will start the management of the area, also for tariff purposes, starting from March 2022) and the provincial capitals of Brescia, Bergamo, Varese, Cremona, Lodi, Lecco, Sondrio and Monza-Brianza (as well as numerous municipalities, located mainly in the provinces of Brescia, Bergamo, Chieti, Como, Cremona, Lecco, Monza-Brianza, Piacenza, Pavia, Salerno, Trento, Treviso, Udine, Varese and Venice).

Concessions for the electricity distribution and metering service

Electricity distribution and metering activities are carried out under a thirty-year concession granted by the MiSE (Ministry of Economic Development) for each municipal area, pursuant to art. 9 of Legislative Decree 79/1999.

As far as the A2A Group is concerned, the electricity distribution and metering concessions all expire in 2030 and are held by Unareti S.p.A., Camuna Energia S.r.l., LD Reti S.p.A. (LGH Group) and Reti Valtellina Valchiavenna S.r.l. (ACSM-AGAM Group) and RetiPiù S.r.l. (AEB Group) and concern the municipalities of Milan, Rozzano, Brescia, Cremona, Sondrio and Seregno, in addition to numerous municipalities in the province of Brescia and Sondrio.

Integrated Water Service (IWS) Assignments

In accordance with the provisions of Legislative Decree 152/2006, the IWS is organized on the basis of Optimal Territorial Ambits (OTA) defined by the Regions and, as a rule, coinciding with the provincial territory. In compliance with the scope plan and the principle of a single management, the Ambit Government Entity (AGE) decides on the form of management (award by tender, mixed public-private company and in house providing) and, consequently, provides for the award, for 30 years, of the IWS in compliance with national regulations on the organization of local public services to networks of economic importance. The direct award may be made to entirely public companies that meet the requirements of European law and are in any case owned by the local authorities covered by the OTA.

Art. 34 of Law Decree 179/12 supplemented by Law no. 115 of July 29, 2015, art. 8, paragraph 1, which establishes mandatory principles for local authorities for the award of services and regulates the transitional period of pre-existing awards validly absent is applied to IWS. In particular, it is envisaged that the award of services provided by listed companies and subsidiaries of listed companies (such as those held by subsidiaries of A2A S.p.A.) will cease upon expiry of the service contract or other acts governing the relationship.

LD 133/2014 (Unlock Italy Decree) provided that, at the time of first application, the AGE, in order to ensure the achievement of the principle of single management within the OTA, provide for the award to the single manager of the area at the end of the existing management, operating on the basis of an award approved in accordance with the legislation pro tempore in force and not declared ceased pursuant to law.

7 When the ATEM tenders will be completed, the granting body can be identified alternatively in: 1) provincial capital (in the case of ATEM with capital), 2) most populous municipality (in the case of ATEM without capital), 3) network asset company (in the case of ATEM whose municipalities have decided to set it up).
8 The company was created on January 1, 2020 from the merger between ACSM-AGAM Reti Gas Acqua S.p.A. and Lario Reti Gas S.r.l..
9 Following the industrial integration with the A2A Group, the municipalities present in the ATEMs of Milan 4, Bergamo 1, Bergamo 2, Bergamo 3 and Bergamo 5 (around 78,000 PdR) were sold by Unareti S.p.A. to RetiPiù S.r.l., with effect from November 1, 2020.

The legislator provided for certain exceptions to the establishment of the single operator by the AGE: in particular, in the event that the OTA coincides with the regional territory, it is allowed to award the IWS in territorial areas, however, not less than the territory corresponding to the provinces or metropolitan cities.
The A2A Group carries out the IWS, through its subsidiaries and safeguarded in accordance with Legislative Decree 152/2006, in Brescia and in several municipalities of the province by mean of A2A Ciclo Idrico S.p.A. and Azienda Servizi Valtrompia S.p.A.. And by mean of Lereti S.p.A. (ACSM-AGAM Group) in Varese and Como and their provinces.

District heating

In Italy, there is no comprehensive legislative framework defining the way in which the district heating service is to be awarded, since neither the national legislator nor the administrative case-law in its rulings have unambiguously considered district heating as a local public service. In Lombardy, an initial discipline is dictated by Regional Law 26/2003.

In such a poorly defined regulatory context, the local authority that considers this service as a local public service regulates district heating using licensing schemes and, in previous years, also authorizers. In other cases, the municipalities do not assume district heating as a public service and, therefore, regulate different aspects such as the use of the subsoil.

In cases where district heating is used as a public service, the relationship between the municipality and the service operator is governed by agreements or service contracts with which the granting body has awarded the management of the service within the municipality, providing for a fee and certain rules for the provision of the service, for a period that is ordinarily long in view of the underlying investments, also conferring exclusive management.

As far as the A2A Group is concerned, the service is managed by the companies A2A Calore & Servizi S.r.l., Linea Green S.p.A. (LGH Group), Como Calor S.p.A. and Varese Risorse S.p.A. (ACSM-AGAM Group) and Gelsia S.r.l. (AEB Group) in Bergamo, Brescia, Milan, Cremona (as well as in some municipalities in the relevant provinces), Lodi, Varese, Como, Monza, Seregno and Giussano.

Public lighting

Even for public lighting, as for district heating, there is no detailed regulatory framework. Local authorities that also identify this service as a local public service of economic importance must comply with art. 34 of LD 179/2012 and subsequent amendments and, therefore, award the service in accordance with EU principles.

The public lighting service includes the management of systems (operation, maintenance and periodic checks) as well as the supply of electricity to supply the lighting points, as well as the implementation of modernization and energy requalification interventions.
As highlighted by the Annex to Ministerial Decree of March 28, 2018 that disciplines the "*Minimum environmental criteria of public lighting services*" (CAM), in implementation of a general principle of the law, the duration of the service to be awarded must be commensurate with the activities included in the contract, the degree of economic exposure envisaged and, therefore, the time needed to amortize the investment plan.

The A2A Group manages the public lighting service[10] through A2A Illuminazione Pubblica S.p.A. (AEB Group), in Milan and in nine municipalities of its province, in Brescia and in Bergamo, in addition to the municipalities of Bisignano, Busto Arsizio, Carbonara al Ticino, Casalmaggiore, Cassano Magnago, Castelletto sopra Ticino, Crevoladossola, Fiorenzuola d'Arda, Melissano, Sant'Arsenio, Stradella, Villanova D'Ardenghi and Volpiano. Through a number of ACSM-AGAM Group companies, the service is managed in the municipalities of Bovisio Masciago, Cantello, Castiglione Olona, Costa Masnaga, Melzo, Nova Milanese, Pero, Robbiate, Zibido San Giacomo and Messina (Varese Risorse S.p.A.), as well as in the municipalities of Sernio, Sondrio, Tirano and Valdisotto (Reti Valtellina Valchiavenna S.r.l.). In addition, RetiPiù S.r.l. (AEB Group) operates the public lighting service concession in the municipality of Seregno.

Management of the municipal hygiene service

Environmental services are related to the case of local public services of economic importance and the procedures for awarding them are governed by art. 202 of Legislative Decree 152/2006 and by art. 34 of Law Decree 179/2012.

The services of collection, transport, sweeping and washing of roads, recovery and disposal of waste are regulated by a specific service contract with the granting Municipality aimed at defining the essential

10 Inclusive for some municipalities of the management of traffic lights and votive lamps.

elements of the award including the duration of management, the economic aspects of the contractual relationship as well as the organizational and management methods of the service and the quantitative and qualitative levels of the services provided. In defining the concessionary relationship, the Granting Body takes into account the achievement of objectives of efficiency, effectiveness and cost-effectiveness of the service.

Law 205/2017 (Budget Law 2018) entrusted ARERA with the regulatory and control powers in the waste sector, including differentiated, urban and assimilated waste: with Resolution 363/2021/R/rif, ARERA defined the criteria for the recognition of the efficient operating and investment costs of the integrated waste service for the regulatory period 2022-2025 (MTR-2), confirming the general approach that distinguished the first method[11] and setting the criteria for defining the access tariffs to the treatment plants of undifferentiated and OFMSW.

With particular reference to the Lombardy Region, it should be noted that:

- it has organized integrated waste management using the provisions of art. 200, paragraph 7, of Legislative Decree 152/2006 without the establishment of any Optimal Territorial Area;
- the responsibility for awarding the service is directly of the municipalities that exercise it individually or in an associated form.

In addition, the Lombardy Region, with Council Resolution no. 5777/2021 of December 21, 2021 complied with the provisions of article 6 of ARERA Resolution 363/2021/R/rif, declaring all the undifferentiated and OFMSW treatment plants as "additional" (i.e. whose access tariffs will not be determined by ARERA), taking into account that Lombardy is not in market conditions with structural rigidity either for the entire municipal waste chain or for OFMSW and is, on the contrary, characterized by plant self-sufficiency and competitive gate prices. The Region has, therefore, strengthened the monitoring obligations of plant operators, reserving the possibility of revising this provision during the biennial updating of tariffs following any changes in market conditions and the adoption of the National Waste Management Plan.

In Lombardy, the urban hygiene service is provided by AMSA S.p.A., Aprica S.p.A. (controlled by A2A Ambiente S.p.A.) and by Linea Gestioni S.p.A. (LGH Group), by Acsm Agam Ambiente S.r.l. (ACSM-AGAM Group) and by Gelsia Ambiente S.r.l. (AEB Group). The main awards concern the municipalities of Milan, Brescia, Bergamo, Como, Cremona and Lodi with different deadlines based on the deeds governing the relationship with the individual municipalities.

11 Ref. Resolution 443/2019/R/rif, with which ARERA approved the Tariff Method for the Integrated Waste Management Service (MTR), defining the criteria for the recognition of efficient operating and investment costs for the period 2018-2021.

8) Update of the main legal and tax disputes still pending

Adequate provisions are provided where necessary for the disputes and litigation described below.
It is noted that if there is no explicit reference to the presence of a provision, the Group assessed the corresponding risk as possible without appropriating provisions in the financial statements.
It should be noted that certain disputes illustrated in previous financial statements and still pending are not further reported due to the absence of updates or the modification of the previous risk situation.

A2A S.p.A.

Carlo Tassara: lawsuit for damages against EDF and A2A S.p.A. on the reorganization of Edison
On March 24, 2015, Carlo Tassara S.p.A. notified A2A, Electricité de France (EDF) and Edison a summons requesting the Court of Milan to condemn A2A and EDF to compensation for damages allegedly suffered by Carlo Tassara, in its capacity as minority shareholder of Edison, in relation to the mandatory tender offer launched by EDF on Edison shares consequently to the transaction by which, in 2012, A2A sold its indirect shareholding in Edison to EDF and simultaneously acquired 70% of the capital of Edipower from Edison and Alpiq.
In the summons notified, Carlo Tassara complained that, in the transaction, EDF and A2A agreed on a mutual "discount" on the price paid by EDF for the purchase of Edison shares, on the one hand, and on the price paid by A2A for the purchase of 70% of Edipower, on the other. This discount was expected to be the result of abusive conduct by EDF and A2A as shareholders of Edison and the violation, among other things, of the regulations on transactions with related parties. This - according to Carlo Tassara - was expected to allow maintaining artificially low the price of the Edison shares paid to A2A and consequently the tender offer price paid to minorities of Edison (which by law was expected to be equal to that paid to A2A).
The writ of summons did not quantify the damage allegedly suffered by Carlo Tassara as a result of such transactions. However, with brief on February 20, 2017, Carlo Tassara requested the judge (who rejected the preliminary request) to have an expert witness to calculate the damages (specifying that they should have been quantified in the alleged difference between the tender offer price and the market value that the Edison shares had previously). Carlo Tassara also filed an appraisal in which such damages were quantified in a total amount between 197 and 232 million euro, amount to calculate the compensation due from each of the companies that will be considered responsible by the judge.
After several postponements justified also by modifications of the judge, on October 17, 2018, the judge rejected the requests for investigation of the plaintiffs, setting March 19, 2019 as the hearing for clarification of conclusions.
On September 8, 2021, the Milan Business Court filed Sentence 7859 rejecting all of the claims made by Carlo Tassara S.p.A., without accepting the reconstruction according to which the shareholders acted to cause an undervaluation of Edison and Edipower. According to the Business Court of First Instance, in the case submitted, the conditions for assessing management and coordination are not met. The court also found that the price of Edison shares, at which EDF purchased its shares during the tender offer, was not subject to review because it was the price defined by Consob pursuant to article 106 of the TUF; the sentence also highlights the difference between the price of Edison shares and the value of the Edipower subsidiary and, more importantly, the price at which the latter was sold to A2A.
Carlo Tassara S.p.A. served a writ of summons on the appeal and A2A S.p.A. entered an appearance requesting that the Tassara S.p.A. appeal be declared inadmissible as well as groundless, and re-proposed the exceptions, defenses and requests raised in the first level of judgement for full protection. At the first hearing on March 2, 2022, the judge adjourned the case to March 1, 2023 for clarification of conclusions.

The Group, having fulfilled the requirements of the regulations in force, does not consider likely the risk for which it has not allocated any provisions.

Derivations of public water for the production of hydroelectricity in Lombardy
A number of appeals are still pending in which A2A and Linea Green have challenged the measures issued by the Lombardy Region to regulate the continuation of water derivation for hydroelectric use even after the expiry of their respective concessions.

In particular, D.G.R. (Regional Council Resolution) of Lombardy no. 5130/2016 ordered, by implementing paragraph 5 of art. 53-bis of Regional Law 26/2003 introduced by Regional Law 19/2010, the subjection of the Lombardy hydroelectric concessions already expired to an "additional fee" established "provisionally" at 20 €/kW of nominal power of concession, and reserved the request for settlement at the outcome of the assessments by the regional offices regarding the profitability of expired concessions. The additional fee was imposed retroactively from the original expiry of each concession; therefore, for the Grosotto, Lovero and Stazzona concessions, it would be effective from January 1, 2011, for the Premadio 1 concession from July 29, 2013, for the Grosio concession from November 15, 2016 and for the Resio concession from December 31, 2010.

A2A and Linea Green, which, like other operators, have always contested, also in the courts, the legitimacy, also constitutional, of article 53-bis, paragraph 5, of Regional Law 26/2003, challenged before the Superior Court of Public Waters and other competent bodies the D.G.R. 5130/2016 and the related and consequent measures that governed the conditions for the temporary continuation of each concession, and which, where provided for, ordered the revocation of the exemption of part of the State fee.
A2A has also more recently challenged the orders whereby the Lombardy Region ordered the company to pay the amount allegedly due for the operation of the large derivations of Grosio, Cancano - Premadio I, Lovero and Stazzona due to the company's failure to pay that part of the state fee that is exempt pursuant to article 73 of Royal Decree 1775/1933, a benefit allegedly revoked by some of the resolutions that governed the provisional continuation of the concession after its expiry. This and other related litigation are still ongoing.
The case brought by A2A in order to obtain the cancellation of the regional resolutions that governed the temporary continuation of the Cancano - Premadio I concession ended with the rejection sentence issued by the Joint Sections of the Supreme Court no. 15990/2020 and the judgement brought by A2A in order to obtain the cancellation of the regional resolutions that governed the temporary continuation of the Grosotto, Lovero and Stazzona concessions ended with the rejection sentence issued by the Joint Sections of the Supreme Court, no. 1043/2021.
The provisions of the Regions concerning the temporary continuation of expired or expiring concessions could, as from 2019, be justified by the provisions introduced by the Conversion Law no. 12/2019 of Legislative Decree no. 135/2018, the constitutional compatibility of which is nevertheless controversial. In this last regard, it should be pointed out that A2A and Linea Green appealed before the TSAP for the annulment of General Director Decree (D.D.G.) no. 10544/2019 by means of which the Lombardy Region ascertained and determined the amounts allegedly owed by the concessionaires as additional fees for 2019, disputes subsequently integrated with reference to the additional fee for the years 2020 and 2021, and with these appeals, they also requested referral to the Constitutional Court of a matter of constitutional legitimacy in relation to the aforementioned provisions introduced by the law converting Decree Law Simplifications with regard to hydroelectric concessions.
Also Regional Law 5/20 issued by the Lombardy Region in implementation of Law 12/2019 was submitted to the judgement of constitutionality by the Government, which, however, by Resolution of the Council of Ministers of November 24, 2021 after the amendments resulting from the entry into force of Regional Law no. 19 November 4, 2021, waived the appeal.
With reference to hydroelectric concessions, national Law 12/2019 also established that regions may introduce an obligation for concessionaires to provide 220 kWh annually and free of charge to the same regions for each kW of average nominal capacity of the concession. Availing itself of this faculty, with art. 31 Regional Law L.R. 23/2019 and, therefore, with Regional Council Resolution D.G.R. 3347/2020, the Lombardy Region regulated the obligation of free transfer of electricity with effect from the year 2020 for expired and unexpired derivation concessions. A2A and Linea Green have challenged the regional measure on various grounds.
For disputes relating to public water derivation fees, the Company allocated adequate provisions for risks on a prudent basis, the quantification of which also takes into account the payments - subject to any subsequent repayment upon the final outcome of the respective legal proceedings - of certain positions, for the sole purpose of preventing additional costs.

A2A Energiefuture S.p.A.

Monfalcone Plant Investigation (RNR 195/17 Public Prosecutor of Gorizia)

On March 08 and 09, 2017, following orders of the Public Prosecutor of Gorizia, the Monfalcone Plant of A2A Energiefuture S.p.A. was inspected during which surveys and samplings were performed (on coal in stock, on the ashes, on fume treatment residues, emissions from the chimney) and documentary acquisitions (on the servers of the emissions monitoring system, on fuel analysis forms, etc.). On the same date, the guarantee information has been notified to three employees, regarding an investigation for the offences referred to in Article 452 bis of the Italian Criminal Code. *Environmental pollution*. The suspect employees appointed trusted defenders.
Subsequently, between December 2017 and January 2018, and then in December 2018 and July 2020, the Public Prosecutor of Gorizia proceeded with the acquisition of additional documentation at the plant.

On May 6, 2021 (and subsequently on June 4, 2021), the defenders of the former head of the plant (but not the other two employees who had received information of guarantee) were notified of the conclusion of the preliminary investigation pursuant to article 415 bis of the code of criminal procedure in relation to the crime of environmental disaster pursuant to article 452 quater, paragraph 1, no. 2 and paragraph 2 of the Criminal Code. From the same notification, it emerges that the company is charged with the offence referred to in article 25 undecies, paragraph 1, letter b), in relation to article 5, paragraph 1, letter a) of Legislative Decree 231/01.
In said notice of conclusion of the investigations, it is contested that the seabed in the area in front of the power plant quay has been compromised by coal run-off, the air has been compromised by emissions

from the power plant and the balance of the ecosystem has been altered by contamination with heavy metals. A similar notice was served on May 10, 2021 at the Monfalcone power plant.
On July 29, 2021, the defense attorney of the former head of the plant was served with a decree scheduling a preliminary hearing for November 24, 2021 before the Preliminary Investigation Judge (GIP) of Gorizia. At the hearing of November 24, 2021, the Company's lawyer raised a preliminary objection of the nullity of the notice pursuant to article 415-bis of the Code of Criminal Procedure of the conclusion of the preliminary investigations since not duly notified. The exception was upheld by the Judge who referred the case back to the Public Prosecutor's Office so that it could serve a new notice of conclusion of the preliminary investigations. As a result of this decision, the trial regressed to the preliminary investigation stage. A new notice pursuant to article 415 bis of the Code of Criminal Procedure is awaited.

Linea Ambiente S.r.l. – Grottaglie landfill

Court of Taranto - Criminal Proceeding RGNR 2785/18

On March 14, 2019, an employee of A2A Ambiente S.p.A., seconded to Linea Ambiente S.r.l. as the company's Chief Operating Officer, was remanded in custody as part of investigations into the offences referred to in articles 319 and 321 of the Italian Criminal Code with reference to an alleged bribery connected with the issue of Executive Decision no. 45 dated April 5, 2018 by the Province of Taranto for the orographic optimization of the Linea Ambiente S.r.l.'s Grottaglie landfill.
On August 1, 2019, the Court of Taranto - Office of the Judge for Preliminary Investigation - at the request of the Prosecutor's Office, ordered the immediate trial, i.e. without a preliminary hearing being held, of the defendants subject to pre-trial custody, including the employee of A2A Ambiente, against whom the measure of pre-trial custody in prison was replaced by house arrest and, subsequently, with the obligation to stay in the municipality of residence and, finally, with the prohibition of residence in the province of Taranto (even this last measure was later revoked by order of January 24, 2022), setting the first hearing for this purpose on November 4, 2019. Said proceedings are currently underway and at the stage of the debates.

Court of Taranto no. 5400/19 R.G. Administrative Responsibility

Precautionary measures

On May 7, 2020, the Guardia di Finanza notified Linea Ambiente S.r.l. of a preventive seizure order issued by the GIP of Taranto on March 12, 2020 in the context of Proceedings no. 2785/18 R.G.N.R. and 5400/19 R.G. Admin. Resp. and deed of execution of preventive seizure pursuant to art. 53 of Legislative Decree 231/01, also valid as guarantee information pursuant to art. 369 of the Italian Criminal Code.
For the first time, Linea Ambiente was informed of the existence of Criminal Proceedings no. 5400/19 R.G. Admin. Resp. of Entities for bribery offences pursuant to article 25, paragraph 2, of Legislative Decree 231/01.
The preventive seizure, on May 7, 2020, was arranged up to the amount of 26,273,298 euro (equal to the presumed profit of the offence). On May 13, 2020 was the notification of appointment of a judicial administrator of the assets seized, including company shares and receivables.
On May 21, 2020, Linea Ambiente proposed a request for review of the seizure order, which was discussed in the Council Chamber on June 9, 2020, and rejected. The cautionary requests have been confirmed.
On June 11, 2020, a decree releasing the Linea Ambiente portions was notified. On September 10, 2020, the company was notified of the conclusion of the preliminary investigations pursuant to article 415-bis of the Code of Criminal Procedure. The notification was repeated, with partial changes, on January 21, 2021. On January 21, 2021, the Taranto Public Prosecutor's Office notified the defense lawyer of Linea Ambiente of an order to release and return 95.004% of the shares in Lomellina Energia held by Linea Ambiente and already placed under preventive seizure. This was done on the basis of a new estimate of the value of the shares made by the judicial administrator and on the fact that after the seizures made by the Guardia di Finanza there remained sums equal to about 5% the value of said shares.
On May 18, 2021, the Taranto Preliminary Investigation Judge (GIP), following the annulment by the Supreme Court of the preventive seizure order notified on May 7, 2020, issued a new preventive seizure order recalculating the "profit from the crime" as 20,304,974.88 euro (compared to the previous amount of 26,273,298.13 euro) by subtracting the "out-of-pocket costs" incurred by Linea Ambiente and quantified as 5,968,323.25 euro. In fact, the Supreme Court found that the original determination was erroneous of the alleged profit, identified by the Judge for Preliminary Investigation in the gross revenue that Linea Ambiente would have derived as a result of the landfill contributions made in the period April 2018 - February 2019, for a total amount of 26,273,398.13 euro. Consequently, the Supreme Court ordered the annulment of the decree and the return of the acts to the GIP of Taranto to comply with the principles of law dictated by the Supreme Court, according to which the profit is only the advantage of immediate and direct causal derivation of the crime. In the new seizure order notified on May 18, 2021, however, according to the Linea Ambiente defense, this principle was again disregarded and therefore on May 27, 2021, an appeal was filed with the Supreme Court against the same, requesting its cancellation. At the related hearing on November 10, 2021, the Court declared the appeal inadmissible; the filing of the grounds is awaited.

On June 29, 2021, the Linea Ambiente counsel was re-notified of the preventive seizure order issued on May 18, 2021 by the GIP and the minutes of the execution of the same by which it was ordered to release and return to Linea Ambiente 3.352% of the shares held by it in the company Lomellina Energia for an estimated value (by the Judicial Administrator) of 1,617,284.96 euro. In May 2021, the Group complied with the request of the Judicial Administrator to pay the amounts seized up to the amount of 14 million euro.

The proceedings of merit
On March 18, 2021, the Linea Ambiente S.r.l. counsel was served with the notice of the preliminary hearing scheduled for June 10, 2021 before the Taranto Preliminary Hearings Judge. In this preliminary hearing, the Municipality of Grottaglie filed a request to join the civil action. At the subsequent hearing on July 22, 2021, the defense of Linea Ambiente S.r.l. objected to the inadmissibility of the civil action of the Municipality of Grottaglie against Linea Ambiente S.r.l. The Preliminary Hearings Judge (GUP) accepted the objection and consequently declared the inadmissibility of the constitution of a civil party of the Municipality of Grottaglie, also rejecting the request of the latter, carried out in the alternative, to authorize the summons of the company as civil liable party, postponing the proceeding to November 11, 2021 for the continuation of the preliminary hearing. At this hearing, the defense raised a number of preliminary issues and the Judge granted time to respond and adjourned the hearing until January 20, 2022. At the hearing of January 20, 2022, the Judge dismissed the preliminary exceptions and adjourned the decision on the preliminary investigations until the hearing of March 31, 2022.

At present, the company believes that the risk of confiscation is possible and has not made a provision for the amount of the seizure in view of the multiple concomitant factors, namely: i) the as yet preliminary phase of Proceedings no. 5400/19 R.G. Admin. Liability; ii) the exorbitant amount determined by the preventive seizure decree as profit deriving from the hypothetical predicate crime in respect of what is presently considered possible for a future effective confiscation order; iii) the fact that the time, considered to be in the fairly distant future, when such seizure may be ordered, cannot yet be determined, given the need of the definitive nature of any conviction judgement.

Linea Ambiente vs.Provincia di Taranto – Grottaglie Landfill
In January 2021 (with reiteration in February 2022), the Province of Taranto sent a warning notice for the removal of the waste dumped during the period of validity of DD 45/18, which also constitutes a response to the requests that the company had made in previous years regarding the procedures for fulfilling the obligations resulting from the Sentence of the Council of State no. 5985/2019, which had annulled the substantial variation no. 45/2018. The Province, according to as stated in the meagre communication, which does not give evidence of the provincial inquiry, does not open the required authorization procedure and indicates to the company: (i) to remove the waste delivered in excess of the authorized quantities, (ii) to restore the landfill profiles in accordance with authorization 426/08 and (iii) to activate the closure activities.
On February 9, 2021, Linea Ambiente met with the Province, expressly reserving the right to challenge the warning, in order to outline a technical path necessary to take appropriate action; in particular, the company illustrated a preliminary investigation path from which all possible solutions could emerge, including a new request for a substantial variant of the current authorization in line with Council of State Sentence 5986/2019.
The uncertainty of the technical solutions available and the unpredictability of the measures of the competent authorities, which have not carried out any technical investigation, make it impossible to predict the duration of the authorization process and the type of measure that will be issued to allow the company to resolve the current impasse.
In view of the flaws in the deed, the company appealed to the Apulia Regional Administrative Court to have the warning cancelled and will notify additional grounds against the February 2022 communication; a hearing on the merits has not yet been scheduled.
The Group has set aside an adequate provision to cover any risk.

Lecce Public Prosecutor's Office - Criminal Proceeding no. 6369/2019 R.G.N.R.
On February 26, 2020, at the Rovato headquarters of Linea Ambiente S.r.l., the Brescia Finance Police executed the "Search and Seizure Warrant" issued on February 5, 2020 by the Lecce Public Prosecutor's Office (Public Prosecutor Mignone) in relation to criminal proceedings no. 6369/2019 R.G.N.R..
The Finance Police then acquired a copy of the company's Organisational Model and the deeds and documents relating to the information flows destined for the Linea Ambiente S.r.l. Supervisory Body from November 2014 to January 2019.
The criminal proceedings have been filed against the company Linea Ambiente S.r.l. and the legal representative pro tempore for the offences referred to in articles 452 quaterdecies of the Italian Criminal Code (activities organised for the illicit waste trafficking) and 256 and paragraphs 1 and 3 of Legislative Decree 152/2006 (respectively waste collection, transport and disposal activities in the absence of the prescribed authorization/registration and the construction and management of unauthorized landfills)

from which the company's administrative liability derives pursuant to articles 24 and 25 undecies of Legislative Decree 231/2001 and this - the said measure states - "in order to have, with several operations and through the setting up of continuous and organized means and activities, managed and illegally disposed of large quantities of urban waste, creating an illegal landfill, in order to obtain an unfair profit". These alleged offences were supposedly committed in "Rome and Grottaglie from November 1, 2014 to January 28, 2019 with permanence".

Together with the "Search and Seizure Warrant", the Finance Police notified the company "Guarantee and on the right of defence information", from which it emerges that the company AMA S.p.A. of Rome, "owner of the TMB Rocca Cencia and Salario plants in Rome", was also entered in the same proceedings.

The company has been informed that individuals who are legal representatives or directors of Linea Ambiente S.r.l. and AMA S.p.A. during the interested period have received requests to extend the preliminary investigations in the same proceedings.

Amsa S.p.A.

Milan Public Prosecutor's Office - Criminal Proceeding no. 33490/16 R.G.N.R.

On May 7, 2019, the Carabinieri investigative unit of Monza showed up at the Amsa S.p.A. headquarters to notify an order for the exhibition of documents issued by the Milan Public Prosecutor's Office, relating to the documentation concerning three tenders launched by Amsa S.p.A. in 2017-2018, as well as the supplies made to it by a specific supplier. In relation to these proceedings, the Company's Chief Operating Officer and other employees were investigated, as well as three members of a tender judging committee issued by Amsa S.p.A..
No dispute has been raised against Amsa S.p.A. on the basis of the regulations on the administrative liability of legal persons, as Amsa S.p.A. considers itself to be an "injured party" and, in fact, has filed a complaint with the Public Prosecutor's Office through a trusted lawyer.
On December 23, 2019, lawyer of Amsa - as the injured party - was served notice for the setting of the preliminary hearing on February 17, 2020. As a result of this hearing, the Judge for Preliminary Investigation adjourned the hearing to May 25, 2020, setting a provisional schedule for its continuation. The measure in question does not cover the members of the tender committee, whose position has been withdrawn and closed. Filed as civil parties were Amsa S.p.A. and A2A Calore & Servizi S.r.l., as it was found to be an injured party in the same proceedings in relation to agreements made to its detriment by some companies competing in the district heating installation tenders, which tended to distort free competition.
The trial was postponed to a hearing on November 12, 2020 and then to March 19, 2021.
On January 18, 2021, the lawyer of Amsa S.p.A. was served notice of the setting of the preliminary hearing relating to the second line of investigation, registered under number 34213/19 R.G.N.R. - 21296/19 R.G.I.P. connected to the first. The preliminary hearing of this second matter was set for March 19, 2021 for the joining of the proceedings.
Amsa also filed as civil party against some of the defendants and in respect of certain allegations in connection with this additional matter. The trial underwent a series of postponements and the discussion of the preliminary hearing ended at the hearing on July 15, 2021 in which the defendants were sent for trial and the first hearing was set for November 18, 2021. At the hearing of July 8, at the conclusion of the reconnaissance on the requests for alternative rites, the Judge also set the calendar for the treatment of alternative rites, scheduling numerous hearings between September and October 2021.
At the hearing of October 21, 2021, set for the decision on alternative procedures, the Judge, as regards the positions of interest to AMSA, accepted the plea bargains requested by pronouncing a sentence of application of the penalty, while for a defendant who had requested an abbreviated trial, it pronounced a sentence of acquittal.
At the hearing on November 18, 2021, the preliminary issues raised by the defense of the defendants on remand were discussed; at the end of the hearing, the Court reserved its decision and adjourned the proceedings until the hearing on December 10, 2021. At this hearing the Court, in order to withdraw its reservation, rejected the objections raised by the defense and then opened the hearing, inviting the parties to formulate their preliminary requests, on which it reserved the right to decide, adjourning the hearing until January 14, 2022. At this hearing, the Court granted the preliminary investigations, admitted the testimonial and documentary evidence requested and ordered the transcription of telephone and environmental interceptions, which must be provided within 90 days of the start of the expert witness operations, set for January 24, 2022. The case was adjourned until March 14 for the start of the preliminary hearing, and further hearings have already been scheduled until April 4, 2022.

Linea Green S.p.A.

Brescia Public Prosecutor's Office - Criminal Proceeding no. 3891/2020 R.G.N.R.

On September 22, 2020, the person in charge of the technical and operational management of the Isola hydroelectric plant on the Grigna stream in Barzio Inferiore was notified of a request for an extension of the preliminary investigation. The interested party thus learned of the existence of investigations involving the latter in relation to an alleged crime of environmental pollution in conjunction with the legal representative of the company that owns the plant, which does not belong to Linea Green, but to a third company with which Linea Green has signed a management contract.
Subsequently, on March 26, 2021, the Carabinieri from the Forestry Department appeared at the Linea Green offices to acquire documentation and, on that occasion, invited the company's legal representative to appoint a lawyer for the company, since, as shown in the report notified, it was "under investigation for the administrative offence depending on the crime referred to in article 25 undecies paragraph 1 letter a) of Legislative Decree 231/01", i.e. in relation to the offence of environmental pollution referred to in article 452 bis of the Criminal Code.

Unareti S.p.A.

2i Rete Gas S.r.l./Unareti S.p.A. - tender gas distribution service Atem Milano 1

In 2018, 2iRete Gas S.r.l. notified to the Milan Regional Administrative Court an appeal against the award of the gas distribution service ordered by the Municipality of Milan in favour of Unareti S.p.A., requesting the cautionary suspension of the award provision and formulating an investigative request, announcing the right to notify additional reasons as a result of the satisfaction of the request for access to the documents. After the delivery of the part of the offer documents not covered by omissis, 2i Rete Gas S.r.l. notified additional reasons and further detailed some of the reasons for the illegitimacy of the measure already stated in the initial appeal. The Council of State rejected the requests for investigation. The defects of the award could be classified under three categories of topics: reasons for excluding Unareti, reasons for re-establishing the commission and reasons for redefining the ranking. Within the terms, Unareti notified an incidental appeal in which 2i Rete Gas filed an argument with further critical aspects of the proceedings.

After the Council Chamber of November 22, 2018, in which, at the joint request of the parties, the Regional Administrative Court adjourned the hearing on the merits, subsequently to November 21, 2019, the Regional Administrative Court issued Sentence no. 2598 on December 5, 2019 in which it upheld three grounds of appeal by 2i Rete Gas and one ground for the cross-appeal filed by Unareti ordering the annulment of the award unless the Administration ordered it.

2i Rete Gas S.r.l. notified the sentence on January 17, 2020 and all parties notified the appeal to the Council of State; 2i Rete Gas S.r.l. and Unareti S.p.A. appealed the grounds absorbed and not examined at first instance. The Municipality and 2i Rete Gas S.r.l. also requested cautionary suspension of the sentence, which was then waived; therefore, following the Council Chamber set for April 2, all three appeals were discussed at the only hearing on the merits set for July 9, 2020.
On September 7, 2020, the Council of State filed Sentence no. 5370, which upheld the appeal by Unareti, thus confirming the legitimacy of the award of the tender to Unareti. The Council of State, reforming the first instance ruling, also found that the reliance on the requirements of 2iRG S.p.A. in favour of 2iRG complied with the law, with the result that the first instance ruling was erroneous insofar as it excluded 2iRG from the tender. The Council of State also examined and ruled on the rejection or inadmissibility of all the other grounds of appeal of 2iRG and Unareti at first instance.

On February 18, 2021, 2i Rete Gas S.r.l. filed an appeal with the Supreme Court pursuant to article 111 of the Italian Constitution, article 362, paragraph 1 of the Italian Code of Criminal Procedure and Article 110 of the Italian Code of Civil Procedure to ask the Supreme Court, which will have to decide in Joint Sections, to ascertain the lack of jurisdiction of the Council of State when it issued Sentence no. 5370 on September 7, 2020. At present, no request to suspend the effectiveness of the sentence has been notified. Said request should in any case be filed with the Council of State. The Company and the Municipality of Milan have entered an appearance by lodging a counter-appeal.
On December 16, 2021, Unareti and the Municipality of Milan signed the service agreement, with ATEM management scheduled to begin on March 1, 2022.

ACSM-AGAM S.p.A.

Acsm Agam Ambiente S.r.l. vs Municipality of Varese regarding the reorganization of the municipal sanitation service

Acsm Agam Ambiente S.r.l., after having contested the measures taken by the Municipality of Varese to ascertain the early lapse of the concession with which the Municipality had granted the company the municipal sanitation service, without acquiescing, took part in the tender called by the Municipality of Varese to assign the service and appealed to the Milan Regional Administrative Court (TAR) against the final awarding measure that saw it ranked third. Pending the judgement of first instance, the Municipality of Varese, with a provision of December 31, 2020 cancelled the awarding decision and, on February 4, 2021, ordered the awarding to the second in the ranking, both Acsm Agam Ambiente S.r.l. and the original contractor then revoked challenged this resolution. The Regional Administrative Court with Sentence 1080 of April 30, 2021 and the Council of State with sentence 4705 of November 11, 2021 confirmed the award to the company second in the ranking.
As of January 1, 2022, service in the Municipality of Varese is managed by the successful contractor.
A2A S.p.A. has recorded adequate liabilities in relation to the topic described.

ACSM-AGAM S.p.A. and Acsm Agam Ambiente S.r.l.: lawsuit for damages against the Municipality of Varese regarding the municipal sanitation concession

In 2020, ACSM-AGAM S.r.l. and Acsm Agam Ambiente S.p.A. filed a lawsuit with the Special Business Court of Milan seeking a declaration of contractual and non-contractual non-fulfilment by the Municipality of Varese, with a consequent order for damages. The Municipality of Varese caused direct damage to the assets of the ACSM-AGAM Group by ordering the early termination of the service contract signed with Acsm Agam Ambiente. In fact, Acsm Agam Ambiente reduced the income flows related to the contract and incurred unforeseen and otherwise avoidable charges for the transitional continuation of the contract at more onerous conditions and ACSM-AGAM S.p.A. suffered a significant reduction in the value of the subsidiary's shareholding, despite and after the signing of the Framework Agreement that characterized the extraordinary transaction in 2018. After the hearing for the definition of the conclusions set for October 28, 2021 and the filing of closing statements and replies, on February 15, 2022, the Court filed an order dated January 20, declaring that the Business Court of Milan lacked jurisdiction and that the ordinary Court of Varese had jurisdiction. In view of the contents of the order, the companies are considering the best course of action to pursue the case.

AEB S.p.A.

Judgments on the integration transaction between A2A and AEB S.p.A.

With two initial appeals with cautionary request (R.G. 971/2020 submitted by CST Centro Servizi Termici (Thermal Service Center), DE.CA.BO. S.r.l. and Lombardy Regional Councillor Marco Fumagalli; R.G. 983/2020 submitted by Seregno Municipal Councillor Tiziano Mariani) filed with the Milan Regional Administrative Court, the resolution of the Seregno Municipal Council approving the merger between A2A and AEB was challenged; this resolution was suspended by Ordinances no. 868/2020 and no. 869/2020 by which the Regional Administrative Court accepted the precautionary requests submitted by the appellants and set the merit hearing for December 2, 2020.
On December 2, 2020, the third appeal was also discussed (R.G. 1095/2020 submitted by Idrotech and Eco Term S.r.l.s.).
A2A, the Municipality of Seregno and AEB have filed separate cautionary appeals before the Council of State to obtain the annulment and/or reform of the ordinances. The Council of State, at the outcome of the Council Chamber set for August 27, 2020, on August 28, 2020, upheld the appeals "*due to the clear lack of legitimacy and interest of the claimants at first instance and the consequent clear lack of the assumption of direct and immediate harm involving the same claimants from the contested deeds, in view of the nature of the corporate change and the inapplicability of the transaction subject to the appeal at first instance*".
The resolution of the Municipality of Seregno, therefore, also took effect for the purposes of the corporate deeds that were in fact carried out. The company has evaluated the content of the Council of State's ordinances and the appeals and, also in light of the position of the appointed lawyers, performed the company transaction, considering the prevalence of the principles of legal certainty and market confidence given the performance of corporate acts.
On February 15, 2021, the Milan Regional Administrative Court published the judgments upholding the three appeals filed respectively by (i) CST Centro Servizi Termici di Calzolari Maurizio, Depositi Carboni Bovisa DE.CA.BO. S.r.l. and Marco Fumagalli (Councillor Lombardy Region) Sentence no. 412/21, (ii) Tiziano Mariani (Councillor Municipality of Seregno) Sentence no. 413/21 and (iii) Idrotech di Corno Irwin Maria Sentence no. 414/21.
In order to enforce Sentence 413/21, Municipal Councillor Mariani has also appealed to the Milan TAR for a judgement of compliance. On March 2, 2021, the Regional Administrative Court, at the claimant's request, issued a precautionary decree in which it denied single-court precautionary measures, but set a Council Chamber for March 24, 2021. Following the hearing on the merits on April 28, 2021,

with Sentence no. 1248 of May 20, 2021, the Regional Administrative Court rejected the appeal for compliance, on the grounds that delivery by AEB of the due diligence of the transaction to Councillor Mariani constituted full compliance with Sentence 413/21. In the same sentence, the Lombardy Regional Administrative Court (TAR) also specified that "not included in the compliance effect" of the ruling for which compliance was requested (i.e. of Sentence no. 413/21) are *"the validity and effectiveness of the corporate deeds adopted as a consequence of the contested resolution, for which the administrative judge does not have jurisdiction (Civil Cassation, Joint Sections, Ordinance January 23, 2014, no. 1237; Sentence December 30, 2011, no. 30167; Council of State, Plenary Meeting, Sentence June 3, 2011, no. 10)"*, thus confirming that the acceptance of the appeal proposed by the Director Mariani did not produce immediate effects on the company deeds that have occurred in the meantime.

AEB and the Municipality of Seregno have filed an appeal with the Council of State requesting a suspension of the effects of Sentence 413/21. On March 22, 2021, the Council of State denied the suspension because it found that the ruling did not jeopardize the stability of the corporate integration transaction and, given the peculiarity and delicacy of the matter, scheduled a merit hearing as early as July 1, 2021. A similar appeal has been filed - without a request for precautionary measures - by A2A.

The sentences 412 and 414 qualify the business combination as a transformation of AEB S.p.A. into a mixed company carried out in alleged violation of art. 17 Legislative Decree 175/16 and art. 3 Legislative Decree 50/16 and consider that the conditions do not exist for exemption from the procedures dictated by art. 10 of the same Legislative Decree no. 175/16. A2A, as well as AEB and the Municipality of Seregno, has notified appeal to the Council of State to request the annulment of the sentences. The public hearing to discuss the merits of the appeals was held on July 1, 2021, with the sole exception of the appeal notified by A2A against Sentence 413/21.
On September 1, 2021, the State Board filed Sentence 6143 dismissing the appeals served by the Municipality and AEB against Sentence 413. A2A was also notified of the sentence on September 2.
In light of Sentence 6143, A2A is assessing with its lawyers whether to request a hearing to be set or instead to leave the appeal undecided so as to prevent Sentence 413/21 becoming final.
On September 1, 2021, the Council of State also filed Sentence 6142 by which it rejected the appeals notified by the Municipality, AEB and A2A against Sentence 414 of February 15, 2021 (which had upheld the appeals notified by Idrotech and Eco Term); and on September 6, 2021, the Council of State also filed Sentence 6213 by which it rejected the appeals notified by the Municipality, AEB and A2A against Sentence 412 of February 15, 2021 (which had upheld the appeal notified by Regional Councillor Fumagalli, CST and DE.CA.BO.).
Also in these two cases, therefore, the annulment of the resolution passed by the Seregno City Council on April 20, 2020 with number 17 was confirmed.
Moreover, on September 3, the legal counsel of the appellants, Idrotech and Eco Term, asked the Municipality, AEB and A2A to provide compensation for the damages suffered by the companies as a result of the illegitimate transaction carried out, announcing possible legal action in the event of inactivity. The Municipality replied, fulfilling its obligations to respond to the companies.
A2A and AEB have appealed the sentences both by way of revocation and appeal by cassation.
In its appeals for revocation, A2A claimed that the Council of State had made a factual error in two respects: on the one hand, in that it mistakenly deemed the companies claiming at first instance to be "operators in the sector" and, as such, legitimated to act against the merger between A2A and AEB; on the other, in that it mistakenly qualified the merger as a public-private partnership aimed at obtaining public assignments, without appreciating the fact that it was objectively unsuitable.
In its appeals to the Supreme Court, A2A claimed both absolute lack of jurisdiction on the part of the administrative judge (since it decided on appeals lodged by parties without legitimacy) and excess of jurisdictional power due to exceeding the limits of administrative jurisdiction (since the Council of State's pronouncements invaded the sphere of regulatory production reserved for the legislator, introducing an obligation to tender in corporate transactions with public companies that is not provided for by the law).
The appellants have entered an appearance and none of the appeals have been discussed.
The parties are evaluating the possibility of an out-of-court settlement of disputes with the original appellant companies with settlement of the claims made, without any recognition of liability.

Monza Public Prosecutor's Office - Criminal Proceeding no. 1931/2021 R.G.N.R.

On July 5, 2021, officers and agents of the Guardia di Finanza of Seregno showed up at the headquarters of AEB S.p.A. in Seregno to execute "personal and local search orders" and "request for delivery - local search order". The proceedings, which in the initial phase were against unknown persons, originated from two complaints submitted to the Prosecutor's Office on November 25, 2019 and on February 10, 2020 by Tiziano Mariani, Municipal Councillor of the Municipality of Seregno, who also notified an appeal to the TAR in the terms referred to above.
The "personal and local search decree" concerns the Chair of the Board of Directors of AEB S.p.A and is also valid as "information of guarantee" pursuant to art. 369 of the Italian Code of Criminal Procedure for the person under investigation. On the basis of this decree, the Chair of AEB is being investigated,

in conjunction with others (art. 110 of the Criminal Code), who have not been named, for the offences referred to in art. 353 bis Criminal Code (disturbance of the freedom of the procedure for choosing a contractor), 319 Criminal Code (bribery for an act contrary to the duties of office), 321 Criminal Code (penalties for the briber), committed between "October 2019 and in present permanency."

At the same time, AEB was served with a "request for delivery and a local search decree" with which the Monza Public Prosecutor's Office ordered the acquisition of documentation concerning the transaction.

Subsequently, on September 24, 2021, the Finance Police of Seregno, at the request of the Monza Public Prosecutor's Office, appeared at the A2A Milan headquarters to serve, as part of Procedure no. 1931/2021 R.G.N.R. relating to the merger between the A2A and AEB Groups, a notice of non-repeatable technical checks on the IT supports already previously seized, with the appointment on October 8, 2021 of a consultant appointed by the Public Prosecutor's Office to make the forensic copy.
The deed in question was notified to persons, other than the current directors of A2A S.p.A., who in A2A S.p.A., Unareti S.p.A. and A2A Illuminazione Pubblica S.r.l. had positions of responsibility, or considered such, for various reasons in the project in question and also contains information about the guarantee and the right of defense in relation to the investigation concerning the hypotheses of crime pursuant to articles 110 of the Italian Criminal Code (conspiracy), 353 bis Criminal Code (disturbance of the freedom of the procedure for choosing a contractor), 319 Criminal Code (bribery for an act contrary to the duties of office), 321 Criminal Code (penalties for the corruptor).

* * *

The following information is provided in connection with the main litigation of a fiscal nature.

A2A gencogas S.p.A. (formerly Abruzzoenergia S.p.A.) - General IRES/IRAP/VAT audit for fiscal years 2014 and 2015

On January 19, 2016, the Finance Police - Chieti Unit commenced a general audit of A2A gencogas S.p.A. (formerly Abruzzoenergia S.p.A.) for fiscal years 2014 and 2015 for IRES, IREP and VAT purposes. This audit was completed on May 25, 2016. The company submitted comments to the formal notice of assessment by the inspectors. In December 2016, the Revenue Agency of Chieti issued notices of assessment for IRES, IRAP and VAT for the years 2011 and 2012 and, in August 2017, served notices of assessment for IRES, IRAP and VAT for the years 2013 and 2014. The company has proposed a timely appeal against all the deeds notified. The Provincial Tax Commission of Chieti and the Regional Tax Commission of Pescara issued unfavourable rulings for IRES and IRAP. The appeals against the VAT assessment notices for the years 2011-2014 were rejected by the Provincial Tax Commission of Chieti and upheld by the Regional Tax Commission of Pescara. On May 8, 2019, the Company filed an appeal with the Supreme Court for IRES 2011 and 2012. In February 2020, the Company filed an appeal with the Supreme Court for IRES 2013 and 2014 and IRAP 2011-2014 and a counter-appeal with the Supreme Court for VAT 2011 and 2012. On May 5, 2020, the Company filed a counter-appeal with the Supreme Court for 2013-2014 VAT. A risk provision of 2 million euro has been recognized.

A2A S.p.A. - Registration tax for transfer of business unit and sale of the investment Chi.na.co. S.r.l.

On April 4, 2016, the Provincial Directorate I of Milan - Regional Office of Milan 1 - notified the invitation to appear to provide clarifications on a business transfer in the company Chi.na.co. S.r.l. and the subsequent sale of the investment held in it under control for registration tax purposes. The invitation was followed by a contradictory with the Office and subsequent notification by the latter of the notice of liquidation to the acquiring counterparty, which filed an appeal on September 28, 2016. The Provincial Tax Commission of Milan rejected the appeal with sentence filed on July 07, 2017. On February 13, 2018, the acquiring company filed an appeal, which was rejected by the Milan Regional Administrative Court. On April 8, 2019, the Company filed an appeal with the Supreme Court. On February 21, 2020, the Office filed a counter-appeal and a cross-appeal with the Supreme Court. The risks provision recognized for 1.4 million euro was fully used for the payment of the amounts requested with the liquidation notice.

A2A Ambiente S.p.A. (formerly Aprica S.p.A.) - Technical audit of the Brescia waste-to-energy plant

On March 7, 2013, the Brescia Customs Agency commenced a technical audit of the Brescia waste-to-energy plant owned by Aprica S.p.A. (now owned by A2A Ambiente S.p.A.). The audit was completed on January 16, 2014 with the serving of a formal notice of assessment for the years 2008 to 2011. For 2008 and 2009, the Customs Authority served payment notices together with the respective penalties on May 7 and 21, 2014. The company appealed against these two demands in July 2014. For the year 2009, in December 10, 2014, the company signed a conciliation agreement with the Customs Agency of Brescia for the final closure of the dispute and the consequent termination of the proceedings. For 2008, the litigation of first instance ended favourably for the company. On September 24, 2015, the Office appealed. The company filed counter-claims on November 17, 2015. With sentence of June 6, 2016, the Regional Tax Commission partially upheld the company's reasons. The Office has appealed to the Supreme Court and the company has resisted with counter-claim and cross-appeal notified on February 20, 2017. The Supreme Court referred the case back to the Regional Tax Commission and the Company filed an appeal for reinstatement on June 8, 2020. On August 5, 2014, the Customs Authority served formal notices of assessment for 2012 and 2013. In March 2016, the company defined with the Customs Agency of Brescia the years from 2010 to 2013 with the payment of the amounts due on the basis of the criteria identified in the deed of reconciliation for the year 2009. With regard to 2008, the Office did not appeal the sentence issued by the Regional Tax Commission in favour of the Company, which has therefore become final, definitively closing the tax claim.

A2A S.p.A. (merging company of AMSA Holding S.p.A.) - VAT Tax assessments for tax years from 2001 to 2005

In early 2006, the Italian Finance Police – Lombardy Regional Unit, Milan – carried out a tax audit of AMSA Holding S.p.A. (now A2A S.p.A.) for VAT purposes for tax years 2001 to 2005.
The audit ended with the issue of a final report contesting the legitimacy of the ordinary VAT rate, in place of the special rate applied by suppliers for waste disposal and plant maintenance, as well as the subsequent deduction made after the invoices issued for these services were duly paid.
The report was followed by formal notices of assessment from the Tax Revenue Office (Milan 3 Office) for each year audited; appeals were then filed with the Provincial Tax Commission within the term provided by law.
The appeals for 2001 and for 2004 and 2005 were discussed on January 25, 2010 and on February 17, 2010 respectively, with a favourable outcome for the company in all cases. The Tax Revenue Office appealed against the verdict of the first court. The Regional Tax Commission rejected this appeal for all three years, 2001, 2004 and 2005.
For 2001, the Tax Revenue Office filed an appeal with the Supreme Court against which AMSA Holding S.p.A. (now A2A S.p.A.), filed a cross-appeal on November 9, 2012. At the hearing on December 12, 2018, the Company requested that the case be suspended in order to assess the facilitated settlement of the dispute. On May 24, 2019, the company filed an application for a facilitated settlement of pending tax disputes and definitively settled its tax claim.
The outcomes of the 2002 and 2003 disputes were also favourable for the company but the Tax Revenue Office filed an appeal against both sentences. The appeal for 2002 was discussed on November 30, 2010, and by way of a sentence lodged on February 2, 2011 the Milan Regional Tax Commission overturned the sentence of the first court, upholding the Tax Revenue Office's appeal on almost all counts with the exception of the hazardous waste category. The Company filed an appeal with the Supreme Court for 2002. The hearing was held on December 12, 2018 and the appeal was upheld and the judgement was adjourned to the Regional Technical Committee (CTR). On December 23, 2019, the Company filed an appeal for reinstatement in CTR and an appeal for revocation with the Supreme Court. For 2003 the appeal made by the Tax Revenue Office was discussed on November 7, 2011 before the Regional Tax Commission which rejected it with a sentence filed on November 11, 2011. The Tax Revenue Office has not appealed to the Supreme Court for 2003, 2004 and 2005 and the sentence has become final, thereby closing the litigation.
No provisions for risks have been recognized.

A2A Ciclo Idrico S.p.A. IMU assessment notices of Municipality of Montichiari for the years 2013-2018

On December 4, 2019, the Municipality of Montichiari (BS) issued notices of assessment for IMU purposes for the years from 2013 to 2018 regarding the purification plant located in the territory of the same municipality. On January 29, 2020, the Company filed an appeal with the Provincial Tax Commission. A risk provision of 0.7 million euro has been recognized.

A2A Energia S.p.A. merging company of Linea Più S.p.A. - General IRES/IRAP/VAT audit for fiscal years 2013 and 2014

On September 17, 2019 the Lombardy Regional Department - Large Taxpayers Section - opened in respect of A2A Energia S.p.A. (merging company of Linea Più S.p.A.) a general audit for IRES, IRAP and VAT purposes for tax periods 2013 and 2014. This audit was completed on October 22, 2019. On December 24, 2019, the Lombardy Regional Department issued notices of assessment for IRES, ROBIN TAX, IRAP and VAT purposes for the tax periods verified. On July 24, 2020, the Company appealed against all the assessments to the Provincial Tax Commission. At the hearing on May 11, 2021, the Milan Provincial Tax Commission upheld the company's appeals. On September 24, 2021, the Office appealed, and on November 19, 2021, the Company filed a notice of counter-claim to the appeal. A risk provision of 10.3 million euro has been recognized.

A2A Ambiente S.p.A. - Tax audit on sulphur dioxide and nitrogen oxides SO2 NOx emissions for the 2014 and 2019 tax periods

On October 24, 2019, the Naples Customs Agency 2 - Excise Department for Audits and Controls - opened against A2A Ambiente S.p.A. an administrative technical audit of the Acerra waste-to-energy plant for the recovery of the tax on emissions of sulphur dioxide and nitrogen oxides for the years 2014-2019. The audit was completed on February 27, 2020. On April 24, 2020, the Company submitted its observations regarding the notice of assessment prepared by the inspectors. On December 11, 2020, the Naples Customs Agency served notice of payment and imposition of penalties for the years 2015-2019. In March 2021, the Company filed an appeal with the Naples Provincial Tax Commission. A risk provision of 0.5 million euro has been recognized.

A2A Energiefuture S.p.A. - TASI assessment notice Municipality of Brindisi for the year 2015

On March 18, 2021, the Municipality of Brindisi issued notice of assessment for TASI purposes for the year 2015 regarding the thermoelectric plant located in the territory of the same Municipality. On June 7, 2021, the Company filed an appeal with the Provincial Tax Commission. The Municipality issued a self-protection cancellation order. The risk provision of 0.13 million euro has been released.

* * *

Consob Recommendation no. 61493 of July 18, 2013

In response to Consob Recommendation no. 61493 published in July 2013, the A2A Group has carried out detailed analyses which have led to the identification of the hydroelectric production sector as the area applicable to the Group.
The investments made in this sector in 2021 were of a marginal amount and due to ordinary maintenance.

4

Attachments to the notes to the Consolidated annual report

4.1 1. Statement of changes in tangible assets

Tangible assets millions of euro	RESIDUAL VALUE AT 12 31 2020	FIRST CONSOLIDATION	CHANGES	
			INVESTMENTS	CHANGES IN CATEGORY
Land	127	14	4	
Buildings	597	5	11	8
Plant and machinery	3,788	146	214	100
Industrial and commercial equipment	50		17	
Other assets	122		27	13
Landfills	26			2
Construction in progress and advances	226	34	411	(128)
Leasehold improvements	113	2	30	2
Right-of-use assets	113	16		
Total tangible assets	**5,162**	**217**	**714**	**(3)**

Tangible assets millions of euro	RESIDUAL VALUE AT 12 31 2019	FIRST CONSOLIDATION	CHANGES	
			INVESTMENTS	CHANGES IN CATEGORY
Land	112	13	3	
Buildings	594	22	10	3
Plant and machinery	3,591	138	165	117
Industrial and commercial equipment	45	2	11	1
Other assets	127	4	17	6
Landfills	28			2
Construction in progress and advances	131	3	221	(133)
Leasehold improvements	101		24	5
Right-of-use assets	140	10		
Total tangible assets	**4,869**	**192**	**451**	**1**

CHANGES								
RECLASSIFICATIONS/ OTHER CHANGES		DISPOSALS/SALES		WRITE-DOWNS	AMORTIZATION	TOTAL CHANGES	RESIDUAL VALUE AT 12 31 2021
GROSS VALUE	ACCUMULATED AMORTIZATION	GROSS VALUE	ACCUMULATED AMORTIZATION				
(4)						-	141
(105)	60	(3)	1		(30)	(58)	544
209	(199)	(73)	71	(8)	(340)	(26)	3,908
6	(9)	(1)	1		(9)	5	55
26	(25)	(12)	12		(31)	10	132
17	(13)				(7)	(1)	25
3				(2)		284	544
	(3)				(20)	9	124
11	3	(2)	2		(28)	(14)	115
163	**(186)**	**(91)**	**87**	**(10)**	**(465)**	**209**	**5,588**

CHANGES								
RECLASSIFICATIONS/ OTHER CHANGES		DISPOSALS/SALES		WRITE-DOWNS	AMORTIZATION	TOTAL CHANGES	RESIDUAL VALUE AT 12 31 2020
GROSS VALUE	ACCUMULATED AMORTIZATION	GROSS VALUE	ACCUMULATED AMORTIZATION				
					(1)	2	127
2	(1)	(2)			(31)	(19)	597
87	(13)	(26)	24		(295)	59	3,788
		(2)	2		(9)	3	50
		(8)	7		(31)	(9)	122
1				(2)	(3)	(2)	26
6				(2)		92	226
(14)	13	(1)	1		(16)	12	113
(49)	39				(27)	(37)	113
33	**38**	**(39)**	**34**	**(4)**	**(413)**	**101**	**5,162**

4.2 2. Statement of changes in intangible assets

Intangible assets millions of euro	RESIDUAL VALUE AT 12 31 2020	FIRST CONSOLIDATION	CHANGES	
			INVESTMENTS	CHANGES IN CATEGORY
Industrial patent and intellectual property rights	40		21	10
Concessions, licences, trademarks and similar rights	1,876		237	26
Goodwill	426	331	2	
Assets in progress	74		83	(35)
Other intangible assets	321	20	17	2
Total intangible assets	**2,737**	**351**	**360**	**3**

Intangible assets millions of euro	RESIDUAL VALUE AT 12 31 2019	FIRST CONSOLIDATION	CHANGES	
			INVESTMENTS	CHANGES IN CATEGORY
Industrial patent and intellectual property rights	31		14	14
Concessions, licences, trademarks and similar rights	1.616	131	195	36
Goodwill	374	61		
Assets in progress	62		70	(51)
Other intangible assets	296	56	8	
Total intangible assets	**2.379**	**248**	**287**	**(1)**

CHANGES							
RECLASSIFICATIONS/ OTHER CHANGES		DISPOSALS/SALES		WRITE-DOWNS	AMORTIZATION	TOTAL CHANGES	RESIDUAL VALUE AT 12 31 2021
GROSS VALUE	ACCUMULATED AMORTIZATION	GROSS VALUE	ACCUMULATED AMORTIZATION				
3					(22)	12	52
(104)	(6)	(19)	17	(2)	(144)	5	1,881
6	(19)					(11)	746
(2)				(1)		45	119
9	(7)				(35)	(14)	327
(88)	**(32)**	**(19)**	**17**	**(3)**	**(201)**	**37**	**3,125**

CHANGES							
RECLASSIFICATIONS/ OTHER CHANGES		DISPOSALS/SALES		WRITE-DOWNS	AMORTIZATION	TOTAL CHANGES	RESIDUAL VALUE AT 12 31 2020
GROSS VALUE	ACCUMULATED AMORTIZATION	GROSS VALUE	ACCUMULATED AMORTIZATION				
					(19)	9	40
(38)	41	(24)	18	(1)	(98)	129	1.876
(9)						(9)	426
(7)						12	74
(18)	4				(25)	(31)	321
(72)	**45**	**(24)**	**18**	**(1)**	**(142)**	**110**	**2.737**

4.3 3. List of companies included in the consolidated annual report

Company name	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL (THOUSANDS)
Scope of consolidation			
Unareti S.p.A.	Brescia	Euro	965,250
A2A Calore & Servizi S.r.l.	Brescia	Euro	150,000
A2A Smart City S.p.A.	Brescia	Euro	3,448
A2A Energia S.p.A.	Milan	Euro	3,000
A2A Ciclo Idrico S.p.A.	Brescia	Euro	70,000
A2A Ambiente S.p.A.	Brescia	Euro	220,000
A2A Montenegro d.o.o.	Podgorica (Montenegro)	Euro	100
A2A Energiefuture S.p.A.	Milan	Euro	50,000
A2A gencogas S.p.A.	Milan	Euro	450,000
Retragas S.r.l.	Brescia	Euro	34,495
Camuna Energia S.r.l.	Cedegolo (BS)	Euro	900
A2A Alfa S.r.l. in liquidation	Milan	Euro	100
Proaris S.r.l. in liquidation	Milan	Euro	1,875
SEASM S.r.l.	Brescia	Euro	700
Azienda Servizi Valtrompia S.p.A.	Gardone Val Trompia (BS)	Euro	8,939
Yada Energia S.r.l.	Milan	Euro	2,400
ROMEO GAS S.p.A.	Milan	Euro	50
LaboRAEE S.r.l.	Milan	Euro	90
Ecodeco Hellas S.A. in liquidation	Atene (Grecia)	Euro	60
Ecolombardia 4 S.p.A.	Milan	Euro	13,515
Sicura S.r.l.	Milan	Euro	1,040
Sistema Ecodeco UK Ltd	Canvey Island Essex (UK)	GBP	250
A.S.R.A.B. S.p.A.	Cavaglià (BI)	Euro	2,582
Nicosiambiente S.r.l.	Milan	Euro	50
Bioase S.r.l.	Sondrio	Euro	677
Aprica S.p.A.	Brescia	Euro	10,000
Amsa S.p.A.	Milan	Euro	10,000
SED S.r.l.	Robassomero (TO)	Euro	1,250
TecnoA S.r.l.	Brescia	Euro	3,000
Bergamo Servizi S.r.l.	Brescia	Euro	10
A2A Recycling S.r.l.	Novate Milanese (MI)	Euro	5,000
A2A Integrambiente S.r.l.	Brescia	Euro	10
Electrometal S.r.l	Castegnato (BS)	Euro	200
Areslab S.r.l.	Brescia	Euro	10

% OF SHAREHOLDING CONSOLIDATED BY GROUP AT 12 31 2021	SHAREHOLDING %	SHAREHOLDER	VALUATION METHOD
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
91.60%	91.60%	A2A S.p.A. (87.27%) Unareti S.p.A. (4.33%)	Line-by-line consolidation
89.00%	89.00%	A2A S.p.A. (74.50%) Linea Green S.p.A. (14.50%)	Line-by-line consolidation
70.00%	70.00%	A2A S.p.A.	Line-by-line consolidation
60.00%	60.00%	A2A S.p.A.	Line-by-line consolidation
67.00%	67.00%	A2A S.p.A.	Line-by-line consolidation
74.80%	74.80%	A2A S.p.A. (74.55%) Unareti S.p.A. (0.25%)	Line-by-line consolidation
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	Amsa S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Ambiente S.p.A.	Line-by-line consolidation
68.78%	68.78%	A2A Ambiente S.p.A.	Line-by-line consolidation
96.80%	96.80%	A2A Ambiente S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Ambiente S.p.A.	Line-by-line consolidation
70.00%	70.00%	A2A Ambiente S.p.A.	Line-by-line consolidation
99.90%	99.90%	A2A Ambiente S.p.A.	Line-by-line consolidation
70.00%	70.00%	A2A Ambiente S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Ambiente S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Ambiente S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Ambiente S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Ambiente S.p.A.	Line-by-line consolidation
100.00%	100.00%	Aprica S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Ambiente S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Ambiente S.p.A. (74%) Aprica S.p.A. (1%) Amsa S.p.A. (25%)	Line-by-line consolidation
90.00%	90.00%	A2A Ambiente S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Ambiente S.p.A.	Line-by-line consolidation

Company name	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL (THOUSANDS)
A2A Security S.c.p.a.	Milan	Euro	52
BIOENERGIA GUALDO S.r.l.	Gualdo Tadino (PG)	Euro	10
WALDUM TADINUM ENERGIA S.r.l.	Gualdo Tadino (PG)	Euro	10
ENERGIA ANAGNI S.r.l.	Anagni (FR)	Euro	10
BIOENERGIA ROCCASECCA S.r.l.	San Vito (FR)	Euro	10
LumEnergia S.p.A.	Villa Carcina (BS)	Euro	300
A2A Energy Solutions S.r.l.	Milan	Euro	4,000
ES Energy S.r.l.	Jesi (AN)	Euro	10
A2A Rinnovabili S.p.A.	Milan	Euro	50
INTHE 2 S.r.l.	Milan	Euro	210
Fair Renew S.r.l.	Milan	Euro	10
renewA21 S.r.l.	Milan	Euro	20
renewA22 S.r.l.	Milan	Euro	220
renewA23 S.r.l.	Milan	Euro	20
renewA24 S.r.l.	Milan	Euro	20
renewA25 S.r.l.	Milan	Euro	20
Trovosix S.r.l.	Milan	Euro	20
Des Energia Tredici S.r.l.	Milan	Euro	10
CS Solar2 S.r.l.	Milan	Euro	15
Flabrum S.r.l.	Milan	Euro	100
Solar italy V S.r.l.	Milan	Euro	10
Rossini Energia S.r.l.	Milan	Euro	-
Verdi Energia S.r.l.	Milan	Euro	-
Vivaldi Energia S.r.l.	Milan	Euro	-
Pergolesi Energia S.r.l.	Milan	Euro	-
Cilea Energia S.r.l.	Milan	Euro	-
Tosti Energia S.r.l.	Milan	Euro	-
Albinoni Energia S.r.l.	Milan	Euro	-
Bellini Energia S.r.l.	Milan	Euro	-
Corelli Energia S.r.l.	Milan	Euro	-
Leoncavallo Energia S.r.l.	Milan	Euro	-

4
Attachments to the notes to the Consolidated annual report

1. Statement of changes in tangible assets

2. Statement of changes in intangible assets

3. List of companies included in the consolidated annual report

4. List of shareholdings in companies carried at equity

5. List of holdings in other companies

Certification of the consolidated financial statements pursuant to article 154-bis, paragraph 5 of Legislative Decree no. 58/98

% OF SHAREHOLDING CONSOLIDATED BY GROUP AT 12 31 2021	SHAREHOLDING %	SHAREHOLDER	VALUATION METHOD
100.00%	100.00%	A2A S.p.A. (45.96%) Unareti S.p.A. (18.37%) A2A Ciclo Idrico S.p.A. (10.49%) Amsa S.p.A. (9.14%) A2A gencogas S.p.A. (3.95%) A2A Ambiente S.p.A. (3.95%) A2A Calore & Servizi S.r.l. (2.60%) A2A Energiefuture S.p.A. (1.93%) A2A Energia S.p.A. (0.19%) A2A Energy Solutions S.r.l. (0.19%) Linea Green S.p.A. (0.19%) Linea Gestioni S.r.l. (0.19%) LD Reti S.r.l. (0.19%) Linea Ambiente S.r.l. (0.19%) A2A Recycling S.r.l. (0.19%) A2A Smart City S.p.A. (0.19%) ACSM-AGAM S.p.A. (0.19%) Aprica S.p.A. (0.19%) Lomellina Energia S.r.l. (0.19%) Retragas S.r.l. (0.19%) Lereti S.p.A. (0.19%) Azienda Servizi Valtrompia S.p.A. (0.19%) Acel Energie S.r.l. (0.19%) Serenissima Gas S.p.A. (0.19%) Varese Risorse S.p.A. (0.19%) Reti Valtellina Valchiavenna S.r.l. (0.19%) AEVV Farmacie S.r.l. (0.19%)	Line-by-line consolidation
80.00%	80.00%	A2A Ambiente S.p.A.	Line-by-line consolidation
90.00%	90.00%	A2A Ambiente S.p.A.	Line-by-line consolidation
55.00%	55.00%	A2A Ambiente S.p.A.	Line-by-line consolidation
55.00%	100.00%	Energia Anagni S.r.l.	Line-by-line consolidation
94.72%	94.72%	A2A Energia S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
50.00%	50.00%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
60.00%	60.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation

Company name	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL (THOUSANDS)
Monteverdi Energia S.r.l.	Milan	Euro	-
Tartini Energia S.r.l.	Milan	Euro	-
Trovaioli Energia S.r.l.	Milan	Euro	-
Paganini Energia S.r.l.	Milan	Euro	-
Puccini Energia S.r.l.	Milan	Euro	-
Gash 1 S.r.l.	Milan	Euro	10
Gash 2 S.r.l.	Milan	Euro	10
Linea Gestioni S.r.l.	Crema (CR)	Euro	6,000
LD Reti S.r.l.	Lodi	Euro	32,976
Linea Green S.p.A.	Cremona	Euro	48,000
Linea Ambiente S.r.l.	Rovato (BS)	Euro	19,000
Fragea S.r.l. società agricola	Sesto ed Uniti (CR)	Euro	20,000
AGRIPOWER S.R.L.	Bologna	Euro	500
B-HOLDING S.R.L.	Bologna	Euro	50
CASTEL RITALDI BIOENERGIA SOCIETÀ AGRICOLA S.R.L.	Bologna	Euro	50
DONNA RICCA BIOENERGIA S.R.L. SOCIETÀ AGRICOLA	Bologna	Euro	10
GIULIANA BIOENERGIA SOCIETÀ AGRICOLA A.R.L.	Bologna	Euro	65
IUMAGAS BIOENERGY SOCIETÀ AGRICOLA A.R.L.	Bologna	Euro	50
LA MARROCCA SOCIETÀ AGRICOLA A.R.L.	Bologna	Euro	10
LI.F.E. S.R.L.	Bologna	Euro	10
MARSICA AGROENERGIA S.R.L.	Bologna	Euro	60
PONZANO BIOENERGIA SOCIETÀ AGRICOLA A.R.L.	Bologna	Euro	40
PRATI BIOENERGIA SOCIETÀ AGRICOLA A.R.L.	Bologna	Euro	40
ROBERTA BIOENERGIA S.R.L.	Bologna	Euro	10
SAN QUIRICO BIOENERGIA SOCIETÀ AGRICOLA A.R.L.	Bologna	Euro	160
SCALENGHE BIOGAS SOCIETÀ AGRICOLA S.R.L.	Bologna	Euro	10
STROVINA BIOENERGIA SOCIETÀ AGRICOLA A.R.L.	Sanluri (SU)	Euro	40
SUGAR ENERGIA SOCIETÀ AGRICOLA A.R.L.	Bologna	Euro	100
TORRE ZUINA SOCIETÀ AGRICOLA A.R.L.	Bologna	Euro	10
TULA BIOENERGIA SOCIETÀ AGRICOLA A.R.L.	Bologna	Euro	40
VITTORIA BIOENERGIA S.R.L.	Bologna	Euro	50
CONSORZIO UMBRIA BIOENERGIA	Zola Predosa (BO)	Euro	1
Lomellina Energia S.r.l.	Parona (PV)	Euro	358
Asm Energia S.p.A.	Vigevano (PV)	Euro	2,511
ACSM-AGAM S.p.A.	Monza	Euro	197,344
Lereti S.p.A.	Como	Euro	86,450
ComoCalor S.p.A.	Como	Euro	3,516
Reti Valtellina Valchiavenna S.r.l.	Sondrio	Euro	2,000
Acel Energie S.r.l.	Lecco	Euro	17,100
Acsm Agam Ambiente S.r.l.	Varese	Euro	4,500
Varese Risorse S.p.A.	Monza	Euro	6,000
AEVV Impianti S.r.l.	Monza	Euro	21,800
AEVV Farmacie S.r.l.	Sondrio	Euro	100
A2A E-MOBILITY S.r.l.	Milan	Euro	10
Ambiente Energia Brianza S.p.A.	Seregno (MB)	Euro	119,496

% OF SHAREHOLDING CONSOLIDATED BY GROUP AT 12 31 2021	SHAREHOLDING %	SHAREHOLDER	VALUATION METHOD
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
95.60%	95.60%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	AGRIPOWER S.R.L.	Line-by-line consolidation
100.00%	100.00%	AGRIPOWER S.R.L.	Line-by-line consolidation
51.00%	51.00%	AGRIPOWER S.R.L.	Line-by-line consolidation
100.00%	100.00%	B-HOLDING S.R.L.	Line-by-line consolidation
51.00%	51.00%	AGRIPOWER S.R.L.	Line-by-line consolidation
100.00%	100.00%	AGRIPOWER S.R.L.	Line-by-line consolidation
100.00%	100.00%	AGRIPOWER S.R.L.	Line-by-line consolidation
54.02%	54.02%	LA MARROCCA SOCIETÀ AGRICOLA A.R.L.	Line-by-line consolidation
51.00%	51.00%	B-HOLDING S.R.L.	Line-by-line consolidation
51.00%	51.00%	B-HOLDING S.R.L.	Line-by-line consolidation
51.00%	51.00%	AGRIPOWER S.R.L.	Line-by-line consolidation
93.75%	93.75%	AGRIPOWER S.R.L.	Line-by-line consolidation
82.00%	82.00%	B-HOLDING S.R.L.	Line-by-line consolidation
51.00%	51.00%	AGRIPOWER S.R.L.	Line-by-line consolidation
100.00%	100.00%	AGRIPOWER S.R.L.	Line-by-line consolidation
51.00%	51.00%	AGRIPOWER S.R.L.	Line-by-line consolidation
51.00%	51.00%	B-HOLDING S.R.L.	Line-by-line consolidation
75.00%	75.00%	B-HOLDING S.R.L.	Line-by-line consolidation
90.92%	90.92%	CASTEL RITALDI BIOENERGIA SOCIETÀ AGRICOLA S.R.L.	Line-by-line consolidation
100.00%	100.00%	A2A Ambiente S.p.A. (64.30%) Linea Ambiente S.r.l. (35.70%)	Line-by-line consolidation
45.00%	45.00%	A2A Energia S.p.A.	Line-by-line consolidation
41.34%	41.34%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	ACSM-AGAM S.p.A.	Line-by-line consolidation
51.00%	51.00%	ACSM-AGAM S.p.A.	Line-by-line consolidation
100.00%	100.00%	ACSM-AGAM S.p.A.	Line-by-line consolidation
99.75%	99.75%	ACSM-AGAM S.p.A. (99.75%)	Line-by-line consolidation
100.00%	100.00%	ACSM-AGAM S.p.A.	Line-by-line consolidation
100.00%	100.00%	ACSM-AGAM S.p.A.	Line-by-line consolidation
100.00%	100.00%	ACSM-AGAM S.p.A.	Line-by-line consolidation
100.00%	100.00%	ACSM-AGAM S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
33.52%	33.52%	A2A S.p.A.	Line-by-line consolidation

Company name	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL (THOUSANDS)
A2A Illuminazione Pubblica S.r.l.	Brescia	Euro	19,000
Gelsia S.r.l.	Seregno (MB)	Euro	20,345
RetiPiù S.r.l.	Desio (MB)	Euro	110,000
Gelsia Ambiente S.r.l.	Desio (MB)	Euro	4,671
Shareholdings held for sale			
Serenissima Gas S.p.A.	Como	Euro	9,230

% OF SHAREHOLDING CONSOLIDATED BY GROUP AT 12 31 2021	SHAREHOLDING %	SHAREHOLDER	VALUATION METHOD
100.00%	100.00%	Ambiente Energia Brianza S.p.A.	Line-by-line consolidation
100.00%	100.00%	Ambiente Energia Brianza S.p.A.	Line-by-line consolidation
100.00%	100.00%	Ambiente Energia Brianza S.p.A.	Line-by-line consolidation
100.00%	100.00%	Ambiente Energia Brianza S.p.A. (70%) A2A Integrambiente S.r.l. (30%)	Line-by-line consolidation
79.37%	78.44%	ACSM-AGAM S.p.A.	Line-by-line consolidation

4.4 4. List of shareholdings in companies carried at equity

Company name	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL (THOUSANDS)
Shareholdings in companies carried at equity			
PremiumGas S.p.A. in liquidation	Bergamo	Euro	120
Ergosud S.p.A.	Rome	Euro	81,448
Metamer S.r.l.	San Salvo (CH)	Euro	650
NETCITY S.r.l.	Pescara	Euro	20
SET S.r.l.	Toscolano Maderno (BS)	Euro	104
Messina in Luce S.c.a r.l.	Monza	Euro	20
Serio Energia S.r.l.	Concordia sulla Secchia (MO)	Euro	1,000
Visano Soc. Trattamento Reflui S.c.a.r.l.	Brescia	Euro	25
COSMO Società Consortile a Responsabilità Limitata	Brescia	Euro	100
Crit S.c.a.r.l.	Cremona	Euro	310
Suncity Group S.r.l.	Pescara	Euro	14
G.Eco S.r.l.	Treviglio (BG)	Euro	500
Bergamo Pulita S.r.l.	Bergamo	Euro	10
Tecnoacque Cusio S.p.A.	Omegna (VB)	Euro	206
Fratelli Omini S.p.A.	Novate Milanese (MI)	Euro	260
ASM Codogno S.r.l.	Codogno (LO)	Euro	1,898
758 AM S.r.l.	Milan	Euro	20
Prealpi Servizi S.r.l.	Varese	Euro	5,451
Consul System S.p.A.	Ascoli Piceno	Euro	2,000
Saxa Gres S.p.A.	Anagni (FR)	Euro	3,100
Società Agricola Mattioli Energia S.r.l.	Finale Emilia (MO)	Euro	20
Total shareholdings			
Shareholdings held for sale			
Sviluppo Turistico Lago d'Iseo S.p.A.	Iseo (BS)	Euro	1,616

SHAREHOLDING %	SHAREHOLDER	CARRYING AMOUNT AT 12 31 2021 (THOUSANDS)	VALUATION METHOD
50.00%	A2A Alfa S.r.l. in liquidation	-	Equity
50.00%	A2A gencogas S.p.A.	-	Equity
50.00%	A2A Energia S.p.A.	2,613	Equity
49.00%	A2A Energia S.p.A.	692	Equity
49.00%	A2A S.p.A.	1,015	Equity
70.00%	Varese Risorse S.p.A. (55%) A2A Illuminazione Pubblica S.r.l. (15%)	11	Equity
40.00%	A2A S.p.A.	783	Equity
40.00%	A2A S.p.A.	10	Equity
52.00%	A2A Calore & Servizi S.r.l.	118	Equity
32.90%	A2A Smart City S.p.A.	104	Equity
26.00%	A2A Energy Solution S.r.l.	6,685	Equity
40.00%	Aprica S.p.A.	2,992	Equity
50.00%	A2A Ambiente S.p.A.	79	Equity
25.00%	A2A Ambiente S.p.A.	247	Equity
30.00%	A2A Ambiente S.p.A.	5,458	Equity
49.00%	Linea Gestioni S.r.l.	3,777	Equity
20.00%	A2A Rinnovabili S.p.A.	131	Equity
12.47%	ACSM-AGAM S.p.A.	-	Equity
49.00%	A2A Energy Solution S.r.l.	8,051	Equity
27.71%	A2A Ambiente S.p.A.	-	Equity
20.00%	Agripower S.r.l.	267	Equity
		33,033	
24.29%	A2A S.p.A.	**-**	Equity

4.5 5. List of holdings in other companies

Company name	SHAREHOLDING %	SHAREHOLDER	CARRYING AMOUNT AT 12 31 2021 (THOUSANDS)
Immobiliare-Fiera di Brescia S.p.A.	0.90%	A2A S.p.A.	
AQM S.r.l.	7.80%	A2A S.p.A. (7.52%) LumEnergia S.p.A. (0.28%)	
AvioValtellina S.p.A.	0.18%	A2A S.p.A.	
Banca di Credito Cooperativo dell'Oglio e del Serio s.c.	n.s.	A2A S.p.A.	
Brescia Mobilità S.p.A.	0.25%	A2A S.p.A.	
L.E.A.P. S.c.a.r.l.	8.29%	A2A S.p.A.	
Guglionesi Ambiente S.c.a.r.l.	1.01%	A2A Ambiente S.p.A.	
S.I.T. S.p.A.	0.26%	Aprica S.p.A.	
Stradivaria S.p.A.	n.s.	A2A S.p.A.	
Tirreno Ambiente S.p.A. in liquidation	3.00%	A2A Ambiente S.p.A.	
IBF Servizi S.p.A.	14.50%	A2A Smart City S.p.A.	
DI.T.N.E. S.c.a.r.l.	1.76%	A2A S.p.A.	
E.M.I.T. S.r.l. in liquidation	10.00%	A2A S.p.A.	
COMIECO	7.54%	A2A Recycling S.r.l. (2.89%) A2A Ambiente S.p.A. (4.65%)	
CONAPI S.c.a.r.l.	20.00%	A2A Recycling S.r.l.	
Blugas Infrastrutture S.r.l.	27.51%	A2A S.p.A.	
Casalasca Servizi S.p.A.	13.88%	Linea Gestioni S.r.l.	
Sinergie Italiane S.r.l. in liquidation	22.10%	A2A S.p.A. (14.92%) Ambiente Energia Brianza S.p.A. (7.18%)	
Cassa Padana S.c.a.r.l.	n.s.	A2A Smart City S.p.A.	
Confidi Toscana S.c.a.r.l.	n.s.	Linea Ambiente S.r.l.	
Credito Valtellinese	n.s.	Linea Ambiente S.r.l.	
Futura S.r.l.	1.00%	A2A Calore & Servizi S.r.l.	
MORINA S.r.l.	5.00%	Azienda Servizi Valtrompia S.p.A.	
Comodepur S.c.p.a. in liquidation	9.81%	ACSM - AGAM S.p.A.	
T.C.V.V.V. S.p.A.	0.25%	ACSM - AGAM S.p.A.	
CIAL - CONSORZIO IMBALLAGGIO ALLUMINIO	0.60%	A2A Ambiente S.p.A.	
COREVE	0.89%	A2A Ambiente S.p.A.	
COREPLA - CONSORZIO RECUPERO PLASTICA NAZIONALE	3.04%	A2A Ambiente S.p.A.	
RICREA - CONSORZIO NAZIONALE RICICLO E RECUPERO IMBALLAGGI ACCIAIO	n.s.	A2A Ambiente S.p.A.	
CIC - CONSORZIO ITALIANO COMPOSTATORI	n.s.	A2A Ambiente S.p.A.	
SABB - SERVIZI AMBIENTALI BASSA BERGAMASCA S.P.A.	5.08%	Linea Gestioni S.r.l.	
SV.IM. CONSORTIUM CONSORZIO PER LO SVILUPPO DELLE IMPRESE SOCIETÀ CONSORTILE PER AZIONI In liquidation	0.35%	A2A Rinnovabili S.p.A. (0.05%) Des Energia Tredici S.r.l. (0.30%)	
Total investments in other companies			**7,187**

4.6 Certification of the consolidated financial statements pursuant to article 154-bis, paragraph 5 of Legislative Decree no. 58/98

1. 1.The undersigned, Renato Mazzoncini, as CEO of A2A S.p.A., and Andrea Crenna, as Financial Reporting Manager of A2A S.p.A. also considering the provisions of article 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of February 24, 1998, hereby attest:

    - the adequacy in relation to the characteristics of the company and
    - the effective application

    of administrative and accounting procedures for the preparation of financial statements in the year 2021.

2. It is also certified that:

    2.1 the Consolidated Financial Statements:

    a) have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of July 19, 2002;
    b) correspond to the information contained in the accounting ledgers and records;
    c) provide a true and fair representation of the equity, economic and financial situation of the issuer and the whole of the companies included in the scope of consolidation.

    2.2 the Report on Operations includes reliable analysis on the performance, result of operations and the business of the issuer and of all entities included in the consolidated financial statements as well as description of principal risks and uncertainties to which they are exposed.

Milan, March 17, 2022

Renato Mazzoncini	Andrea Crenna
(CEO)	(Financial Reporting Manager)

5

Independent Auditors' Report

5 Independent Auditors' Report

EY S.p.A.
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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
A2A S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of A2A Group (the A2A Group), which comprise the consolidated balance sheet as at December 31, 2021, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in group equity and consolidated cash-flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the A2A Group as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of A2A S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

Key Audit Matter	Audit Response
Estimate of revenues for the sale of electricity and gas	
Revenues from the sale of goods and services include the estimated revenues accrued for electricity and gas services delivered to the customers between the date of last meter reading and December 31, 2021, as well as billed revenues based on effective consumptions for the period. The processes and methodologies for assessing and determining the estimate of accrued revenues are based on complex assumptions that, by their nature, imply use of the management's judgment, whereby the estimate developed by the A2A Group for revenues from electricity and gas services delivered to each customer between the date of last meter reading and year end are based on complex calculation processes derived from different IT systems. Additionally, such estimate is developed based on historical consumptions and the profile of each customer, adjusted to account for potential changes in consumptions. Considering the judgment required and the complexity of the assumptions used in the estimate of revenues from the sale of electricity and gas, we identified this area as a key audit matter. The disclosure of revenues recognition principles for gas and electricity sales is included in the paragraph "Use of estimates" of the notes to the consolidated financial statements.	Our audit procedures in response to this key audit matter included, among others: • assessment of the processes and key controls implemented by the Company related to the estimate of revenues for gas and electricity sales, including those related to Information Technology (IT); • testing of the operating effectiveness of key controls; • assessment of the key assumptions used by the management; • assessment of data and testing of IT systems used in developing the estimate of revenues for gas and electricity sales, also with the support of EY IT specialists; • assessment of historical trends of revenues estimate, and analysis of the impacts on total revenues; • execution of test of details on a sample of data used by the management to determine recognized revenues; • look-back analysis of the prior year estimate against the data subsequently reported. Lastly, we reviewed the adequacy of the disclosure included in the notes to the consolidated financial statements with reference to the estimate of revenues for the sale of electricity and gas.

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Impairment of tangible and intangible assets	
The consolidated financial statements of A2A Group include as of December 31, 2021 tangible assets for Euro 5.588 million and intangible assets for Euro 3.125 million, of which Euro 746 million related to goodwill, allocated to the different Cash Generating Units (CGUs). The processes and methodologies for assessing and determining the recoverable amount of each CGU, in terms of value in use, are based on complex assumptions, that, by their nature, imply the use of the management's judgment, in particular with reference to the forecast of future cash flows relating to the period covered by the Group's strategic plan 2021-2030 updated and approved by the Directors on January, 27 2022, the normalized cash flows or the net realized value of the assets assumed as a basis for the terminal value, as well as the long-term growth rates and discount rates applied to such cash flows forecasts. Such assumptions could be affected by future expectation and volatility of energy market conditions and macroeconomic events, as well as by the potential changes in regulations, new authorization processes and legislative measures. Considering the judgment involved and the complexity of the assumptions used in the estimate of the recoverable amount, we have considered that this area represents a key audit matter. The disclosures related to the impairment of assets are included in the paragraph "Use of estimates", in the note n.1 "Tangible Assets" and in note n.2 "Intangible Assets" of the notes to the consolidated financial statements, that also shows the sensitivity analysis by estimating the effects on the test arising from hypothetical variations on key assumptions.	Our audit procedures related to this key audit matters included, among others: • assessment of the processes and key controls implemented by the Company related to the impairment of assets; • assessment of the appropriateness of the determination of the CGUs and the allocating of assets and liabilities to the carrying value of each CGU; • assessment of the report produced by the management's third-party specialists, as well as the assessment of their competence, capability and objectivity; • assessment of cash flows forecasts and their consistency with energy market conditions, macroeconomic scenarios, regulatory environment, authorization processes and legislative measures; • assessment of the consistency between the future cash flows assumed in the Group A2A's strategic plan and the cash flows forecasts assumed for each CGU, appropriately adjusted by estimated future cash flows expected to arise from future restructurings or from improving or enhancing the asset's performance; • assessment of the accuracy of actual results against previous forecasts; • assessment of the long-term growth rates and discount rates. In performing our procedures, we leveraged the use of EY valuation specialists who performed an independent calculation and sensitivity analysis on key assumptions, in order to determine any changes that could materially impact the valuation of the recoverable amounts. Lastly, we reviewed the adequacy of the disclosures included in the notes to the consolidated financial statements with reference to the recoverability analysis of tangible and intangible assets.

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Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the A2A Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company A2A S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the A2A Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the A2A Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the A2A Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required

to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the A2A Group to cease to continue as a going concern;

- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of A2A S.p.A., in the general meeting held on June 11, 2015, engaged us to perform the audits of the consolidated financial statements for each of the years ending December 31, 2016 to December 31, 2024.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the A2A Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

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Report on compliance with other legal and regulatory requirements

Opinion on the compliance with Delegated Regulation (EU) 2019/815

The Directors of A2A S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) 2019/815 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF – European Single Electronic Format) (the "Delegated Regulation") to the consolidated financial statements, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in the XHTML format and have been marked-up, in all material aspects, in compliance with the provisions of the Delegated Regulation.

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of A2A S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of A2A Group as at December 31, 2021, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of A2A Group as at December 31, 2021 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of A2A Group as at December 31, 2021 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of A2A S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Milan, March 31, 2022

EY S.p.A.
Signed by: Paolo Zocchi, Partner

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.