a2a
LIFE COMPANY

2021

Separate Financial Statements

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2021

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

Contents

This is a translation of the Italian original "Bilancio separato 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.

Overview of performance, financial conditions and net debt

A2A S.p.A.

The Parent Company is responsible for strategic vision, planning, control, financial management and coordination of the A2A Group activities. It also provides services to support the business and operating activities of Group companies (administrative, legal, supply, and personnel management services, information technology and communications) in order to optimize the resources available and use existing expertise in the most efficient manner. These services are governed by intercompany service agreements. Finally, A2A S.p.A. provides its subsidiaries with office space and operating areas, as well as related services.

A2A S.p.A. owns some hydroelectric plants in Valtellina, the hydroelectric unit in Calabria and the unit in Mese, as well as the hydroelectric plants of the unit in Udine.

The Balance Sheet of A2A S.p.A. includes, with respect to the situation at December 31, 2020, the effect of the following non-recurring transactions:

- the merger by incorporation of the subsidiary Linea Group Holding S.p.A., with effect from January 1, 2021, following the acquisition by A2A S.p.A. of 49% of the share capital of that company by means of the assignment of treasury shares amounting to 2.75% of the share capital of A2A S.p.A., as described in greater detail in the section "Significant events during the year" in the Report on operations. The values of the merged company's assets and liabilities are the same as those shown in the Group's consolidated financial statements;
- the merger by incorporation of the subsidiary Suncity Energy S.r.l., with effect from January 1, 2021;
- the merger by incorporation of the subsidiary A2A Telecommunications S.r.l., with effect from February 1, 2021.

Results

millions of euro	01 01 2021 12 31 2021	01 01 2020 12 31 2020 Restated	Change
Revenues			
Revenues from the sale of goods and services	8,196.0	3,943.3	4,252.7
Other operating income	60.0	45.4	14.6
Total revenues	**8,256.0**	**3,988.7**	**4,267.3**
Operating expenses	(7,903.7)	(3,736.1)	(4,167.6)
Labour costs	(160.0)	(150.9)	(9.1)
Gross operating margin	**192.3**	**101.7**	**90.6**
Depreciation, amortization and write-downs	(110.9)	(98.8)	(12.1)
Provisions	(12.3)	(8.3)	(4.0)
Net operating income	**69.1**	**(5.4)**	**74.5**
Financial balance	375.8	499.6	(123.8)
Result before taxes	**444.9**	**494.2**	**(49.3)**
Income taxes	40.9	55.4	(14.5)
Result after taxes from operating activities	**485.8**	**549.6**	**(63.8)**
Net result from discontinued operations	**(0.3)**	**(3.9)**	**3.6**
Net result of the year	**485.5**	**545.7**	**(60.2)**

In the year in question A2A S.p.A. shows revenues for a total of 8,256 million euro (3,988.7 million euro in the previous year). Sales revenues (7,952 million euro) mainly refer to electricity sales to wholesalers, institutional operators, even on IPEX markets (Italian Power Exchange) and subsidiaries, sales of gas and fuels to third parties and subsidiaries, as well as the sale of materials and plants and the sale of environmental certificates. Revenues from services (244 thousand euro) mainly relate to provisions to subsidiaries of administrative, fiscal, legal, managerial and technical services, and revenues from the Municipality of Milan for the video surveillance service.

The increase in sales revenues is due to higher prices in the wholesale markets for both electricity and gas and, to a lesser extent, growth in volumes sold. The higher revenues from the sale of environmental certificates during the year relate to higher sales of CO_2 for the recognition of revenue from subsidiaries and associates whose plants are managed by A2A S.p.A. through tolling contracts.
Other revenues (60 million euro) primarily refer to incentives on net production from renewable sources; they also include rent from subsidiaries, contingent assets recorded following the difference in provisions for previous years, reimbursements for damages and penalties received from customers, insurance companies and private individuals, as well as the capital gain realized on the sale of a building and land during the year.
Operating expenses amounted to 7,903.7 million euro (3,736.1 million euro at December 31, 2020) and refer to costs for raw materials (6,973.2 million euro) related primarily to purchases of energy and fuels, both for electricity production and for resale to customers and wholesalers, in addition to purchases of materials and environmental certificates; service costs (349 million euro), which refer to the logistics costs for the transport on the national network of natural gas, costs for maintenance and repairs related to both the plants and the information systems of the company, as well as costs for services from third parties and from subsidiaries and associates; to other operating costs (581.5 million euro), which refer to the contracting of the thermoelectric production plants tolling agreement of subsidiaries, the costs relating to the use of a portion of the electricity capacity of Ergosud S.p.A., as well as water derivation fees, damages and penalties.
The increase in operating expenses derives mainly from the increase in raw material costs, due to the increase in unit prices of procurement as a result of the growth recorded in the reference scenario, as well as the higher quantities purchased, the increase in service costs mainly due to the higher costs for the transportation of natural gas and the higher costs for IT services related to the development of new projects.
Labour costs amounted to 160 million euro (150.9 million euro at December 31, 2020). The increase for the year includes both the effect of the extraordinary merger transactions and an increase related to the new personnel additions that materialized in 2021.
Due to the dynamics mentioned above the EBITDA amounted to 192.3 million euro (101.7 million euro at December 31, 2020). The increase is primarily related to the performance of the industrial electricity portfolio to be attributed mainly to the margin of the CCGT plants that provided extraordinary grid modulation service during a period in which significant congestion occurred.

"Amortization and depreciation, provisions and write-downs" of the year amounted to 123.2 million euro (107.1 million euro at December 31, 2020) and include amortisation, depreciation and write-downs of the tangible and intangible assets for 110.9 million euro (98.8 million euro at December 31, 2020) and provisions for 12.3 million euro (8.3 million euro at December 31, 2020), mainly related to provisions for risks.

"Net operating income" was positive for 69.1 million euro (negative for 5.4 million euro at December 31, 2020).

Financial operations reported a positive balance of 375.8 million euro (positive for 499.6 million euro at December 31, 2020). This item includes dividends from investee companies of 415.3 million euro (413.7 million euro at December 31, 2020), capital gains from the sale of financial assets for 1 million euro, write-downs of equity investments for 1.9 million euro, as well as net financial expenses of 38.6 million euro (53.7 million euro at December 31, 2020).
In the previous year, this item included 139.6 million euro relating to the higher value deriving from the exchange of A2A S.p.A.'s shareholding in AEB S.p.A., which led to the recognition of a higher value than the book value.

The "Result before taxes" was positive for 444.9 million euro (positive for 494.2 million euro at December 31, 2020).

"Income taxes" amounted to 40.9 million euro (income for taxes for 55.4 million euro at December 31, 2020). Taxation is mainly due to the booking of: i) release of deferred tax liabilities and recognition of a substitute tax following exercise of the option to realign the differences between the statutory and tax values of tangible assets pursuant to L.D. 104/2020; ii) current taxes calculated on IRES and IRAP taxable income.

The "Net result from operating assets held for sale" was negative for 0.3 million euro (negative for 3.9 million euro at December 31, 2020) and referred to the depreciation of the buildings that were reclassified as "Assets held for sale" as at December 31, 2021 (-1.9 million euro), to the loss on the equity investment in the company Sviluppo Turistico Lago d'Iseo S.p.A. following the exercise of the right of withdrawal (-0.3 million euro), as well as the capital gain from the sale of the equity investment in Ge.S.I. S.r.l. (+1.9 million euro).

Overview of performance, financial conditions and net debt

The "Net result for the year" was positive for 485.5 million euro (545.7 million euro at December 31, 2020).

* * *

Net year capex amounted to 271.1 million euro and in particular involved interventions on the hydroelectric plants, IT equipment of the "New Data Center", buildings, fixed assets in progress, capex in the Group's information systems and software, net investments in equity and purchase of treasury shares.

Balance sheet and financial position

millions of euro	12 31 2021	12 31 2020	Change
CAPITAL EMPLOYED			
Net fixed assets	**5,168.9**	**4,883.1**	**285.8**
- Tangible assets	934.2	1.000,4	(66.2)
- Intangible assets	146.4	100.8	45.6
- Shareholdings and other non-current financial assets (*)	4,226.4	3,961.5	264.9
- Other non-current assets/liabilities (*)	9.6	6.3	3.3
- Deferred tax assets/liabilities	102.9	41.6	61.3
- Provisions for risks, charges and liabilities for landfills	(101.4)	(104.6)	3.2
- Employee benefits	(149.2)	(122.9)	(26.3)
of which with counter-entry to equity	*(59.5)*	*(23.5)*	
Net Working Capital and Other current assets/liabilities	**(103.3)**	**133.6**	**(236.9)**
Net Working Capital	**86.5**	**86.3**	**0.2**
- Inventories	103.9	64.3	39.6
- Trade receivables	2,155.5	872.1	1,283.4
- Trade payables	(2,172.9)	(850.1)	(1,322.8)
Other current assets/liabilities	**(189.8)**	**47.3**	**(237.1)**
- Other current assets/liabilities (*)	(244.4)	(15.3)	(229.1)
- Current tax assets/tax liabilities	54.6	62.6	(8.0)
of which with counter-entry to equity	*60.0*	*23.9*	
Assets/liabilities held for sale (*)	**46.8**	**0.4**	**46.4**
of which with counter-entry to equity	-	-	
TOTAL CAPITAL EMPLOYED	**5,112.4**	**5,017.1**	**95.3**
SOURCES OF FUNDS			
Shareholders' equity	**3,332.4**	**3,176.6**	**155.8**
Total financial position after one year	2,889.6	2,320.7	568.9
Total financial position within one year	(1,109.6)	(480.2)	(629.4)
Total Net financial Position	**1,780.0**	**1,840.5**	**(60.5)**
of which with counter-entry to equity	*(20.0)*	*(30.9)*	
TOTAL SOURCES	**5,112.4**	**5,017.1**	**95.3**

(*) Excluding balances included in the net financial position.

"Capital employed" totalled 5,112.4 million euro at December 31, 2021, partly covered by "Equity" in the amount of 3,332.4 million euro and net debt of 1,780 million euro; provided below are the main items that make up the Capital Employed.
The "Net fixed capital" amounted to 5,168.9 million euro, up 285.8 million euro compared to December 31, 2020.

Changes are detailed below:

- Tangible assets decreased by 66.2 million euro due to:
  - investments made during the year for a total of 46.0 million euro;
  - other decreases of 44.1 million euro due to the reclassification of certain owned properties under assets held for sale (52.4 million euro), partly offset by a change in contracts for rights of use (8.2 million euro) and recognition of the decommissioning allowance for the Valtellina area (0.3 million euro);
  - increases deriving from extraordinary transactions during the year totalling 15.3 million euro;
  - disposal of assets, net of accumulated depreciation, for 1.6 million euro;
  - write-downs for 1.1 million euro;
  - decrease of 80.7 million euro for the depreciation charge for the year;
- Intangible assets increased by 45.6 million euro on December 31, 2020, due to:
  - investments made during the year for a total of 46.4 million euro;
  - other decreases amounting to 2.3 million euro;
  - increases deriving from extraordinary transactions during the year totalling 33.1 million euro;
  - a decrease of 2.5 million euro for disposals of assets, net of accumulated depreciation;
  - decrease of 29.1 million euro for the depreciation charge for the year;
- Shareholdings and other non-current financial assets amounted to 4,226.4 million euro, up 264.9 million euro compared to December 31, 2020, attributable to:
  - net increase totalling 201.7 million euro following the merger by incorporation of Linea Group Holding S.p.A. with effect from January 1, 2021;
  - other increases resulting from the merger by incorporation of Linea Group Holding S.p.A. totalling 38.8 million euro;
  - acquisition of the equity investment in Agripower S.r.l. for 10.2 million euro and subsequent capital contribution of 5.0 million euro;
  - acquisition of the equity investment in A2A Telecomunications S.r.l. for 9.1 million euro, subsequently merged into A2A S.p.A.;
  - decrease of 4.3 million euro due to the merger by incorporation of Suncity Energy S.r.l.;
  - decrease of 0.6 million euro following completion of the liquidation process of Plurigas S.p.A.;
  - reclassification of the equity investment in Sviluppo Turistico Lago d'Iseo S.p.A. to "Assets held for sale", amounting to 0.7 million euro;
  - other decreases amounting to 0.2 million euro;
- Other non-current assets and liabilities rose by 3.3 million euro due to a reduction of 2.1 million euro in amounts due under long-term service agreements regarding plant maintenance and a net increase of 1.2 million euro in other non-current assets;
- Deferred tax assets amounted to 102.9 million euro (41.6 million euro at December 31, 2020) and showed an increase of 61.3 million euro. During the year under review, deferred tax liabilities of 65.6 million euro were released as a result of the realignment option pursuant to L.D. 104/2020, exercised by the Company and registration in current tax payables of a substitute tax equal to 7.0 million euro, which allowed realigning 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;
- Provisions for risks, charges and liabilities for landfills evidenced a decrease of 3.2 million euro. Changes during the year are due to releases of 4.4 million euro relating to provisions for decommissioning, provisions for public water diversion fees and the provision for charges deriving from the restructuring plan. In addition, there was an increase resulting from net accruals for the year of 13.9 million euro, related to public water derivation fees and ongoing litigation with third parties, and other decreases of 15.6 million euro attributable to the mobility provision for charges deriving from the restructuring plan, to provisions relating to disputes with employees and pending lawsuits with third parties. The effects deriving from extraordinary transactions during the year led to an increase of 2.9 million euro;
- Employee benefits increased by 26.3 million euro, due to actuarial valuations, net provisions for the year and the effects of extraordinary transactions, partly offset by payments during the year and payments to pension funds.

Net Working Capital and Other current assets/liabilities

The "Net Working Capital", defined as the algebraic sum of trade receivables, closing inventories and trade payables, amounted to 86.5 million euro, up 0.2 million euro compared to December 31, 2020. Comments on the main items are given below:

- "Inventories" amounted to 103.9 million euro (64.3 million euro at December 31, 2020), net of the related obsolescence provision for 0.7 million euro (0.7 million euro at December 31, 2020). The positive change is due to the increase in gas inventories for the sale and storage of gas, as well as to the increase in fuel inventories for the production of electricity as a result of the increase in unit supply prices due to the growth recorded in the reference scenario;

- "Trade receivables" amounted to 2,155.5 million euro (872.1 million euro at December 31, 2020), with an increase of 1,283.4 million euro. The increase in trade receivables is primarily linked to the rise in prices on both the electricity and gas wholesale markets, as well as to the growth in volumes sold. The "Bad debts provision", calculated in compliance with IFRS 9, amounted to 4.5 million euro and showed a net decrease of 1.6 million euro compared to December 31, 2020.
- "Trade payables", amounting to 2,172.9 million euro, rose by 1,322.8 million euro due to an increase in unit prices for supplies as a result of the rise in the benchmark energy scenario, as well as growth in volumes purchased;
- "Other current assets/liabilities" evidenced a net decrease of 237.1 million euro, due to:
  - net increase in derivative assets for 5.9 million euro;
  - net decrease in current tax assets for 8 million euro;
  - net increase of 263.0 million euro in payables due to early collection of electricity and gas futures contracts, which will take place in the following year;
  - increase in advances to suppliers of 29.8 million euro following prepayments on gas purchases;
  - other increases in other current liabilities for 1.8 million euro.

"Assets/liabilities held for sale" were positive and equal to 46.8 million euro at December 31, 2021 and refer to the reclassification of tangible assets regarding the properties located in Milan in Corso di Porta Vittoria (Signora), in Via Gonin and in Via Balduccio da Pisa (Orobia), which have been sold in February 2022, net of depreciation and deferred taxes related to them, as well as the reclassification of the equity investment, equal to 24.29% of the share capital, in the company Sviluppo Turistico Lago d'Iseo S.p.A., for which the company exercised its right of withdrawal.

Equity

Equity amounted to 3,332.4 million euro and showed a positive change for a total of 155.8 million euro. The net profit for the year generated a positive effect of 485.5 million euro, offset by the distribution of 247.7 million euro in dividends. There was also a negative effect in the valuation of cash flow hedge derivatives and IAS 19 reserves for 24.9 million euro.
Furthermore, it is specified that treasury shares have no value at December 31, 2021 (53.7 million euro at December 31, 2020) due to the purchase and allocation of treasury shares during the year in favour of minority shareholders of Linea Group Holding S.p.A..

The "Net financial position" amounted to 1,780.0 million euro (1,840.5 million euro at December 31, 2020) and improved by 60.5 million euro. During the year, operations, including dividends paid to shareholders for 247.7 million euro, generated resources for 543.7 million euro, partially offset by resources absorbed by net investment in tangible and intangible assets and equity investments for 270.2 million euro. The effect of the application of IFRS 16 was negative and amounted to 8.8 million euro as a result of new contracts for rights of use stipulated during the year, while the effect deriving from non-recurring transaction in the year resulted in a negative change of 228.7 million euro.

millions of euro	12 31 2021	12 31 2020
NET FINANCIAL POSITION AT THE BEGINNING OF THE YEAR	**(1,840.5)**	**(1,868.2)**
EFFECT OF NON-RECURRING TRANSACTIONS	**(228.7)**	**-**
New contracts IFRS 16	**(8.8)**	**(54.7)**
Net result of the year	485.5	545.7
Taxes for the year	(40.9)	(55.4)
Net interest for the year	38.6	53.7
Gains/losses for the year	(7.3)	1.2
Amortization	109.8	100.8
Write-downs/disposals of PPE and intangible assets	1.1	-
Net allocations for the year	12.2	8.3
Write-downs of investments	1.8	-
Valuation of share exchange	-	(139.6)
Net interest paid	(52.2)	(50.6)
Net taxes paid/collected	(3.5)	52.2
Dividends paid	(247.7)	(241.0)
Change in receivables from customers	(1,263.4)	(216.4)
Change in payables to suppliers	1,314.7	77.4
Change in inventories	(39.4)	42.6
Other changes in net working capital	234.4	1.7
Cash flow from operating activities	**543.7**	**180.6**
Net cash flows used in investing activities	**(270.2)**	**(84.2)**
Other changes	13.6	(3.2)
Change in financial assets/liabilities with counter-entry to equity	10.9	(10.8)
NET FINANCIAL POSITION AT THE END OF THE YEAR	**(1,780.0)**	**(1,840.5)**

Below is a detail of the net debt:

millions of euro	12 31 2021	12 31 2020
Medium/long-term debt	4,201.8	3,789.5
Medium/long-term financial receivables	(1,312.2)	(1,468.8)
Total non-current net debt	**2,889.6**	**2,320.7**
Short-term debt	981.7	879.9
Short-term financial receivables	(1,204.9)	(412.8)
Cash and cash equivalents	(886.4)	(947.3)
Total current net debt	**(1,109.6)**	**(480.2)**
Net financial debt	**1,780.0**	**1,840.5**

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1.1 Balance sheet (1)
Assets

amounts in euro	Note	12 31 2021	12 31 2020
NON-CURRENT ASSETS			
Tangible assets	1	934,218,394	1,000,419,014
Intangible assets	2	146,383,435	100,819,490
Shareholdings	3	4,204,055,422	3,954,036,431
Other non-current financial assets	3	1,334,677,747	1,476,271,851
Deferred tax assets	4	102,884,864	41,585,738
Other non-current assets	5	13,053,755	11,917,684
Total non-current assets		**6,735,273,617**	**6,585,050,208**
CURRENT ASSETS			
Inventories	6	103,867,362	64,301,009
Trade receivables	7	2,155,509,072	872,115,857
Other current assets	8	3,912,370,491	505,533,864
Current financial assets	9	1,204,973,806	412,777,069
Current tax assets	10	60,592,132	62,592,398
Cash and cash equivalents	11	886,354,322	947,294,052
Total current assets		**8,323,667,185**	**2,864,614,249**
NON-CURRENT ASSETS HELD FOR SALE	12	**46,788,054**	**465,623**
TOTAL ASSETS		**15,105,728,856**	**9,450,130,080**

(1) As required by Consob Resolution no. 17221 of March 12, 2010, the effects of relations with related parties in the separate financial statements are highlighted in the accounting statements in section 2 and commented on in Note 35. Significant non-recurring events and transactions in the separate financial statements are provided in Note 36 pursuant to Consob Communication DEM/6064293 of July 28, 2006.

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Financial statements

Balance sheet

Income statement

Statement of comprehensive income

Cash-flow statement

Statement of changes in equity

Equity and liabilities

amounts in euro	Note	12 31 2021	12 31 2020
EQUITY			
Share capital	13	1,629,110,744	1,629,110,744
(Treasury shares)	14	-	(53,660,996)
Reserves	15	1,217,791,460	1,055,432,573
Net result of the year	16	485,477,683	545,729,183
Total equity		**3,332,379,887**	**3,176,611,504**
LIABILITIES			
Non-current liabilities			
Non-current financial liabilities	17	4,191,240,086	3,771,288,070
Employee benefits	18	149,174,579	122,952,128
Provisions for risks, charges and liabilities for landfills	19	101,431,443	104,592,610
Other non-current liabilities	20	14,056,580	23,815,726
Total non-current liabilities		**4,455,902,688**	**4,022,648,534**
Current liabilities			
Trade payables	21	2,172,866,259	850,137,382
Other current liabilities	21	4,156,909,244	520,846,017
Current financial liabilities	22	981,736,220	879,886,643
Tax liabilities	23	5,934,558	-
Total current liabilities		**7,317,446,281**	**2,250,870,042**
Total liabilities		**11,773,348,969**	**6,273,518,576**
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE		**-**	**-**
TOTAL EQUITY AND LIABILITIES		**15,105,728,856**	**9,450,130,080**

1.2 Income statement (1)

amounts in euro	Note	01 01 2021 12 31 2021	01 01 2020 12 31 2020 Restated (*)
Revenues			
Revenues from the sale of goods and services		8,196,015,067	3,943,350,650
Other operating income		59,968,651	45,421,093
Total revenues	25	**8,255,983,718**	**3,988,771,743**
Operating expenses			
Expenses for raw materials and services		7,322,231,042	3,313,234,320
Other operating expenses		581,477,745	422,866,446
Total operating expenses	26	**7,903,708,787**	**3,736,100,766**
Labour costs	27	**160,014,697**	**150,968,919**
Gross operating income - EBITDA	28	**192,260,234**	**101,702,058**
Depreciation, amortization, provisions and write-downs	29	**123,140,593**	**107,121,310**
Net operating income - EBIT	30	**69,119,641**	**(5,419,252)**
Result from non-recurring transactions		**-**	**-**
Financial balance			
Financial income		448,739,269	581,056,815
Financial expenses		72,965,521	81,482,396
Result from disposal of other shareholdings		-	-
Total financial balance	31	**375,773,748**	**499,574,419**
Result before taxes		**444,893,389**	**494,155,167**
Income taxes	32	**(40,888,556)**	**(55,371,601)**
Result after taxes from operating activities		**485,781,945**	**549,526,768**
Net result from discontinued operations	33	**(304,262)**	**(3,797,585)**
NET RESULT OF THE YEAR	34	**485,477,683**	**545,729,183**

(1) As required by Consob Resolution no. 17221 of March 12, 2010, the effects of relations with related parties in the separate financial statements are highlighted in the accounting statements in section 2 and commented on in Note 35. Significant non-recurring events and transactions in the separate financial statements are provided in Note 36 pursuant to 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 the depreciation related to buildings subject to future sale under the item "Net result from discontinued operations".

1.3 Statement of comprehensive income

amounts in euro	12 31 2021	12 31 2020
Net result of the year (A)	**485,477,683**	**545,729,183**
Actuarial gains/(losses) on Employee's Benefits booked in the Net equity	(31,066,216)	10,045,828
Tax effect of other actuarial gains/(losses)	9,128,469	(2,499,086)
Total actuarial gains/(losses) net of the tax effect (B)	**(21,937,747)**	**7,546,742**
Effective part of gains/(losses) on cash flow hedge	47,083,512	30,498,860
Tax effect of other gains/(losses)	(13,498,212)	(9,852,041)
Total other gains/(losses) net of the tax effect (C)	**33,585,300**	**20,646,819**
Total comprehensive result (A) + (B) + (C)	**497,125,236**	**573,922,744**

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 Cash-flow statement

amounts in euro	12 31 2021	12 31 2020
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**947,294,052**	**360,077,895**
Operating activities		
Net Result	485,477,683	545,729,183
Net income taxes	(40,888,556)	(55,371,601)
Net financial interests	38,633,485	53,729,668
Capital gains/expenses	(7,269,512)	1,199,034
Tangible assets depreciation	80,667,473	79,980,239
Intangible assets amortization	29,141,818	20,810,652
Fixed assets write-downs/disposals	1,124,343	5,420
Net provisions	12,218,210	8,285,532
Shareholdings write-up/down	1,800,000	-
Shares exchange ratio	-	(139,588,612)
Net financial interests paid	(52,201,144)	(50,574,561)
Net taxes paid	(3,520,245)	52,152,837
Dividends paid	(247,698,115)	(240,961,749)
Change in trade receivables	(1,263,371,650)	(216,368,867)
Change in trade payable	1,314,701,908	77,370,818
Change in inventories	(39,446,157)	42,611,129
Other changes in net working capital	234,309,984	1,663,509
Cash flow from operating activities	**543,679,525**	**180,672,631**
Investment activities		
Investments in tangible assets	(45,998,963)	(21,120,302)
Investments in intangible assets and goodwill	(46,415,671)	(38,154,919)
Investments in shareholdings and securities (*)	(80,194,303)	(67,837,415)
Contribution of non-recurring transactions on cash and cash equivalents	968,869	-
Disposal of fixed assets and shareholdings	10,232,579	42,880,567
Purchase of treasury shares	(108,745,705)	-
Cash flow from investment activities	**(270,153,194)**	**(84,232,069)**
FREE CASH FLOW	**273,526,331**	**96,440,562**
Financing activities		
Changes in financial assets		
Change in intercompany currency accounts	(738,248,552)	(30,264,694)
Issuance of loans	(130,470,335)	(384,671,970)
Proceeds from loans	51,293,009	61,128,595
Other changes	(9,154,039)	6,135,914
Total changes in financial assets (*)	**(826,579,917)**	**(347,672,155)**
Changes in financial liabilities		
Change in intercompany currency accounts	(59,776,819)	(39,752,331)
Borrowings/bonds issued	1,100,000,000	1,000,000,000
Repayment of borrowings/bond	(530,506,398)	(107,685,761)
Other changes	(17,602,927)	(14,114,158)
Total changes in financial liabilities (*)	**492,113,856**	**838,447,750**
Cash flow from financing activities	**(334,466,061)**	**490,775,595**
CHANGE IN CASH AND CASH EQUIVALENTS	**(60,939,730)**	**587,216,157**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**886,354,322**	**947,294,052**

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

1.5 Statement of changes in equity

Changes from January 1, 2020 to December 31, 2020 amounts in euro	Share capital Note 13	Treasury shares Note 14	Cash Flow Hedge Note 15	Reserves Note 15	Net result of the year Note 16	Total equity
Equity at December 31, 2019	**1,629,110,744**	**(53,660,996)**	**(26,555,942)**	**844,133,794**	**450,622,909**	**2,843,650,509**
Allocation of net result				450,622,909	(450,622,909)	-
Dividend distribution				(240,961,749)		(240,961,749)
IAS 19 reserve (*)				7,546,742		7,546,742
Cash flow hedge reserves (*)			20,646,819			20,646,819
Other changes						-
Net result of the year (*)					545,729,183	545,729,183
Equity at December 31, 2020	**1,629,110,744**	**(53,660,996)**	**(5,909,123)**	**1,061,341,696**	**545,729,183**	**3,176,611,504**

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

Changes from January 1, 2021 to December 31, 2021 amounts in euro	Share capital Note 13	Treasury shares Note 14	Cash Flow Hedge Note 15	Reserves Note 15	Net result of the year Note 16	Total equity
Equity at December 31, 2020	**1,629,110,744**	**(53,660,996)**	**(5,909,123)**	**1,061,341,696**	**545,729,183**	**3,176,611,504**
Contribution from non-recurring transactions		162,406,701	(367)	(136,387,467)		26,018,867
Allocation of net result				545,729,183	(545,729,183)	-
Dividend distribution				(247,698,115)		(247,698,115)
IAS 19 reserve (*)				(21,937,747)		(21,937,747)
Cash flow hedge reserves (*)			33,585,300			33,585,300
Other changes		(108,745,705)		(10,931,900)		(119,677,605)
Net result of the year (*)					485,477,683	485,477,683
Equity at December 31, 2021	**1,629,110,744**	**-**	**27,675,810**	**1,190,115,650**	**485,477,683**	**3,332,379,887**
Availability of Equity Reserves			**D**	**A-B-C**		
A: For share capital increase						
B: To cover losses						
C: For distribution to Shareholders - available for euro 1,020,135,773 (**)						
D: Reserves not avaliable						

(*) These form part of the statement of comprehensive income.
(**) Of which subject to tax moderate suspension equal to 124,783,022 euro, and subject to tax suspension following the realignment of Legislative Decree 104/20 for 227,529,561 euro.

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

2.1 Balance sheet

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

Assets

amounts in euro	12 31 2021	of which Related Parties (note 35)	12 31 2020	of which Related Parties (note 35)
NON-CURRENT ASSETS				
Tangible assets	934,218,394	41,539,774	1,000,419,014	45,306,755
Intangible assets	146,383,435		100,819,490	
Shareholdings	4,204,055,422	4,204,055,422	3,954,036,431	3,954,036,431
Other non-current financial assets	1,334,677,747	1,316,584,621	1,476,271,851	1,468,890,342
Deferred tax assets	102,884,864		41,585,738	
Other non-current assets	13,053,755	10,745	11,917,684	
Total non-current assets	**6,735,273,617**		**6,585,050,208**	
CURRENT ASSETS				
Inventories	103,867,362		64,301,009	
Trade receivables	2,155,509,072	937,605,975	872,115,857	384,878,785
Other current assets	3,912,370,491	74,846,677	505,533,864	54,170,554
Current financial assets	1,204,973,806	1,201,667,886	412,777,069	412,777,069
Current tax assets	60,592,132		62,592,398	
Cash and cash equivalents	886,354,322		947,294,052	
Total current assets	**8,323,667,185**		**2,864,614,249**	
NON-CURRENT ASSETS HELD FOR SALE	**46,788,054**	**440,404**	**465,623**	**465,623**
TOTAL ASSETS	**15,105,728,856**		**9,450,130,080**	

Equity and liabilities

amounts in euro	12 31 2021	of which Related Parties (note 35)	12 31 2020	of which Related Parties (note 35)
EQUITY				
Share capital	1,629,110,744		1,629,110,744	
(Treasury shares)	-		(53,660,996)	
Reserves	1,217,791,460		1,055,432,573	
Net result of the year	485,477,683		545,729,183	
Total equity	**3,332,379,887**		**3,176,611,504**	
LIABILITIES				
Non-current liabilities				
Non-current financial liabilities	4,191,240,086	38,911,162	3,771,288,070	41,190,642
Employee benefits	149,174,579		122,952,128	
Provisions for risks, charges and liabilities for landfills	101,431,443		104,592,610	1,000,000
Other non-current liabilities	14,056,580		23,815,726	
Total non-current liabilities	**4,455,902,688**		**4,022,648,534**	
Current liabilities				
Trade payables	2,172,866,259	430,817,120	850,137,382	223,617,370
Other current liabilities	4,156,909,244	69,281,107	520,846,017	37,325,581
Current financial liabilities	981,736,220	363,512,176	879,886,643	398,682,192
Tax liabilities	5,934,558		-	
Total current liabilities	**7,317,446,281**		**2,250,870,042**	
Total liabilities	**11,773,348,969**		**6,273,518,576**	
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	**-**		**-**	
TOTAL EQUITY AND LIABILITIES	**15,105,728,856**		**9,450,130,080**	

2.2 Income statement

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

amounts in euro	01 01 2021 12 31 2021	of which Related Parties (note 35)	01 01 2020 12 31 2020	of which Related Parties (note 35)
Revenues				
Revenues from the sale of goods and services	8,196,015,067	2,862,329,571	3,943,350,650	1,553,187,684
Other operating income	59,968,651	4,920,084	45,421,093	5,624,003
Total revenues	**8,255,983,718**		**3,988,771,743**	
Operating expenses				
Expenses for raw materials and services	7,322,231,042	306,913,033	3,313,234,320	173,763,299
Other operating expenses	581,477,745	469,765,365	422,866,446	328,220,557
Total operating expenses	**7,903,708,787**		**3,736,100,766**	
Labour costs	**160,014,697**	**1,742,435**	**150,968,919**	**1,282,005**
Gross operating income - EBITDA	**192,260,234**		**101,702,058**	
Depreciation, amortization, provisions and write-downs	**123,140,593**	**5,784,085**	**109,076,423**	**4,373,810**
Net operating income - EBIT	**69,119,641**		**(7,374,365)**	
Result from non-recurring transactions	**-**		**-**	
Financial balance				
Financial income	448,739,269	444,598,443	581,056,815	580,304,742
Financial expenses	72,965,521	2,306,597	81,482,396	414,968
Result from disposal of other shareholdings	-		-	
Total financial balance	**375,773,748**		**499,574,419**	
Result before taxes	**444,893,389**		**492,200,054**	
Income taxes	**(40,888,556)**		**(55,371,601)**	
Result after taxes from operating activities	**485,781,945**		**547,571,655**	
Net result from discontinued operations	**(304,262)**	**(294,775)**	**(1,842,472)**	
NET RESULT OF THE YEAR	**485,477,683**		**545,729,183**	

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Notes

3.1 General information on A2A S.p.A.

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.
In particular, as the “Parent Company”, A2A S.p.A. is responsible for the guiding strategy, administration, planning and control, financial management and coordinating the activities of the A2A Group.

Therefore, Group companies benefit from administrative, tax, legal, personnel management, procurement and communication services, so as to optimize the resources that are available within the Group and to use the existing known how in a cost-effective way.

The A2A Group mainly operates in the following sectors:
- production, sale and distribution of electricity even from renewable resources;
- sale and distribution of gas;
- 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.

The separate financial statements for A2A S.p.A. are presented in euro, which is also the functional currency in the economies in which the company operates. In particular, the following notes are prepared in thousands of euro.

The separate financial statements of A2A S.p.A. at December 31, 2021, have been prepared on a going-concern basis and comprise the balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and these notes.

The separate financial statements of A2A S.p.A. at December 31, 2021 have 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 separate financial statements, the same standards used for the financial statements 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.

These explanatory notes include the supplemental information required by the Italian civil code, by Consob Resolutions no. 15519 and 15520 of July 27, 2006, and Consob communication no. 6064293 of July 28, 2006.

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 company; for details of these indicators, please see the specific paragraph Alternative Performance Measures (APM) in the Report on Operations.

These separate financial statements for the year ended December 31, 2021, were approved on March 17, 2022, by the Board of Directors, which authorized its publication, and has been audited by EY S.p.A. in accordance with their appointment by the shareholders' meeting of June 11, 2015, for the nine years from 2016 to 2024.

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3.2 Financial statements

For the balance sheet, the company A2A S.p.A. has adopted a format which separates current and non-current assets and liabilities, as required by paras. 60 et seq. 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/held for sale. 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" has been prepared using the indirect method as permitted by IAS 7.

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

The accounting schedules included in the annual report are in the same format as those used in the separate financial statements at December 31, 2020.

3.3 Basis of preparation

The separate financial statements as at December 31, 2021, have been prepared on a historical cost basis, with the exception of those items which under IFRS must be or can be measured at fair value, as discussed in further detail in the accounting policies.

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

3.4 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.

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3.5 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 ____ 0.1 % - 12.0 %
- production plants ____ 0.2 % - 14.1 %
- distribution networks ____ 1.4 % - 10.0 %
- miscellaneous equipment ____ 9.7 % - 10.0 %
- mobile phones ____ 100.0 %
- furniture and fittings ____ 6.0 % - 15.0 %
- electric and electronic office machines ____ 10.0 % - 26.7 %
- means of transport ____ 10.0 %
- improvements to third-party assets - buildings ____ 5.2 % - 32.4 %
-

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 ____________ 20.0 % - 34.0 %
- concessions. licenses. trademarks and similar rights____________ 20.0 % - 33.3 %
- other tangible assets ____________ 2.1 % - 33.0 %

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 assets, intangible assets and equity investments

Tangible assets, intangible assets and investments 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 or impairment with an estimate of the related recoverable amount.

The recoverable amount of an asset or investment is the higher of its fair value less costs to sell and its value in use. To determine the value in use of an asset or investment, 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 or investment. If the recoverable amount of an asset or investment 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

Financial instruments 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

Financial assets at amortized cost 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 an 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.

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 "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.

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 (Regulatory Authority for Energy Networks and Environment).

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 for the year include income from the sale of electricity and gas, including through sales on the IPEX markets, from the sale of environmental certificates and from the provision of administrative, fiscal, legal, management and technical services, as well as incentives on net production from renewable sources and rental income. It should be noted that the processes and methods for evaluating and determining these types of revenue do not require the use of complex assumptions.

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.

Decommissioning provisions

Decommissioning provisions include charges for costs of dismantling and recovery of production sites related to hydroelectric plants.

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.

3.6 Notes to the balance sheet

The Balance Sheet of A2A S.p.A. includes, with respect to the situation at December 31, 2020, the effect of the following non-recurring transactions:

- the merger by incorporation of the subsidiary Linea Group Holding S.p.A., with effect from January 1, 2021, following the acquisition by A2A S.p.A. of 49% of the share capital of that company by means of the assignment of treasury shares amounting to 2.75% of the share capital of A2A S.p.A., as described in greater detail in the section "Significant events during the year" in the Report on operations. The values of the merged company's assets and liabilities are the same as those shown in the Group's consolidated financial statements;
- the merger by incorporation of the subsidiary Suncity Energy S.r.l., with effect from January 1, 2021;
- the merger by incorporation of the subsidiary A2A Telecommunications S.r.l., with effect from February 1, 2021.

For details of the equity effects of non-recurring transactions in 2021, please refer to note no. 36) Consob Communication no. DEM/6064293 of July 28, 2006 - non-recurring transactions.

At December 31, 2021, in compliance with the provisions of IFRS 5, the tangible assets related to three buildings in the Milan area, which have been sold in February 2022, were reclassified under the item "Non-current assets held for sale", as well as the equity investment of 24.29% in the company Sviluppo Turistico Lago d'Iseo S.p.A., for which the company exercised the withdrawal right for the share held, which will become effective in 2022.

ASSETS

NON-CURRENT ASSETS

1) Tangible assets

thousands of euro	Balance at 12 31 2020	Effect of non-recurring transactions	Changes						Balance at 12 31 2021
			Invest.	Other changes	Disposals net of provision	Write-down/ Reversal	Amort.	Total changes	
Land	32,497			(3,879)	(629)			(4,508)	27,989
Buildings	204,422		1,233	(43,390)	(856)		(7,694)	(50,707)	153,715
Plant and machinery	672,245	4,039	2,382	11,664	(18)		(56,113)	(42,085)	634,199
Industrial and commercial equipment	2,452	2,588	702	(1)			(798)	(97)	4,943
Other assets	9,321	1,368	8,228	96	(133)		(4,600)	3,591	14,280
Construction in progress and advances	23,854	4,730	33,397	(17,007)	(10)	(1,113)		15,267	43,851
Leasehold improvements	50	417	56	170			(182)	44	511
Assets for rights of use	55,578	2,187		8,247			(11,281)	(3,034)	54,731
Total tangible assets	**1,000,419**	**15,329**	**45,998**	**(44,100)**	**(1,646)**	**(1,113)**	**(80,668)**	**(81,529)**	**934,219**
Historical Cost	2,893,903	24,700	45,998	(93,169)	(4,490)	(1,113)		(52,774)	2,865,829
Accumulated depreciation	(1,540,995)	(9,371)		49,068	2,844		(80,668)	(28,756)	(1,579,122)
Write-downs	(352,489)			1				1	(352,488)

“Tangible assets” at December 31, 2021 amounted to 934,219 thousand euro (1,000,419 thousand euro in the previous year) and show, net of the effect of positive non-recurring transactions for 15,329 thousand euro, a decrease of 81,529 thousand euro resulting from the following transactions:

- capex for 45,998 thousand euro;
- other negative changes of 44,100 thousand euro due, for 52,478 thousand euro, to reclassifications, in application of IFRS5, of assets held for sale regarding the properties located in Milan in Corso di Porta Vittoria (Signora), in Via Gonin and in Via Balduccio da Pisa (Orobia), for 15 thousand euro due to reclassification from tangible to intangible assets and for 166 thousand euro due to reclassification to other balance sheet items, as opposed to an increase of 8,246 thousand euro following application of IFRS16 and 313 thousand euro for recognition of provisions for decommissioning, primarily in the Valtellina area;
- disposal of assets, net of accumulated depreciation, for 1,646 thousand euro;
- write-downs for the period of 1,113 thousand euro;
- depreciation for the period for 80,668 thousand euro.

For a detailed analysis of changes in the period, reference shall be made to annex “1 Statement of changes in tangible assets”.

Capex during the period refer to:

- “Buildings” for a total amount of 1,233 thousand euro.
  In detail, they refer: for 725 thousand euro to various interventions on the buildings in Via della Signora, Piazza Trento, Bovisa, Caracciolo, Gonin Warehouse, Orobia, Piazza Po, Canavese in Milan; for 312 thousand euro to investments in the office in via Lamarmora in Brescia; for 60 thousand euro to various interventions on the new Cremona Technological Hub Lot; for 37 thousand euro to restructuring interventions of the guard house of the Arvo dam and for 99 thousand euro other interventions on buildings;
- “Plant and machinery” for 2,382 thousand euro.
  In particular, they refer to interventions for 54 thousand euro on the power plants of the Calabria Unit; for 1,176 thousand euro on the power plants of the Valtellina Unit; for 845 thousand euro on the power plants of the Mese and Udine Unit; for 307 thousand euro for telematic and telephone wiring;
- “Industrial and commercial equipment” for 702 thousand euro;
- “Other assets” for 8,228 thousand euro.
  These include: 3,706 thousand euro for IT equipment at the “New Data Center”, 2,751 thousand euro for LAN and WAN network equipment and fixed and mobile telephone equipment, 1,623 thousand euro for furniture and fittings, especially for the new Multifunctional Center in Brescia and the new Cremona offices, 67 thousand euro for electric vehicle recharging infrastructure at the Milan and Brescia offices and 81 thousand euro for goods worth less than 516 euro;

- "Construction in progress and advances" for an amount of 33,397 thousand euro;
- "Leasehold improvements" for 56 thousand euro.

"Tangible assets" include "Construction in progress and advances" for 43,851 thousand euro (23,854 thousand euro at December 31, 2020), presenting an increase of 19,997 thousand euro resulting from the counter effects of the following items:

- the increase of 4,730 thousand euro following the extraordinary merger by incorporation of the subsidiary Linea Group Holding S.p.A., with effect from January 1, 2021;
- the increase of 33,397 thousand euro is mainly attributable to: for 20,263 thousand euro to works on buildings (mainly on the area of Piazza Trento in Milan, on the headquarters in via Lamarmora in Brescia and on the building in Cremona); for 12,965 thousand euro to interventions on plant and machinery, on the hydroelectric plants of the Calabria Unit (6,190 thousand euro), on the hydroelectric plants of the Mese and Udine Unit (3,871 thousand euro), on the plants of the Valtellina Unit (2,640 thousand euro) and to the improvement of other plants (264 thousand euro);
- the decrease due to the entry into operation amounted to 16,947 thousand euro and is attributable for 11,425 thousand euro to interventions on the production plants (of which 4,090 thousand euro on the Mese and Udine plants, 4,820 thousand euro for the hydroelectric plants of Calabria, 2,338 thousand euro on the plants in Valtellina as well as 177 thousand euro on other minor plants), 5,069 thousand euro for the New Cremona Technological Hub Lot and for 453 thousand euro the conclusion of works relating mainly to the buildings of the Mese and Udine plants.
- the decrease of 60 thousand euro due to other changes in the accounts.
- the decrease of 10 thousand euro due to the sale of electronic equipment;
- the decrease of 1,113 thousand euro following the write-down of electronic equipment that is no longer required for the Company's activities.

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 - Generation and Trading Business Unit". The Group is continuing to analyze the impact of regulatory amendments, also in light of the new regional 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.

Tangible assets include "Assets for rights of use" totalling 54,731 thousand euro (55,578 thousand euro at December 31, 2020), recognized in accordance with IFRS 16 and for which the outstanding payable to lessors at December 31, 2021 amounted to 68,353 thousand euro (57,120 thousand 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.

thousands of euro	Balance at 12 31 2020	Effect of non-recurring transactions	Changes				Balance at 12 31 2021
			Increases	Other changes	Amort.	Total changes	
Land	77			2	(14)	(12)	65
Buildings	7,874	2,098	7,005	(913)	(3,588)	2,504	12,476
Plant and machinery	44,025			(11)	(5,334)	(5,345)	38,680
Industrial and commercial equipment	-		36		(2)	34	34
Vehicles	3,602	89	1,764	364	(2,343)	(215)	3,476
Total	**55,578**	**2,187**	**8,805**	**(558)**	**(11,281)**	**(3,034)**	**54,731**

It is specified that the Company 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.

It should also be noted, in accordance with paragraph 48 of the principle, that the company does not have assets for rights of use that meet the definition of property investment.

2) Intangible assets

thousands of euro	Balance at 12 31 2020	Effect of non-recurring transactions	Changes					Balance at 12 31 2021
			Invest.	Other changes	Disposals net of provision	Amort.	Total changes	
Industrial patents and intellectual property rights	16,495	94	6,326	10,840		(9,875)	7,291	23,880
Concessions, licences, trademarks and similar rights	27,810	988	27,803	1,493		(18,858)	10,438	39,236
Goodwill	35,641	29,503					-	65,144
Assets in progress	18,648	158	12,287	(12,574)	(2,541)		(2,828)	15,978
Other intangible assets	2,225	2,356		(2,027)		(408)	(2,435)	2,146
Total intangible assets	**100,819**	**33,099**	**46,416**	**(2,268)**	**(2,541)**	**(29,141)**	**12,466**	**146,384**

"Tangible assets" amounted to 146,384 thousand euro (100,819 thousand euro at December 31, 2020) and show, net of the effect of non-recurring transactions positive for 33,099 thousand euro, an increase of 12,466 thousand euro resulting from the following transactions:
- capex for 46,416 thousand euro;
- other negative changes amounting to 2,268 thousand euro;
- disposal of assets, net of accumulated depreciation, for 2,541 thousand euro;
- depreciation for 29,141 thousand euro accounted for in the period.

More specifically, capex during the period refer to the following:
- 6,326 thousand euro for "industrial patents and intellectual property rights" mainly concerning the development of information technology projects;
- 27,803 thousand euro for "concessions, licences, trademarks and similar rights" related to the purchase of software;
- 12,287 thousand euro for "intangible assets under construction".

Included in the total balance of "Intangible assets" are "Assets in progress" which amounted to 15,978 thousand euro (18,648 thousand euro as at December 31, 2020), resulting in a decrease of 2,670 thousand euro due to the combined effect of the following:
- the increase of 158 thousand euro following the extraordinary merger by incorporation of the subsidiary Linea Group Holding S.p.A., with effect from January 1, 2021;
- the increase of 12,287 thousand euro mainly relating to the development of new IT projects;
- the decrease of 12,574 thousand euro due to the transition to use of software and computer applications;
- the decrease of 2,541 thousand euro following the sale to A2A Energia S.p.A. of software (repricing project).

For more in-depth information, refer to annex "2. Statement of changes in intangible assets".

Goodwill

thousands of euro	Balance at 12 31 2020	Effect of non-recurring transactions	Changes						Balance at 12 31 2021
			Invest.	Reclass./ Other changes	Disposals/ Sales	Write-down / Reversal	Amort.	Total changes	
Goodwill	35,641	29,503							65,144
Total goodwill	**35,641**	**29,503**	**-**	**-**	**-**	**-**	**-**	**-**	**65,144**

Goodwill equal to 65,144 thousand euro at December 31, 2021 (35,641 thousand euro at December 31, 2020), was formed as a result of non-recurring transactions with third parties. The increase due to the effect of non-recurring transactions refers to the merger by incorporation of Linea Group Holding S.p.A., which led to the recognition of goodwill of 29,503 thousand euro allocated to the "A2A Ambiente" CGU, as was the case in the Consolidated Financial Statements as of December 31, 2020.

Goodwill has been allocated to the following CGUs, which for A2A S.p.A. correspond to investments in subsidiaries: "A2A Reti Gas" for 3,700 thousand euro, "A2A Gas" for 6,800 thousand euro, "A2A Calore" for 18,000 thousand euro and "A2A Ambiente" for 36,644 thousand euro.

Under IAS 36 goodwill, an intangible asset with an indefinite useful life, is not amortized systematically but tested at least once a year ("Impairment Test"). As goodwill neither generates independent cash flow nor can it be sold separately, IAS 36 calls for a secondary audit of its recoverable amount, determining cash flows generated by a set of assets that constitute the business to which it belongs, i.e. the Cash Generating Unit (CGU).
The verification of the recoverability of the recognized value, carried out as part of the broader Impairment Test activity of the various CGUs for the Consolidated Financial Statements, which includes the goodwill in question, as well as specific sensitivity analyzes carried out, confirmed recoverability thereof.

3) Shareholdings and other non-current financial assets

thousands of euro	Balance at 12 31 2020	Effect of non-recurring transactions	Changes	Balance at 12 31 2021	*of which included in the NFP*	
					12 31 2020	*12 31 2021*
Shareholdings in subsidiaries	3,952,425	188,344	62,410	4,203,179		
Shareholdings in affiliates	1,612	-	(735)	877		
Other non-current financial assets	1,476,272	(244,901)	103,307	1,334,678	*1,468,848*	*1,312,273*
Total shareholdings and other non-current financial assets	**5,430,309**	**(56,557)**	**164,982**	**5,538,734**	***1,468,848***	***1,312,273***

Shareholdings in subsidiaries

"Shareholdings in subsidiaries" amounted to 4,203,179 thousand euro (3,952,425 thousand euro at December 31, 2020).

The following table shows the changes in the item:

Shareholdings in subsidiaries thousands of euro	TOTAL
Balance at 12 31 2020	**3,952,425**
Effect of non-recurring transactions	**188,344**
Changes:	
- acquisitions and capital increases	67,929
- sales and decreases	-
- reversals	-
- write-downs	(1,800)
- reclassifications	-
- other changes	(3,719)
Total changes	**62,410**
Balance at 12 31 2021	**4,203,179**

The value of shareholdings in subsidiaries, net of the effect of non-recurring transactions for 188,344 thousand euro, a total increase of 62,410 thousand euro compared to the previous year-end.
The merger by incorporation of Linea Group Holding S.p.A., with effect from January 1, 2021, following the acquisition of 49% of its share capital by means of the assignment of treasury shares, amounting to 2.75% of the share capital of A2A S.p.A., led to a net merger increase of 201,714 thousand euro and changes for the year totalling 53,820 thousand euro, broken down as follows:

- increase in the investment in A2A Energia S.p.A., now wholly owned by A2A S.p.A., of 25,506 thousand euro;
- increase in the investment in A2A Smart City S.p.A., now wholly owned by A2A S.p.A., of 5,234 thousand euro;
- recognition of the investment in LD Reti S.r.l., equal to 95.60% of the share capital, for 153,895 thousand euro;

- recognition of the investment in Linea Green S.p.A., equal to 100.00% of the share capital, for 124,191 thousand euro;
- recognition of the investment in Linea Gestioni S.r.l., equal to 100.00% of the share capital, for 22,864 thousand euro; at December 31, 2021, the company was subject to an impairment test that led to a write-down of 1,800 thousand euro;
- recognition of the investment in Linea Ambiente S.r.l., equal to 100% of the share capital, with a negative valuation of 25,959 thousand euro due to the negative result of the company at December 31, 2020; during the year, a capital contribution was made to cover losses for 45,000 thousand euro, net of the use of a provision for risks on equity investments for 1,376 thousand euro; at December 31, 2021, the value of the investment was reduced by 1,037 thousand euro following the derecognition of the earn-out payable due at the end of the year for which the conditions for its realization were not met;
- recognition of the investment in Fragea S.r.l., equal to 100.00% of the share capital, for 245 thousand euro;
- increase in the investment in A2A Security S.c.p.A., now 45.96% owned by A2A S.p.A., for 1 thousand euro;
- decrease of 104,263 thousand euro in the investment in Linea Group Holding S.p.A., given the value of the investment at the end of the previous year, amounting to 106,385 thousand euro, net of the reclassification of payables for earn-out of 2,122 thousand euro;
- acquisition during the year of 100% of the share capital of AGRIPOWER S.r.l. for 10,155 thousand euro and subsequent capital contribution of 5,000 thousand euro.

The merger by incorporation of Suncity Energy S.r.l., wholly owned by A2A S.p.A., led to a negative change of 4,275 thousand euro and the recognition of the investment in ES Energy S.r.l. for 5 thousand euro, representing 50% of the company's share capital.

In January, A2A S.p.A. acquired 100% of the investment in A2A Telecommunications S.r.l. from the subsidiary A2A Smart City S.p.A. for 9,100 thousand euro, after which the merger by incorporation of the acquired company into A2A S.p.A. took effect from February 1, 2021.

The merger by incorporation of A2Abroad S.p.A. into A2A Ambiente S.p.A. took effect from January 1, 2021, resulting in a reclassification of 4,586 thousand euro in the value of investments in the financial statements of A2A S.p.A..

The liquidation of Plurigas S.p.A. was completed in June, resulting in a decrease of 560 thousand euro.

ROMEO GAS S.p.A. was incorporated in October with fully paid-up share capital of 50 thousand euro.

Further information regarding movements involving shareholdings in subsidiary companies may be found within annexes 3a and 4a to compare their book value and corresponding portions of net assets.

Shareholdings in affiliates and joint ventures

"Shareholdings in affiliates and joint ventures" amounted to 877 thousand euro (1,612 thousand euro as at December 31, 2020); the decrease of 735 thousand euro refers to:

Investments in affiliates thousands of euro	TOTAL
Balance at 12 31 2020	**1,612**
Changes:	
- reclassifications	(735)
- other changes	-
Total changes	**(735)**
Balance at 12 31 2021	**877**

The negative change compared to December 31, 2020 refers to the reclassification, in application of the IFRS5 standard, to the item "Non-current assets held for sale" of the investment in the company Sviluppo Turistico Lago d'Iseo S.p.A., equal to 24.29% of the share capital, for which the company exercised the right of withdrawal for the share held, which will be effective in 2022.

Further details regarding shareholdings in affiliates may be found in annexes 3/b and 4/b.

Impairment of shareholdings in subsidiaries, associates and joint ventures

The recoverable value of shareholdings has been measured based on the present value of the corresponding expected net cash flows attributable to the shareholdings of A2A S.p.A.. The cash flows used are in line with those used for the Impairment Test of the CGU for the consolidated financial statements. The same applies to the methodological approach and discount rates adopted further detailed in the Consolidated Annual Financial Report (note 2).
It shall be recalled that the Impairment Test is carried out for all shareholdings which have a carrying value higher than the corresponding fraction of shareholders' equity of competence and/or in the presence of specific impairment indicators.
During the year under review, the results of the impairment test led to a write-down of the investment in Linea Gestioni S.r.l. of 1,800 thousand euro, as shown in the table below. In the previous year, no investment had required any write-down/reversal.

Participations	Pre-impairment test book value in million of euro at 12 31 2021	WACC	Growth rate g	Recoverable value (use value) in millions of euro at 12 31 2021	Write-down
Linea Gestioni S.r.l.	22.8	5.3%	0.0	21.0	(1.8)

Other non-current financial assets

"Other non-current financial assets" amounted to 1,334,678 thousand euro (1,476,272 thousand euro at December 31, 2020), of which:

- financial assets measured at amortized cost (HTC) for 1,312,273 thousand euro (1,468,848 thousand euro at December 31, 2020), which refer:
  - for 1,298,289 thousand euro (1,468,752 thousand euro at December 31, 2020) to financial assets with related parties. This item refers to loans to subsidiaries, the significant decrease of which is due in particular to the merger of Linea Group Holding into A2A S.p.A. during the year and to the reclassification of the short-term portion of these loans to the item Current financial assets, partially offset by the granting of new intra-group loans;
  - financial receivables related to rights of use in accordance with IFRS16 (subleases) from subsidiaries for 9,449 thousand euro (no value at December 31, 2020);
  - for 4,439 thousand euro (no value at December 31, 2020) to financial assets from third parties related to a non-interest-bearing loan granted during the year to the company Sinergie Italiane S.r.l. in liquidation;
  - other securities for 96 thousand euro (96 thousand euro at December 31, 2020), related to other government securities;
- financial assets measured at fair value through profit or loss (FVTPL) for 4,988 thousand euro (897 thousand euro at December 31, 2020), relating to minority interests;
- other financial assets of 17,417 thousand euro (6,527 thousand euro at December 31, 2020) relating to shareholdings in innovative start-ups through corporate venture capital projects.

4) Deferred tax assets

thousands of euro	Balance at 12 31 2020	Effect of non-recurring transactions	Changes	Balance at 12 31 2021
Deferred tax assets	**41,586**	**18**	**61,281**	**102,885**

The item, equal to 102,885 thousand euro, includes the net effect, as detailed in the table below to which reference is made, of deferred tax liabilities and deferred tax assets as per corporate income tax (IRES) and regional tax (IRAP) as well as provisions made solely for tax purposes. The recoverability of "Deferred tax assets" recorded in the financial statements for IRES purposes is considered likely, as the future plans envisage IRES taxable income sufficient for the absorption of the temporary differences that will be reversed at tax consolidation level.
Deferred tax assets are calculated using the tax rate applicable at the time of repayment.
For IRES purposes, the recoverability of "Deferred tax assets" recorded in the financial statements is considered likely, as the future Business Plans of the A2A Group envisage taxable income sufficient to use the deferred tax assets on a consolidated basis in accordance with articles 117-129 of Presidential Decree 917/1986, in which the company acts as consolidating company.
For IRAP purposes, the recoverability of "Deferred tax assets" recorded in the financial statements was assessed on the basis of the company's future Business Plan: for the years of the plan between 2022 and 2030, IRAP taxable income is expected to be sufficient to absorb the IRAP temporary differences, and therefore the related IRAP deferred tax assets and liabilities were maintained.

During the year, deferred tax liabilities were released totalling 65,569 million euro and a substitute tax of 7,037 thousand euro was recognized following the realignment option provided by Decree Law 104/2020, exercised by the company, 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.

Deferred tax assets are calculated using the tax rate applicable at the time of repayment.

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.

This item is detailed within the table below:

thousands of euro	Balance at 12 31 2021	Operations non-recurring transactions	Balance at 12 31 2020
Value differences of tangible assets	43,868	3	114,412
Measurement differences of intangible assets	3,185	696	2,557
Deferred capital gains	8	-	8
Other deferred tax liabilities	4,057	370	4,294
IFRS 5 reclassification	(4,245)	-	-
Deferred tax liabilities (A)	**46,873**	**1,069**	**121,271**
Taxed risk provisions	45,017	235	43,622
Amortization, depreciation and write-downs	49,526	126	54,810
Bad debts provision	1,994	1	2,550
Provisions and employee benefits	21,393	213	12,152
Goodwill	42,596	39	47,338
Other deferred tax assets	(10,688)	473	2,385
IFRS 5 reclassification	(80)	-	-
Deferred tax assets (B)	**149,758**	**1,087**	**162,857**
Net effect deferred tax assets (B-A)	**102,885**	**18**	**41,586**

For further details and information, please refer to the item "Expenses for income tax" on the income statement.

5) Other non-current assets

thousands of euro	Balance at 12 31 2020	Effect of non-recurring transactions	Changes	Balance at 12 31 2021	*of which included in the NFP*	
					12 31 2020	*12 31 2021*
Other non-current assets	11,918	1,601	(465)	13,054		
Total other non-current assets	**11,918**	**1,601**	**(465)**	**13,054**	**-**	**-**

"Other non-current assets" presented a balance of 13,054 thousand euro (11,918 thousand euro at December 31, 2020), a decrease of 465 thousand euro with respect to the previous year, net of non-recurring transactions, positive for 1,601 thousand euro and consist mainly of security deposits with third parties.

CURRENT ASSETS

6) Inventories

thousands of euro	Balance at 12 31 2020	Effect of non-recurring transactions	Changes	Balance at 12 31 2021
- Materials and spare parts	1,332	114	(177)	1,269
- Material obsolescence provision	(670)	(10)	30	(650)
Total materials	**662**	**104**	**(147)**	**619**
- Fuel	63,639	16	39,593	103,248
Total raw and ancillary materials and consumables	**64,301**	**120**	**39,446**	**103,867**
Total inventory	**64,301**	**120**	**39,446**	**103,867**

At December 31, 2021, inventories amounted to 103,867 thousand euro (64,301 thousand euro at December 31, 2020); changes for the period are positive for 39,446 thousand euro, net of the effect of non-recurring transactions positive for 120 thousand euro, and refer to the increase in gas inventories compared to the end of the previous year, which reflects the trend in fuel prices.
Raw and ancillary materials and consumables consist of inventories of:

- materials and spare parts amounting to 619 thousand euro, net of relative provisions for obsolescence for 650 thousand euro;
- fuels, amounting to 103,248 thousand euro, which include gas inventories arising from the sale and storage of gas, as well as inventories of fuels for the production of electricity.

7) Trade receivables

thousands of euro	Balance at 12 31 2020	Effect of non-recurring transactions	Changes	Balance at 12 31 2021
Trade receivables - invoices issued	36,304	3,567	95,982	135,853
Trade receivables - invoices to be issued	841,934	14,837	1,167,347	2,024,118
Bad debts provision	(6,122)	(26)	1,686	(4,462)
Total trade receivables	**872,116**	**18,378**	**1,265,015**	**2,155,509**

At December 31, 2021, trade receivables amounted to 2,155,509 thousand euro (872,116 thousand euro at December 31, 2020), with an increase of 1,265,015 thousand euro, net of the effect of non-recurring transactions positive for 18,378 thousand euro. These receivables include:

- for 1,217,907 thousand euro receivables from customers (487,237 thousand euro at December 31, 2020);
- for 937,602 thousand euro receivables from subsidiaries, controlling entities and associates (384,879 thousand euro at December 31, 2020).

The increase in trade receivables is primarily linked to the rise in prices on both the electricity and gas wholesale markets, as well as to the growth in volumes sold.

At December 31, 2021, the bad debt provision, calculated in accordance with IFRS 9, amounted to 4,462 thousand euro, representing a decrease of 1,686 thousand euro, net of the effect of non-recurring transactions totalling 26 thousand euro. This provision is considered adequate to cover the risks to which it relates.
The detailed changes in the provisions to adjust the values of receivables are outlined in the following table:

thousands of euro	Balance at 12 31 2020	Effect of non-recurring transactions	Provisions	Uses	Other changes	Balance at 12 31 2021
Bad debts provision	**6,122**	**26**	**(1,643)**	**(43)**	**-**	**4,462**

The following is the aging of trade receivables:

thousands of euro	Balance at 12 31 2020	Balance at 12 31 2021
Trade receivables of which:	**872,116**	**2,155,509**
Current	**27,101**	**125,039**
Past due of which:	**9,203**	**10,814**
- Up to 30 days past due	2,646	5,612
- 31 to 180 days past due	559	794
- 181 to 365 days past due	56	1,071
- Over 365 days past due	5,942	3,337
Invoices to be issued	**841,934**	**2,024,118**
Bad debts provision	**(6,122)**	**(4,462)**

8) Other current assets

thousands of euro	Balance at 12 31 2020	Effect of non-recurring transactions	Changes	Balance at 12 31 2021	*of which included in the NFP*	
					12 31 2020	*12 31 2021*
Current derivatives	425,952	-	3,311,246	3,737,198	-	-
Other current assets of which:	79,582	10,710	84,880	175,172	-	-
- advances to suppliers	616	10	29,794	30,420		
- receivables from employees	194	-	(20)	174		
- tax receivables	7,280	5	4,765	12,050		
- receivables from subsidiaries for tax consolidation	54,171	5,351	15,327	74,849		
- receivables related to future years	6,967	70	3,230	10,267		
- receivables from social security entities	829	-	(31)	798		
- receivables from stamp office	123	-	-	123		
- receivables for damage compensation	62	-	(54)	8		
- receivables for security deposits	1,341	110	34,562	36,013		
- other sundry receivables	7,999	5,164	(2,693)	10,470		
Total other current assets	**505,534**	**10,710**	**3,396,126**	**3,912,370**	**-**	**-**

"Other current assets" presented a balance of 3,912,370 thousand euro (505,534 thousand euro at December 31, 2020), an increase of 3,396,126 thousand euro with respect to the previous year, net of non-recurring transactions, positive for 10,710 thousand euro.

"Current derivative instruments" amounting to 3,737,198 thousand euro (425,952 thousand euro at December 31, 2020) refer to the fair value valuation of commodity derivatives at the end of the year under review. The increase is related 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. It should be noted that "Other current liabilities" include 3,708,394 thousand euro in "Current derivatives".

"Advances to suppliers" of 30,420 thousand euro (616 thousand euro at December 31, 2020) refer to prepayments on gas purchases.

"Tax receivables", amounting to 12,050 thousand euro (7,280 thousand euro at December 31, 2020) refer to tax credits relating to district heating acquired by the subsidiary A2A Calore & Servizi S.r.l. for 6,983 thousand euro, receivables from the tax authorities for excise duties for 2,110 thousand euro, receivables for VAT for 1,010 thousand euro, a tax credit from the tax authorities for research and development activities recognized for the purposes provided for by article 3 of Decree Law no. 145 of December 23, 2013 and the Decree of May 27, 2015 issued by the Minister of Economy and Finance in agreement with the Minister of Economic Development for 1,547 thousand euro, to a tax credit from the tax authorities for sanitization and the purchase of protection devices pursuant to article 125 of Decree Law 34/2020 (Relaunch Decree) for 26 thousand euro, tax credits for ecobonus acquired by the subsidiary A2A Energy Solution S.r.l. for 173 thousand euro, as well as other receivables for 201 thousand euro.

"Receivables from subsidiaries for tax consolidation" and Group VAT amounted to 74,849 thousand euro (54,171 thousand euro at December 31, 2020).

"Receivables for guarantee deposits" of 36,013 thousand euro (1,341 thousand euro at December 31, 2020) mainly refer to the deposit with the Electricity Market Operator (GSE) for operations on the electricity market.

Receivables from Ergosud S.p.A., amounting to 1,903 thousand euro (2,175 thousand euro at the end of the previous year), refer to the receivable due for new entry plants (Scandale Plant), regarding portions of emission allowances as provided by ARERA Resolutions no. ARG/elt no. 194/10 and no. 117/10.
Other sundry receivables include prepayments on electricity and gas futures contracts, the effects of which will manifest in the following financial year, as well as receivables relating to the sale of the equity investment in Ge.S.I. S.r.l.

9) Current financial assets

thousands of euro	Balance at 12 31 2020	Effect of non-recurring transactions	Changes	Balance at 12 31 2021	*of which included in the NFP*	
					12 31 2020	*12 31 2021*
Other financial assets	-	4,486	(1,180)	3,306	*-*	*3,306*
Other financial assets from related parties	412,777	53,726	735,165	1,201,668	*412,777*	*1,201,668*
Total current financial assets	**412,777**	**58,212**	**733,985**	**1,204,974**	***412,777***	***1,204,974***

"Current financial assets" amounted to 1,204,974 thousand euro (412,777 thousand euro at December 31, 2020) and show an increase, net of the effect of non-recurring transactions, positive for 58,212 thousand euro, of 733,985 thousand euro and refer:

- for 1,204,078 thousand euro to "Loans and receivables originated by HTC (Hold to Collect)": (412,777 thousand euro at December 31, 2020);
  - from subsidiaries 1,200,772 thousand euro (412,777 thousand euro at December 31, 2020) for both the balance of intra-group current accounts on which interest rates are applied, at market conditions, with a variable Euribor basis with specific spreads for companies and for the current portion of loans granted to subsidiaries. The increase is mainly related to the increase in the current accounts of the subsidiaries A2A Ambiente S.p.A., Unareti S.p.A., A2A Energia S.p.A. and A2A Rinnovabili S.p.A.;
  - from third parties 3,306 thousand euro, no value at December 31, 2020, related to financial receivables from Seca S.p.A. shareholders for payment of the consideration for the sale of the investment;
- for 896 thousand euro "IFRS 16 financial receivables (subleases)" from subsidiaries (no value at December 31, 2020).

10) Current tax assets

thousands of euro	Balance at 12 31 2020	Effect of non-recurring transactions	Changes	Balance at 12 31 2021
Current tax assets	**62,592**	**2,786**	**(4,786)**	**60,592**

At December 31, 2021, this item amounted to 60,592 thousand euro (62,592 thousand euro at December 31, 2020) and refers to IRAP receivables (10,202 thousand euro), IRES receivables (49,061 thousand euro), relating to both current IRES of the period and IRES for amounts requested for reimbursement on payments of previous years, and the remaining credit for Robin Tax (1,299 thousand euro) paid in previous years and that will be recovered in subsequent years from foreign tax authorities (30 thousand euro).

11) Cash and cash equivalents

thousands of euro	Balance at 12 31 2020	Effect of non-recurring transactions	Changes	Balance at 12 31 2021	*of which included in the NFP*	
					12 31 2020	*12 31 2021*
Cash and cash equivalents	**947,294**	**969**	**(61,909)**	**886,354**	***947,294***	***886,354***

"Cash and cash equivalents" at December 31, 2021 amounted to 886,354 thousand euro (947,294 thousand euro at December 31, 2020), with a decrease of 61,909 thousand euro compared with the end of the previous year, net of the effect of non-recurring transactions, positive for 969 thousand euro. Bank deposits include accrued interest not yet credited by the end of the period.

Cash and cash equivalents at December 31, 2021 are free from any kind of restriction, block, even temporary, and pledge.

12) Non-current assets held for sale

thousands of euro	Balance at 12 31 2020	Effect of non-recurring transactions	Changes	Balance at 12 31 2021	*of which included in the NFP*	
					12 31 2020	*12 31 2021*
Non-current assets held for sale	**466**	**-**	**46,322**	**46,788**	**-**	**-**

The item "Non-current assets held for sale" at December 31, 2021 amounted to 46,788 thousand euro (466 thousand euro at December 31, 2020) and includes the reclassification of tangible assets regarding the properties located in Milan in Corso di Porta Vittoria (Signora), in Via Gonin and in Via Balduccio da Pisa (Orobia), which have been sold in February 2022, net of depreciation and deferred taxes related to them, as well as the reclassification of the equity investment, equal to 24.29% of the share capital, in the company Sviluppo Turistico Lago d'Iseo S.p.A., for which the company exercised its right of withdrawal. At December 31, 2020, this item amounted to 466 thousand euro and referred to the reclassification of the investment in Ge.S.I. S.r.l., equal to 47% of the share capital, following the exercise of the put option subscribed on November 23, 2020 of the entire investment, the sale of which took place in September 2021.

EQUITY AND LIABILITIES

EQUITY

Equity, which at December 31, 2021 amounted to 3,332,380 thousand euro (3,176,611 thousand euro at December 31, 2020), is set forth within the following table:

thousands of euro	Balance at 12 31 2020	Effect of non-recurring transactions	Changes	Balance at 12 31 2021
Equity				
Share capital	1,629,111	-	-	1,629,111
(Treasury shares)	(53,661)	162,407	(108,746)	-
Reserves	1,055,432	(136,388)	298,747	1,217,791
Result of the year	545,729	-	(60,251)	485,478
Equity	**3,176,611**	**26,019**	**129,750**	**3,332,380**

13) Share capital

At December 31, 2021, the "Share capital" amounted to 1,629,111 thousand euro and is comprised of 3,132,905,277 ordinary shares with a unitary value of 0.52 euro each.

14) Treasury shares

"Treasury shares" had no value at December 31, 2021 (53,661 thousand euro at December 31, 2020).

At December 31, 2020, the treasury shares held by A2A S.p.A. were 23,721,421, amounting to 53,661 thousand euro. During the second quarter of 2021, the company purchased treasury shares for a value of 108,746 thousand 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 company then proceeded to acquire 49% of the share capital of Linea Group Holding S.p.A. by assigning these treasury shares to minority shareholders.

15) Reserves

thousands of euro	Balance at 12 31 2020	Effect of non-recurring transactions	Changes	Balance at 12 31 2021
Reserves of which:	**1,055,432**	**(136,388)**	**298,747**	**1,217,791**
Change in the fair value of cash flow hedge derivatives and Bond fair value	(6,949)	(1)	47,084	40,134
Tax effect	1,040	-	(13,498)	(12,458)
Reserves of cash flow hedges and fair value bonds	**(5,909)**	**(1)**	**33,586**	**27,676**
Change in the IAS 19 Revised reserve - Employee Benefits	(42,157)	(870)	(31,066)	(74,093)
Tax effect	12,157	209	9,128	21,494
IAS 19 Revised reserve - Employee Benefits	**(30,000)**	**(661)**	**(21,938)**	**(52,599)**

"Reserves", which at December 31, 2021 amounted to 1,217,791 thousand euro (1,055,432 thousand euro at December 31, 2020), were positive for 298,747 thousand euro, net of the effect of non-recurring transactions negative for 136,388 thousand euro, mainly due to the allocation of the profit for the year 2020, net of dividends distributed.

This item includes the following unavailable reserves:
- for 81,605 thousand euro the reserve arising from the corporate separation occurred in 1999. Such reserve will be available for distribution in portions in the following years based on the amortization carried out by the receiving company on the higher values determining capital gains from contribution;
- 27,676 thousand euro for the positive cash flow hedge reserve including the fair value of hedging derivatives and bonds in foreign currency, net of tax;

- for 52,599 thousand euro, the negative reserve arising from the adoption of IAS 19 Revised - Employee Benefits which requires actuarial profits and losses to be recognized directly in an equity reserve, net of the tax effect.
- for 462 thousand euro, the negative available-for-sale reserve including the fair value of certain available-for-sale shareholdings net of the tax effect;
- for 282,065 thousand euro, the legal reserve, whose increase of 27,286 thousand euro compared with the previous year derives from the allocation of profit for the previous year.

It shall be noted that the company opted, pursuant to L.D. 104/2020, for the realignment of differences between the higher statutory value and the lower tax value of tangible assets via payment of a substitute tax equal to 3% of the realigned value in three annual installments. The company's reserves are therefore subject to a tax suspension restriction amounting to 227,530 thousand euro, calculated as the difference between the realigned value and the substitute tax due. The distribution of these reserves or their allocation to uses other than loss coverage will result in taxation of the same.

The additional reserves and the profits that in case of distribution must be considered as IRES tax suspension amounted to 34,419 thousand euro.

It should be noted that during 2021, dividends amounting to 247,698 thousand euro corresponding to 0.08 euro per share were distributed, as approved by the shareholders' meeting on April 29, 2021.

16) Net result of the year

Positive result for 485,478 thousand euro.

LIABILITIES

NON-CURRENT LIABILITIES

17) Non-current financial liabilities

thousands of euro	Balance at 12 31 2020	Effect of non-recurring transactions	Changes	Balance at 12 31 2021	*of which included in the NFP*	
					12 31 2020	*12 31 2021*
Non-convertible bonds	2,690,035	-	489,550	3,179,585	*2,690,035*	*3,179,585*
Payables to banks	834,439	-	(79,416)	755,023	*834,439*	*755,023*
Payables to other lenders	199,807	-	31	199,838	*199,807*	*199,838*
Non-current financial payables for rights of use to third parties	5,816	11,361	706	17,883	*5,816*	*17,883*
Non-current financial payables for rights of use to related parties	41,191	853	(3,133)	38,911	*41,191*	*38,911*
Total non-current financial liabilities	**3,771,288**	**12,214**	**407,738**	**4,191,240**	***3,771,288***	***4,191,240***

"Non-current financial liabilities" amounted to 4,191,240 thousand euro (3,771,288 thousand euro at December 31, 2020), an increase of 407,738 thousand euro, net of the effect of non-recurring transactions positive for 12,214 thousand euro.

"Non-convertible bonds" amounting to 3,179,585 thousand euro (2,690,035 thousand euro at December 31, 2020) relate to the following bonds, which are accounted for at amortized cost:
- 299,702 thousand euro, Private Placement maturing in December 2023 and coupon of 4.00%, the nominal value of which is equal to 300,000 thousand euro;
- 299,675 thousand euro, Private Placement maturing in March 2024 and coupon of 1.25%, the nominal value of which is equal to 300,000 thousand euro;
- 298,660 thousand euro, maturing in February 2025 and coupon of 1.75%, the nominal value of which is equal to 300,000 thousand euro;
- 296,831 thousand euro, maturing in October 2027 and coupon of 1.625%, the nominal value of which is equal to 300,000 thousand euro;
- 107,029 thousand 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;

- 394,801 thousand euro, maturing in July 2029 and coupon of 1.00%, the nominal value of which is equal to 400,000 thousand euro;
- 493,143 thousand euro, maturing in October 2032 and coupon of 0.625%, the nominal value of which is equal to 500,000 thousand euro;
- 495,603 thousand euro, maturing in July 2031 and coupon of 0.625%, the nominal value of which is equal to 500,000 thousand euro;
- 494,141 thousand euro, maturing in November 2033 and coupon of 1%, the nominal value of which is equal to 500,000 thousand euro.

The increase in the non-current component of "Non-convertible bonds" of 489,550 thousand 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 500,000 thousand euro recorded net of amortized cost), partly offset by the reclassification to "Current financial liabilities" of the bond maturing in 2022 (499,358 thousand euro) and the decrease in the ECB exchange rate applied to the yen bond.

Non-current "Payables to banks" amounted to 755,023 thousand euro (834,439 thousand euro at December 31, 2020) and showed a net decrease of 79,416 thousand euro compared to the end of the previous year due to the installments repaid during the year and consequent reclassification in current liabilities of the capital installments maturing in 2022.

"Payables to other lenders" amounted to 199,838 thousand euro (199,807 thousand euro at December 31, 2020) and refer to a loan granted by the Cassa Depositi e Prestiti.

"Financial payables for non-current rights of use", in application of IFRS 16 for leases previously classified as operating, both to third parties and related parties, amounted to 56,794 thousand euro, with a decrease of 2,427 thousand euro compared to the end of the previous year, net of the effect of non-recurring transactions positive for 12,214 thousand euro.

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 A2A S.p.A..

thousands of euro	Nominal value	Book value	Current portion	Non-current portion	Fair Value
Bonds	3,698,000	3,713,032	533,447	3,179,585	3,761,772
Loans Loans and Other lenders	1,034,818	1,034,025	79,164	954,861	1,040,471
Total	**4,732,818**	**4,747,057**	**612,611**	**4,134,446**	**4,802,243**

18) Employee benefits

"Employee Benefits" amounted to 149,175 thousand euro (122,952 thousand euro at December 31, 2020) with changes as follows:

thousands of euro	Balance at 12 31 2020	Effect of non-recurring transactions	Accruals	Uses	Other changes	Balance at 12 31 2021
Employee leaving entitlement (TFR)	24,077	1,820	6,886	(2,705)	(6,674)	23,404
Employee benefits	98,875	258	-	(4,703)	31,341	125,771
Total employee benefits	**122,952**	**2,078**	**6,886**	**(7,408)**	**24,667**	**149,175**

The change in the item, net of the effect of non-recurring transactions positive for 2,078 thousand euro, is attributable for 6,886 thousand euro to provisions for the period, for 7,408 thousand euro to the decrease due to the disbursements of the year and for 24,667 thousand euro to the net increase referred to actuarial valuations, deriving from the combined effect of the increase for interest cost equal to 763 thousand euro, of the increase for actuarial gains/losses equal to 30,924 thousand euro, mainly due to the increase in electricity costs, net of other negative changes for 7,020 thousand euro.

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%	0.80%
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	2.8125%	2.1%
Average annual increase rate of supplementary pensions	1.125%	1.1%
Annual turnover frequencies	5.0%	5.0%
Annual TFR advance frequencies	2.0%	2.0%

It is noted that:

- the annual discount rate used to determine the present value of the bond has been derived, in line with paragraph 83 of IAS 19, from the Iboxx Corporate AA index recognized at the measurement date. For this purpose, the yield with duration comparable to the duration of the work group evaluated was chosen;
- 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 TG62 (Premungas) AS62 (Electricity and gas discount) and RG48 (other plans) 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) in accordance with LD no. 04/2019;
    - for the "probability of leaving the family", the table in the INPS model was used for projections to 2010 updated;
    - 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.

As required by IAS 19, the sensitivity for post-employment employee benefit obligations is outlined below:

thousands of euro	Turnover rate +1.00%	Turnover rate -1.00%	Inflation rate +0.25%	Inflation rate -0.25%	Discount rate +0.25%	Discount rate -0.25%
TFR	**22,963**	**23,261**	**23,340**	**22,875**	**22,732**	**23,490**

thousands of euro	Discount rate +0.25%	Discount rate -0.25%	Mortality table increased by 10%	Mortality table decreased by 10%
Premungas	15,127	15,617	14,545	16,295
Electricity and gas discount	102,737	108,747	108,902	102,707
Additional months	2,752	2,871	n.s.	n.s.

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Notes

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19) Provisions for risks, charges and liabilities for landfills

thousands of euro	Balance at 12 31 2020	Effect of non-recurring transactions	Provisions	Releases	Uses	Other changes	Balance at 12 31 2021
Decommissioning provisions	7,211	-	66	-	(852)	357	6,782
Tax provisions	500	-	2,113	-	-	-	2,613
Personnel lawsuits and disputes provisions	14,388	8	1,000	(892)	(121)	(585)	13,798
Other risk provisions	82,494	2,914	15,937	(4,363)	(3,393)	(15,351)	78,238
Provisions for risks, charges and liabilities for landfills	**104,593**	**2,922**	**19,116**	**(5,255)**	**(4,366)**	**(15,579)**	**101,431**

“Decommissioning provisions”, which amounted to 6,782 thousand euro, include charges for costs of dismantling and recovery of production sites related to hydroelectric plants of Valtellina and Calabria. Changes in this item regard provisions of 66 thousand euro, uses of 852 thousand euro and other increases of 357 thousand euro, which refer to the revision of the discount rates used to estimate future charges.

“Tax Provisions”, which amounted to 2,613 thousand euro, refer to provisions for pending or potential litigation with the tax authorities or territorial entities for levies and direct and indirect taxes. Changes regarded provisions of 2,113 thousand euro.

The “Personnel lawsuits and disputes provisions” amounted to 13,798 thousand euro and refer to lawsuits pending with social security institutions, for contributions not paid for 998 thousand euro, to lawsuits with third parties for 12,499 thousand euro and with employees for 301 thousand euro, to cover the liabilities that could arise from litigations in progress. Changes during the period regard provisions of 1,000 thousand euro, releases of 892 thousand euro, uses of 121 thousand euro and other negative changes of 585 thousand euro.

“Other risk provisions” of 78,238 thousand euro refer to provisions relating to public water derivation fees for 55,344 thousand euro, provisions for contractual expenses for 14,717 thousand euro, to the mobility provision for the costs arising from the corporate restructuring plan for 570 thousand euro, as well as other provisions for risks for 7,607 thousand euro. Changes during the period regard provisions of 15,937 thousand euro, uses of 3,393 thousand euro, releases of 4,363 thousand euro and other decreases of 15,351 thousand euro.

20) Other non-current liabilities

thousands of euro	Balance at 12 31 2020	Effect of non-recurring transactions	Changes	Balance at 12 31 2021	*of which included in the NFP*	
					12 31 2020	*12 31 2021*
Other non-current liabilities	5,595	9	(2,149)	3,455	-	-
Non-current derivatives	18,221	-	(7,619)	10,602	*18,221*	*10,602*
Total other non-current liabilities	**23,816**	**9**	**(9,768)**	**14,057**	***18,221***	***10,602***

“Other non-current liabilities” amounted to 14,057 thousand euro and refer to:
- “Non-current derivative instruments” of 10,602 thousand euro (18,221 thousand euro at December 31, 2020), which refer to the fair value of financial derivatives to hedge interest rate risk on variable rate mortgages;
- “Other non-current liabilities to third parties” amounted to 3,455 thousand euro (5,595 thousand euro at December 31, 2020), of which:
  - “Other non-current payables” totalling 3,354 thousand euro (5,496 thousand euro at December 31, 2020), which refer to payables linked to Long Term Service Agreements relating to plant maintenance;
  - “Security deposits” of 101 thousand euro (99 thousand euro at December 31, 2020).

At the end of the previous year, this item included 2,142 thousand euro relating to the payable linked to earn-out clauses towards the minority shareholders of LGH S.p.A. which was reclassified as a reduction of the investment following the merger between A2A S.p.A. and LGH S.p.A. at the end of the year under review, as described in greater detail in the section "Significant events during the year" in the 2021 Report on Operations.

CURRENT LIABILITIES

21) Trade payables and other current liabilities

thousands of euro	Balance at 12 31 2020	Effect of non-recurring transactions	Changes	Balance at 12 31 2021	*of which included in the NFP*	
					12 31 2020	*12 31 2021*
Advances	8	-	985	993		
Payables to suppliers	626,562	7,591	1,106,972	1,741,125		
Trade payables to related parties of which:	223,567	436	206,745	430,748		
- subsidiaries	180,455	436	184,316	365,207		
- joint ventures	43,056	-	22,328	65,384		
- associates	-	-	1	1		
- Municipalities of Milan and Brescia	56	-	100	156		
Total trade payables	**850,137**	**8,027**	**1,314,702**	**2,172,866**	**-**	**-**
Payables to pension and social security institutions	13,892	260	497	14,649		
Current derivatives	403,141	1	3,305,252	3,708,394		
Other current liabilities of which:	103,813	7,600	322,453	433,866		
- payables to employees	22,079	1,011	995	24,085		
- payables to Cassa per i Servizi Energetici e Ambientali	3	-	(3)	-		
- tax payables	14,796	239	29,693	44,728		
- payables to subsidiaries for tax consolidation	29,967	4,669	14,168	48,804		
- payables for tax transparency	7,167	-	-	7,167		
- payables to third-party shareholders	-	-	362	362		
- payables for liabilities of competence of the following year	52	98	(21)	129		
- payables for collections to be allocated	7,434	1	1,809	9,244		
- sundry payables	22,315	1,582	275,450	299,347		
Total other current liabilities	**520,846**	**7,861**	**3,628,202**	**4,156,909**	**-**	**-**
Total trade payables and other current liabilities	**1,370,983**	**15,888**	**4,942,904**	**6,329,775**	**-**	**-**

"Trade payables and other current liabilities" amounted to 6,329,775 thousand euro (1,370,983 thousand euro at December 31, 2020) and show an overall increase of 4,942,904 thousand euro, net of the effect of non-recurring transactions positive for 15,888 thousand euro.
"Trade payables" amounted to 2,172,866 thousand euro and include advances for 993 thousand euro, debt exposure to third-party suppliers (1,741,125 thousand euro) and trade payables to related parties (430,748 thousand euro).
"Payables to social security institutions" amounted to 14,649 thousand euro and relate to the company's debt position with social security and pension institutions, related to contributions of the month of December not yet paid.
"Current derivative instruments" amounted to 3,708,394 thousand euro and refer to the fair value valuation of derivatives. The increase is related 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. It should be noted that "Other current assets" include 3,737,198 thousand euro in "Current derivative instruments".

"Other current liabilities" amounting to 433,866 thousand euro (103,813 thousand euro at December 31, 2020) mainly refer to:

- Group "payables to subsidiaries for tax consolidation" amounting to 48,804 thousand euro (29,967 thousand euro at December 31, 2020);
- "payables to employees" for 24,085 thousand euro (22,079 million euro at December 31, 2020), relating to payables to employees for the productivity bonus accrued during the year, as well as the expense for holidays accrued but not taken at December 31, 2021;
- "tax payables" amounting to 44,728 thousand euro (14,796 thousand euro at December 31, 2020) essentially regarding VAT payables, payables for water diversion fees, as well as payables to the tax authorities for withholding tax and excise duties;
- "payables for fiscal transparency" for 7,167 thousand euro (7,167 thousand euro at December 31, 2020) to the associate Ergosud S.p.A.;
- other payables relating to the advance collection of electricity and gas futures contracts, the economic effect of which will be seen in the following year, amounting to 276,354 thousand euro (17,601 thousand euro at December 31, 2020).

22) Current financial liabilities

thousands of euro	Balance at 12 31 2020	Effect of non-recurring transactions	Changes	Balance at 12 31 2021	*of which included in the NFP*	
					12 31 2020	*12 31 2021*
Non-convertible bonds	397,603	-	135,844	533,447	*397,603*	*533,447*
Payables to banks	79,124	-	40	79,164	*79,124*	*79,164*
Financial payables to related parties	393,047	24,300	(59,781)	357,566	*393,047*	*357,566*
Current financial payables for rights of use to third parties	4,477	1,158	(22)	5,613	*4,477*	*5,613*
Current financial payables for rights of use to related parties	5,636	80	230	5,946	*5,636*	*5,946*
Total current financial liabilities	**879,887**	**25,538**	**76,311**	**981,736**	***879,887***	***981,736***

"Current financial liabilities" amounted to 981,736 thousand euro and show an overall increase of 76,311 thousand euro, net of the effect of non-recurring transactions positive for 25,538 thousand euro.

"Non-convertible bonds" amounted to 533,447 thousand euro and show a positive change of 135,844 thousand euro, due to the reclassification from "Non-current financial liabilities" of the bond maturing in January 2022. At December 31, 2021, the calculation of interest coupons amounted to 33,469 thousand euro (46,165 thousand euro at December 31, 2020).

Current "Payables to banks", totalling 79,164 thousand euro, rose by 40 thousand euro during the period, primarily due to the change in accrued interest and amortized cost on lines of credit.

"Financial payables to related parties" amounted to 357,566 thousand euro with a decrease of 59,781 thousand euro, net of the effect of positive extraordinary transactions for 24,300 thousand euro and relate to intra-group current accounts on which rates are applied at market conditions, with variable Euribor base with specific spreads for companies.

"Financial payables for current rights of use", in application of IFRS 16 for leases previously classified as operating leases, both to third parties and to related parties amounted to 11,559 thousand euro, an increase of 208 thousand euro compared with the end of the previous year, net of the positive effect of non-recurring transactions for 1,238 thousand euro.

23) Tax liabilities

thousands of euro	Balance at 12 31 2020	Effect of non-recurring transactions	Changes	Balance at 12 31 2021
Tax liabilities	-	-	5,935	5,935

At December 31, 2021, tax liabilities amounted to 5,935 thousand euro (no value at December 31, 2020) and refer to both the substitute tax recorded following the realignment pursuant to L.D. 104/2020, net of the portion paid during the year, and to the recognition of current IRAP for 2021.

3.7 Net debt

24) Net debt
(pursuant to CONSOB Communication no. DEM/6064293 of July 28, 2006 and ESMA/2013/319)

The following table provides details of net debt.

thousands of euro	Notes	12 31 2021	Effect of non-recurring transactions	12 31 2020
Bonds - non-current portion	17	3,179,585	-	2,690,035
Bank loans - non-current portion	17	755,023	-	834,439
Non-current payables to other lenders	17	199,838	-	199,807
Non-current financial payables for rights of use	17	56,794	12,214	47,007
Other non-current liabilities	20	10,602	-	18,221
Total medium/long-term debt		**4,201,842**	**12,214**	**3,789,509**
Non-current financial assets - related parties	3	(1,307,738)	249,170	(1,468,752)
Non-current financial assets	3	(4,535)	-	(96)
Total medium/long-term financial receivables		**(1,312,273)**	**249,170**	**(1,468,848)**
Total non-current net debt		**2,889,569**	**261,384**	**2,320,661**
Bonds - current portion	22	533,447	-	397,603
Bank loans - current portion	22	79,164	-	79,124
Current financial payables for rights of use	22	11,559	1,238	10,113
Current financial payables to related parties	22	357,566	24,300	393,047
Total short-term debt		**981,736**	**25,538**	**879,887**
Other current financial assets	9	(3,306)	(4,486)	-
Current financial assets - related parties	9	(1,201,668)	(53,726)	(412,777)
Total short-term financial receivables		**(1,204,974)**	**(58,212)**	**(412,777)**
Cash and cash equivalents	11	(886,354)	(969)	(947,294)
Total current net debt		**(1,109,592)**	**(33,643)**	**(480,184)**
Net financial debt		**1,779,977**	**227,741**	**1,840,477**

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

thousands of euro	12 31 2020	Cash flow	Non-cash flow			12 31 2021
			Effect of non-recurring transactions	Change in fair value	Other changes	
Bonds	3,087,638	635,846	-	(3,302)	(7,150)	3,713,032
Financial payables	1,563,537	(149,178)	37,752	-	7,833	1,459,944
Other liabilities	18,221	-	-	(7,619)	-	10,602
Financial assets	(1,881,625)	(826,578)	190,958	-	(2)	(2,517,247)
Other activities	-	-	-	-	-	-
Net liabilities deriving from financing activities	**2,787,771**	**(339,910)**	**228,710**	**(10,921)**	**681**	**2,666,331**
Cash and cash equivalents	(947,294)	61,909	(969)	-	-	(886,354)
Net financial debt	**1,840,477**	**(278,001)**	**227,741**	**(10,921)**	**681**	**1,779,977**

3.8 Notes to the income statement

The year 2021 includes the effects of the non-recurring transactions as further specified in the paragraph "Notes to the items of the Statement of Financial Position" to which reference should be made.

It should also be noted that, in order to make the figures in the Income Statement at December 31, 2020 consistent with those at December 31, 2021, the depreciation of tangible assets relating to three buildings in the Milan area were reclassified from the item "Depreciation, amortization, provisions and write-downs" to the item "Net result from operating assets held for sale", which, in compliance with IFRS 5, were reclassified to "Assets held for sale" at December 31, 2021.

25) Revenues

Revenues at December 31, 2021 amounted to 8,255,984 thousand euro (3,988,772 thousand euro at December 31, 2020).

Revenues thousands of euro	12 31 2021	12 31 2020	Change	Percentage change
Revenues from the sale of goods	7,952,044	3,741,880	4,210,164	n.s.
Revenues from services	243,971	201,471	42,500	21.1%
Total revenues from the sale of goods and services	**8,196,015**	**3,943,351**	**4,252,664**	**n.s.**
Other operating income	**59,969**	**45,421**	**14,548**	**32.0%**
Total Revenues	**8,255,984**	**3,988,772**	**4,267,212**	**n.s.**

Details of the more significant items are as follows:

thousands of euro	12 31 2021	12 31 2020	Change	Percentage change
Sales of electricity of which:	**5,144,815**	**2,299,687**	**2,845,128**	**n.s.**
- third-party customers	3,720,278	1,575,564	2,144,714	n.s.
- subsidiaries	1,419,176	722,463	696,713	96.4%
- associates	5,361	1,660	3,701	n.s.
Sales of gas and fuels of which:	**2,229,449**	**1,260,059**	**969,390**	**76.9%**
- third-party customers	1,397,222	786,048	611,174	77.8%
- subsidiaries	828,776	471,830	356,946	75.7%
- associates	3,451	2,181	1,270	58.2%
Sales of heat of which:	**789**	**329**	**460**	**n.s.**
- subsidiaries	789	329	460	n.s.
Sales of materials and equipment of which:	**9,705**	**8,034**	**1,671**	**20.8%**
- third-party customers	19	74	(55)	(74.3%)
- subsidiaries	9,686	7,960	1,726	21.7%
Sales of emission certificates and allowances of which:	**567,286**	**173,771**	**393,515**	**n.s.**
- third-party customers and inventory change	213,814	27,547	186,267	n.s.
- subsidiaries	308,738	121,947	186,791	n.s.
- associates	44,734	24,277	20,457	84.3%
Total revenues from the sale of goods	**7,952,044**	**3,741,880**	**4,210,164**	**n.s.**
- Services to third parties	2,354	930	1,424	n.s.
- Services to subsidiaries	238,730	197,698	41,032	20.8%
- Services to associates	143	175	(32)	(18.3%)
- Services to parent companies	2,744	2,668	76	2.8%
Total revenues from services	**243,971**	**201,471**	**42,500**	**21.1%**
Total revenues from the sale of goods and services	**8,196,015**	**3,943,351**	**4,252,664**	**n.s.**
Damage compensation	786	56	730	n.s.
Contingent assets	9,580	8,432	1,148	13.6%
Gains on disposals of assets	4,477	2,753	1,724	62.6%
Incentives for production from renewable sources (feed-in tariff)	36,446	24,498	11,948	48.8%
Rent income of which:	5,390	6,117	(727)	(11.9%)
- third-party customers	510	525	(15)	(2.9%)
- subsidiaries	4,876	5,592	(716)	(12.8%)
- associates	4	-	4	n.s.
Other revenues of which:	3,290	3,565	(275)	(7.7%)
- third-party customers	3,250	3,533	(283)	(8.0%)
- subsidiaries	40	32	8	25.0%
Total other operating revenues	**59,969**	**45,421**	**14,548**	**32.0%**
Total revenues	**8,255,984**	**3,988,772**	**4,267,212**	**n.s.**

"Sales revenues" amounted to 7,952,044 thousand euro (3,741,880 thousand euro at December 31, 2020), up 4,210,164 thousand euro from the previous year.

Sales revenues mainly refer to the sale of electricity (5,144,815 thousand euro) to wholesalers and institutional operators (Gestore Mercato Elettrico S.p.A. and Terna S.p.A.), also through sales on the IPEX markets (Italian Power Exchange) as well as to subsidiaries and associates for 16,477 million kWh (+22% compared to December 31, 2020); to the sale of gas and fuel to third parties and subsidiaries (2,229,449 thousand euro) from the commercialization of 3,815 million cubic meters of gas (+3% compared to the previous year); to the sale of heat (789 thousand euro); the sale of materials and plants to both third parties and subsidiaries (9,705 thousand euro); the sale of environmental certificates to third parties and subsidiaries and associates (567,286 thousand euro). The increase in sales revenues is due to higher prices in the wholesale markets for both electricity and gas, as well as growth in volumes sold. The higher revenues from the sale of environmental certificates during the year relate to higher sales of CO2 for the recognition of revenue from subsidiaries and associates whose plants are managed by A2A S.p.A. through tolling contracts.

"Revenues from services" amounted to 243,971 thousand euro (201,471 thousand euro at December 31, 2020) and mainly relate to revenues from administrative, fiscal, legal, managerial and technical services to subsidiaries, and revenues from the Municipality of Milan for the video surveillance service.

"Other operating revenues", amounting to 59,969 thousand euro (45,421 thousand euro at December 31, 2020), mainly refers to incentives for production from renewable sources (36,446 thousand euro). The increase recorded is attributable to both the higher volumes generated and the higher price recognized compared to 2020. Other revenues were also recorded relating to rent from subsidiaries, contingent assets recorded following the difference in provisions for previous years, reimbursements for damages and penalties received from customers, insurance companies and private individuals, as well as the capital gain realized on the sale of a building and land during the year.

26) Operating expenses

"Operating expenses" totalled 7,903,709 thousand euro (3,736,101 thousand euro at December 31, 2020).

The main components of this item are as follows:

Operating expenses thousands of euro	12 31 2021	12 31 2020	Change	Percentage change
Costs for raw materials and consumables	6,973,208	3,025,450	3,947,758	n.s.
Costs for services	349,024	287,784	61,240	21.3%
Total costs for raw materials and services	**7,322,232**	**3,313,234**	**4,008,998**	**n.s.**
Other operating expenses	**581,477**	**422,867**	**158,610**	**37.5%**
Total operating expenses	**7,903,709**	**3,736,101**	**4,167,608**	**n.s.**

The following table sets out details of the more significant components:

thousands of euro	12 31 2021	12 31 2020	Change	Percentage change
Purchases of electricity of which:	**3,246,899**	**1,300,140**	**1,946,759**	**n.s.**
- third-party suppliers	2,997,434	1,170,409	1,827,025	n.s.
- subsidiaries	249,465	129,731	119,734	92.3%
Purchases of gas of which:	**3,238,253**	**1,491,011**	**1,747,242**	**n.s.**
- third-party suppliers	3,208,477	1,473,820	1,734,657	n.s.
- subsidiaries	29,776	17,191	12,585	73.2%
Purchases of fuel of which:	**2,718**	**21,635**	**(18,917)**	**(87.4%)**
- third-party suppliers	2,714	21,627	(18,913)	(87.5%)
- subsidiaries	4	8	(4)	(50.0%)
Change in inventories of fuel	**(41,793)**	**36,948**	**(78,741)**	**n.s.**
Purchases of heat of which:	**450**	**362**	**88**	**24.3%**
- third-party suppliers	7	-	7	n.s.
- subsidiaries	443	362	81	22.4%
Purchases of water of which:	**58**	**39**	**19**	**48.7%**
- third-party suppliers	53	36	17	47.2%
- subsidiaries	5	3	2	66.7%
Purchases of materials of which:	**11,857**	**10,960**	**897**	**8.2%**
- third-party suppliers	11,725	10,503	1,222	11.6%
- subsidiaries	132	457	(325)	(71.1%)
Change in inventories of materials	**146**	**(73)**	**219**	**n.s.**
Hedging losses on operating derivatives	**3,633**	**9,232**	**(5,599)**	**(60.6%)**
Hedging gains on operating derivatives	**(12,434)**	**(12,586)**	**152**	**(1.2%)**
Purchases of emission certificates and allowances of which:	**523,421**	**167,782**	**355,639**	**n.s.**
- third-party suppliers	522,970	165,603	357,367	n.s.
- subsidiaries	451	2,179	(1,728)	(79.3%)
Total expenses for raw materials and consumables	**6,973,208**	**3,025,450**	**3,947,758**	**n.s.**
Delivery and transmission costs of which:	**189,446**	**155,669**	**33,777**	**21.7%**
- third-party suppliers	178,271	147,517	30,754	20.8%
- subsidiaries	11,175	8,152	3,023	37.1%
Maintenance and repairs	**51,548**	**42,373**	**9,175**	**21.7%**
Services of which:	**108,030**	**89,742**	**18,288**	**20.4%**
- third-party suppliers	93,227	74,613	18,614	24.9%
- subsidiaries	14,803	15,129	(326)	(2.2%)
Total costs for services	**349,024**	**287,784**	**61,240**	**21.3%**
Total costs for raw materials and services	**7,322,232**	**3,313,234**	**4,008,998**	**n.s.**
Leaseholds of which:	**490,923**	**354,848**	**136,075**	**38.3%**
- third-party suppliers	21,195	26,827	(5,632)	(21.0%)
- subsidiaries	406,193	283,661	122,532	43.2%
- associates	63,535	44,360	19,175	43.2%
Other operating expenses of which:	**90,554**	**68,019**	**22,535**	**33.1%**
- Concession fees	62,079	41,173	20,906	50.8%
- Contributions to territorial entities, consortia and ARERA	4,214	3,798	416	11.0%
- Damages and penalties	845	815	30	3.7%
- Contingent liabilities	2,457	603	1,854	n.s.
- Losses on disposal of tangible assets	2	6	(4)	(66.7%)
- Taxes and duties	14,829	14,823	6	0.0%
- Other costs of which:	6,128	6,801	(673)	(9.9%)
- other operating expenses	6,091	6,601	(510)	(7.7%)
- subsidiaries	37	200	(163)	(81.5%)
Other operating expenses	**581,477**	**422,867**	**158,610**	**37.5%**
Total operating expenses	**7,903,709**	**3,736,101**	**4,167,608**	**n.s.**

"Expenses for raw materials and services" amounted to 7,322,232 thousand euro (3,313,234 thousand euro at December 31, 2020).

The cost of raw materials and consumables, amounting to 6,973,208 thousand euro, refers to the cost of purchasing energy, fuel and heat (6,488,320 thousand euro) from third parties and subsidiaries, both for electricity production and for resale to customers and wholesalers. The increase recorded in 2021 derives mainly from: the increase in unit prices of procurement due to the growth recorded in the reference scenario, as well as to the higher quantities purchased; the change in fuel inventories (-41,793 thousand euro) due to the higher valuation price; to charges/income from hedging derivatives (-8,801 thousand euro); the purchase of materials and water (12,061 thousand euro including change in inventories); as well as the purchase of environmental certificates (523,421 thousand euro), the increase in which refers in particular to higher CO2 purchases primarily due to the increase in the average unit cost.

Service costs amounted to 349,024 thousand euro and relate to the logistics costs for transport on the natural gas network (189,446 thousand euro), costs for maintenance and repairs (51,548 thousand euro) related to both the plants and information systems of the company, as well as costs for services from third parties and subsidiaries and associates (108,030 thousand euro) that include costs for administrative and technical professional services, costs for certification activities, gas storage costs, expenses for insurance, monitoring, banking and other services. The increase compared to the previous year is mainly due to higher costs for the transport of natural gas and for IT services related to the development of new projects.

"Other operating expenses" amounted to 581,477 thousand euro (422,867 thousand euro at December 31, 2020). This item includes the use of third-party assets for 490,923 thousand euro mainly relating to the contracting of thermoelectric production plants "tolling agreement" owned by the subsidiaries A2A Energiefuture S.p.A. and A2A gencogas S.p.A. and costs related to the use of part of a portion of the electricity capacity of Ergosud S.p.A.. Other costs amounted to 90,554 thousand euro and mainly refer to public water derivation fees, damages and penalties and contingent liabilities.

During the year, the Company paid 2,000 thousand euro in donations to the AEM and ASM Foundations.

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 thousands of euro	12 31 2021	12 31 2020	Change	Percentage change
Revenues	247,231	1,367,930	(1,120,699)	(81.9%)
Operating expenses	(221,699)	(1,358,401)	1,136,702	(83.7%)
Total trading margin	**25,532**	**9,529**	**16,003**	**n.s.**

The trading margin was positive for 25,532 thousand euro, an increase of 16,003 thousand 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.

27) Labour costs

At December 31, 2021, labour costs, net of capitalized costs, totalled 160,014 thousand euro (150,969 thousand euro as at December 31, 2020), the increase for the year includes both the effect of the extraordinary merger transactions and an increase related to new personnel additions materialized in 2021.

“Labour costs” may be analyzed as follows:

Labour costs thousands of euro	**12 31 2021**	**12 31 2020**	**Change**	**Percentage change**
Wages and salaries	106,549	97,850	8,699	8.9%
Social security charges	34,066	31,454	2,612	8.3%
Employee leaving entitlement (TFR)	6,886	5,976	910	15.2%
Other costs	17,050	18,669	(1,619)	(8.7%)
Total labour costs before capitalizations	**164,551**	**153,949**	**10,602**	**6.9%**
Capitalized labour costs	(4,537)	(2,980)	(1,557)	52.2%
Total labour costs	**160,014**	**150,969**	**9,045**	**6.0%**

The table below shows the average number of employees during the period, broken down by category:

	2021	**2020**	**Change**
Managers	109	98	11
Middle Managers	341	311	30
White-collar workers	1,217	1,084	133
Blue-collar workers	160	167	(7)
Total	**1,827**	**1,660**	**167**

At December 31, 2021, A2A S.p.A. employees totalled 1,847, while at December 31, 2020, they were equal to 1,648.

Other personnel costs include 456 thousand euro (952 thousand euro at December 31, 2020) relating to the total cost of the company’s restructuring plan related to future staff leaving for redundancy.

The item also includes the remuneration paid by A2A S.p.A. to the members of the Board of Directors in the period for a total of 1,948 thousand euro; for further details, reference is made to the specific file “Remuneration Report - 2021”.

28) Gross operating income

In light of the dynamics explained above, the “Gross operating income” was positive for 192,260 thousand euro (positive for 101,702 thousand euro at December 31, 2020).

3
Notes

General information on A2A S.p.A.

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Note on related party transactions

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

Guarantees and commitments with third parties

Other information

29) Depreciation, amortization, provisions and write-downs

"Depreciation, amortization, provisions and write-downs" equalled 123,140 thousand euro (107,121 thousand euro at December 31, 2020).

The following table provides details of the individual items:

Depreciation, amortization, provisions and write-downs thousands of euro	12 31 2021	12 31 2020	Change	Percentage change
Amortization of intangible assets	29,141	20,811	8,330	40.0%
Depreciation of tangible assets	80,668	78,025	2,643	3.4%
Net write-downs of fixed assets	1,113	-	1,113	n.s.
Total depreciation, amortization, provisions and write-downs	**110,922**	**98,836**	**12,086**	**12.2%**
Provisions for risks	13,861	8,126	5,735	70.6%
Bad debt provision on receivables recognized as current assets	(1,643)	159	(1,802)	n.s.
Total depreciation, amortization, provisions and write-downs	**123,140**	**107,121**	**16,019**	**15.0%**

In particular, "Amortization and depreciation" amounted to 109,809 thousand euro (98,836 thousand euro at December 31, 2020 adjusted by the portion of depreciation relating to buildings subject to future sale in the item "Net result from operating assets sold/held for sale"). The increase compared to December 31, 2020 results from the combined effect of higher depreciation and amortization for non-recurring transactions during the period and capital expenditures, net of the decrease associated with disposals during the period and fixed assets that completed their depreciation and amortization process in the prior year. Depreciation is calculated on the basis of technical and economic rates considered representative of the remaining useful life of the related tangible assets.

At December 31, 2021, write-downs of fixed assets amounted to 1,113 thousand euro (no value at December 31, 2020) and refer to the write-down of electronic equipment that is no longer functional for the company's activities.

The balance of "Provisions for risks and charges" shows a net effect of 13,861 thousand euro (8,126 thousand euro at December 31, 2020) due to allocations of 19,116 thousand euro, offset by the 5,255 thousand euro of risk provisions made in previous years and released in the current year since the original disputes have ceased to exist. Provisions, net of releases in the year, included for 11,574 thousand euro provisions to "Other risk provisions" mainly related to public water derivation fees, for 108 thousand euro provisions to "Personnel lawsuits and disputes provision", for 2,113 thousand euro provisions to "Tax provisions" and 66 thousand euro provisions to "Decommissioning provisions". For further details, reference is made to note 19) Provisions for risks, charges and liabilities for landfills.

The "Bad debt provision" showed a positive balance of 1,643 thousand euro (negative for 159 thousand euro at December 31, 2020) and is related to the releases during the year under review.

30) Net operating income

The "Net operating income" was positive for 69,120 thousand euro (negative for 5,419 thousand euro at December 31, 2020 net of the reclassification, for 1,955 thousand euro, of the depreciation relating to the buildings subject to future sale to the item "Net result from discontinued operations").

31) Financial balance

The "Financial balance" showed a positive balance of 375,773 thousand euro (positive for 499,574 thousand euro at December 31, 2020), and the breakdown is as follows:

thousands of euro	12 31 2021	12 31 2020	Change	Percentage change
Financial income	448,739	581,056	(132,317)	(22.8%)
Financial expenses	(72,966)	(81,482)	8,516	(10.5%)
Total financial balance	**375,773**	**499,574**	**(123,801)**	**(24.8%)**

Financial income

Financial income thousands of euro	12 31 2021	12 31 2020	Change	Percentage change
Gains on disposals of financial assets	**970**	**-**	**970**	**n.s.**
Valuation of share exchange	**-**	**139,588**	**(139,588)**	**n.s.**
Income from financial assets:	**447,769**	**441,468**	**6,301**	**1.4%**
Income from dividends:	415,304	413,715	1,589	0.4%
- subsidiaries	415,304	413,325	1,979	0.5%
- associates	-	390	(390)	n.s.
Income on receivables/securities recorded as current assets:	30,082	27,075	3,007	11.1%
- subsidiaries	29,082	26,727	2,355	8.8%
- associates	212	274	(62)	(22.6%)
- third parties of which:	788	74	714	n.s.
- on bank accounts	37	56	(19)	(33.9%)
- discounting income	209	-	209	n.s.
- on other receivables	542	18	524	n.s.
Foreign exchange gains	2,383	678	1,705	n.s.
Total financial income	**448,739**	**581,056**	**(132,317)**	**(22.8%)**

"Financial income" totalled 448,739 thousand euro (581,056 thousand euro at December 31, 2020) and refers to:

- gains from the disposal of financial assets amounting to 970 thousand euro, which refer to the higher value deriving from the closure of the liquidation process of the equity investments in Plurigas S.p.A. and Ergon Energia S.r.l. during the year;
- dividend income of 415,304 thousand euro (413,715 thousand euro at December 31, 2020) referring to dividends distributed by subsidiaries;
- income on receivables/securities recognized under current assets for 30,082 thousand euro (27,075 thousand euro at December 31, 2020). This primarily regards interest to subsidiaries accrued on current accounts and intra-group loans totalling 29,082 thousand euro, financial income from associates of 212 thousand euro, interest on bank deposits and interest on sundry receivables of 788 thousand euro;
- foreign exchange gains for 2,383 thousand euro (678 thousand euro at December 31, 2020).

In the previous year, this item included 139,588 thousand euro relating to the exchange valuation of the investment of A2A S.p.A. in AEB S.p.A., which led to the recognition of a higher value compared to the carrying amount.

3
Notes

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Financial expenses

Financial expenses thousands of euro	12 31 2021	12 31 2020	Change	Percentage change
Expenses on derivatives	**1,851**	**2,339**	**(488)**	**(20.9%)**
Write-downs of financial assets	**1,868**	**-**	**1,868**	**n.s.**
Expenses on financial assets:	**69,247**	**79,143**	**(9,896)**	**(12.5%)**
- subsidiaries	503	414	89	21.5%
- associates	3	1	2	n.s.
- third parties of which:	68,741	78,728	(9,987)	(12.7%)
- interest on bond loans	62,478	72,603	(10,125)	(13.9%)
- interest charged by banks	2,752	2,570	182	7.1%
- decommissioning charges	45	13	32	n.s.
- discounting charges	1,060	1,008	52	5.2%
- financial expenses IFRS16	256	61	195	n.s.
- other expenses	579	624	(45)	(7.2%)
- foreign exchange losses	1,571	1,849	(278)	(15.0%)
Total financial expenses	**72,966**	**81,482**	**(8,516)**	**(10.5%)**

"Financial expenses" amounted to 72,966 thousand euro (81,482 thousand euro in 2020) and referred to:

- expenses on financial derivatives for 1,851 thousand euro (2,339 thousand euro at December 31, 2020) related to the negative "realized" of the year;
- write-downs of financial assets totalling 1,868 thousand euro (no value at December 31, 2020), of which 1,800 thousand euro refers to the write-down of the investment in Linea Gestioni S.r.l. following the results of the specific impairment test carried out on the investment by an external expert and 68 thousand euro to losses on minor investments;
- other expenses from financial liabilities amounting to 69,247 thousand euro (79,143 thousand euro at December 31, 2020), broken down as follows:
  - interest charged by subsidiaries in the amount of 503 thousand euro (414 thousand euro at December 31, 2020) for financial expenses accrued on intra-group accounts;
  - interest charged by associates for 3 thousand euro (1 thousand euro at December 31, 2020);
  - other financial expenses in the amount of 68,741 thousand euro (78,728 thousand euro at December 31, 2020), which essentially relate to interest on bonds and interest on the revolving credit lines used with various banks and other financial expenses.

The nature and content of derivatives are described in the section "Other information".

32) Income taxes

Income taxes thousands of euro	12 31 2021	12 31 2020	Change	Percentage change
Current IRES	17,193	(7,814)	25,007	n.s.
Current IRAP	3,290	-	3,290	n.s.
Effect of differences - taxes of previous years	222	(53,291)	53,513	n.s.
Total current taxes	**20,705**	**(61,105)**	**81,810**	**n.s.**
Deferred tax assets IRES	9,829	9,217	612	6.6%
Deferred tax assets IRAP	(193)	14,345	(14,538)	n.s.
Deferred tax assets	**9,636**	**23,562**	**(13,926)**	**(59.1%)**
Deferred tax liabilities IRES	(61,949)	(6,988)	(54,961)	n.s.
Deferred tax liabilities IRAP	(9,281)	(10,840)	1,559	(14.4%)
Deferred tax liabilities	**(71,230)**	**(17,828)**	**(53,402)**	**n.s.**
Total gains for income taxes	**(40,889)**	**(55,371)**	**14,482**	**(26.2%)**

It is noted that for IRES purposes, the company filed for tax on a consolidated basis, together with its main subsidiaries, in accordance with arts. 117-129 of Presidential Decree 917/86.

To this end, a contract has been entered into with each of the subsidiaries to regulate the tax benefits and burdens transferred, with specific reference to current items.

The deferred tax assets and liabilities calculated when determining the subsidiaries' taxable income, again only for IRES purposes, are not transferred to the parent company, A2A S.p.A., but are recognized in the income statement of the individual subsidiary each time there is an effective divergence between net income calculated for tax reporting purposes and net income calculated for financial reporting purposes due to any temporary differences. The deferred tax assets and liabilities shown in the income statement of A2A are therefore calculated exclusively on the divergences between its income for taxable purposes and income for financial reporting purposes.

Current income tax (IRES) of A2A S.p.A. is calculated on its own taxable income net of the adjustments relating to the national tax consolidation filing, in accordance with appendix E of accounting standard OIC 25 of August 2014.
In compliance with accounting standard OIC 25, the "income/expense related to consolidation", which constitute the remuneration/counter-entry for the transfer to the parent company A2A of a tax loss or taxable income, are recognized in the balance sheet.
The total amount of current IRAP is calculated at 4.20% of the net value of production, suitably adjusted for the items foreseen in the relevant tax legislation.

The deferred tax assets and liabilities for IRAP purposes are booked to the income statement so as to show the total tax charge for the year, taking into account the tax effects of temporary differences. The recoverability of the IRES deferred tax assets recorded in the financial statements is considered probable, as the future plans provide for IRES taxable income sufficient for the absorption of the temporary differences that will be reversed; on the other hand, deferred tax assets and liabilities recorded for IRAP purposes are those considered adequate with respect to the best forecast of absorption from future taxable income.

No items have been excluded from the calculation of deferred taxation for IRES or IRAP purposes, with the exceptions highlighted above, and deferred tax liabilities and assets are recognized according to the balance sheet method.

At December 31, 2021, income taxes for the year (IRES and IRAP), amounted to -40,889 thousand euro (-55,371 thousand euro at the end of the previous year) and were made up as follows:
- 10,801 thousand euro in current IRES for the year;
- 3,290 thousand euro in current IRAP for the year;
- -32 thousand euro for remuneration for the transfer of interest payable to the tax consolidation system;
- 102 thousand euro for transfer to Equity reserve of part of income taxes;
- -715 thousand euro for the recognition of tax receivables on "art bonus" disbursements;
- 222 thousand euro related to taxes of previous years;
- -61,949 thousand euro for deferred tax liabilities for IRES purposes;
- -9,281 thousand euro for deferred tax liabilities for IRAP purposes;
- 9,829 thousand euro in deferred tax assets for IRES purposes;
- -193 thousand euro in deferred tax assets for IRAP purposes;
- 7,037 thousand euro for substitute tax on IRES and IRAP for the year, paid to benefit from the realignment of the differences between the statutory and tax values of tangible assets, as provided for by Decree Law no. 104/2020.

The main temporary increases in IRES include reversals for non-deductible amortization for 23,804 thousand euro; among the main permanent increases for IRES purposes include recoveries for allocations to non-deductible provisions for risks for 20,036 thousand euro, as well as property taxes (IMU) for 5,234 thousand euro.

Reconciliation between the statutory tax rate and the effective tax rate for IRES and IRAP purposes are presented in the statements below.

IRES - reconciliation between statutory and effective taxation

Profit before tax	444,589,127	
Theoretical tax charge 24.00 %		106,701,390
Permanent differences	(381,407,331)	
Income before taxes adjusted for permanent differences	63,181,796	
Current gains/losses on income for the year		15,163,631
Temporary differences deductible in subsequent years	22,495,839	
Temporary differences taxable in subsequent years	(120,058)	
Reversal of prior year temporary differences	(40,552,165)	
Taxable income	45,005,412	
Current gains/losses on income for the year		10,801,299

IRAP - reconciliation between statutory and effective taxation

Difference between production value and costs	242,725,798	
Costs not relevant for IRAP purposes	(168,373,634)	
Total	74,352,164	
Theoretical tax expense 4.20 %		3,122,791
Temporary differences deductible in subsequent years	17,609,448	
Temporary differences taxable in subsequent years	(151,596)	
Reversal of prior year temporary differences	(13,478,813)	
Taxable income for IRAP purposes	78,331,203	
Current IRAP on income for the year		3,289,911

Details are provided below on the analytic situation of the deferred tax assets and liabilities which, as required by international accounting standards, also shows the changes in equity reserves.

IRES - Deferred tax assets and liabilities for the year

Taxable temporary differences

Case description amounts in euro	Previous year	Non-recurring transactions	Deferred taxes previous year			Adjustments (+/-)			Uses in current year		
			Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax
Value differences of tangible assets	422,738,585	12,760	422,751,345	24%	101,460,323	(234,237,097)	24%	(56,216,903)	21,809,315	24%	5,234,236
Adoption of the finance lease standard (IAS 17)	16,235,860	0	16,235,860	24%	3,896,606	0	24%	0	267,751	24%	64,260
Application of the financial instrument standard (IAS 39)	0	0	0	24%	0	0	24%	0	0	24%	0
Measurement differences of intangible assets	10,582,601	0	10,582,601	24%	2,539,824	0	24%	0	0	24%	0
Deferred capital gains	31,345	0	31,345	24%	7,523	0	24%	0	0	24%	0
Employee leaving entitlement (TFR)	0	0	0	24%	0	0	24%	0	0	24%	0
Other deferred tax liabilities	16,884,648	3,895,005	20,779,653	24%	4,987,117	(924,587)	24%	(221,901)	1,001,728	24%	240,415
IFRS 5 reclassification	0	0	0	24%	0	(17,687,301)	24%	(4,244,952)	0	24%	0
Total	**466,473,039**	**3,907,765**	**470,380,804**		**112,891,393**	**(252,848,985)**		**(60,683,756)**	**23,078,794**		**5,538,911**

Deductible temporary differences

Case description amounts in euro	Previous year	Non-recurring transactions	Deferred taxes previous year			Adjustments (+/-)			Uses in current year		
			Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax
Taxed risk provisions	185,111,693	1,013,395	186,125,088	24%	44,670,021	902,300	24%	216,552	16,873,110	24%	4,049,546
Amortization, depreciation and write-downs	227,309,150	523,671	227,832,821	24%	54,679,877	0	24%	0	24,454,901	24%	5,869,176
Application of the financial instrument standard (IAS 39)	18,220,653	0	18,220,653	24%	4,372,957	0	24%	0	0	24%	0
Bad debt provision	10,624,960	4,784	10,629,744	24%	2,551,138	(678,365)	24%	(162,808)	1,643,271	24%	394,385
Costs for business combinations	0	0	0	24%	0	0	24%	0	0	24%	0
Grants	0	0	0	24%	0	0	24%	0	0	24%	0
Goodwill	192,936,263	130,751	193,067,014	24%	46,336,083	0	24%	0	19,921,874	24%	4,781,250
Other deferred tax assets	(171,772)	2,807,711	2,635,939	24%	632,625	(44,606)	24%	(10,706)	737,801	24%	177,072
IFRS 5 reclassification	0	0	0	24%	0	(281,772)	24%	(68,728)	0	24%	0
Total	**634,030,947**	**4,480,312**	**638,511,259**		**153,242,701**	**(102,443)**		**(25,690)**	**63,630,957**		**15,271,429**

Sub-total			Changes in tax rate			Increases for the year			Equity			Total deferred tax liabilities		
Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax
166,704,934	24%	40,009,184	166,704,934	24%	40,009,184	0	24%	0	0	24%	0	166,704,934	24%	40,009,184
15,968,109	24%	3,832,346	15,968,109	24%	3,832,346	0	24%	0	0	24%	0	15,968,109	24%	3,832,346
0	24%	0	0	24%	0	0	24%	0	0	24%	0	0	24%	0
10,582,601	24%	2,539,824	10,582,601	24%	2,539,824	120,058	24%	28,814	0	24%	0	10,702,659	24%	2,568,638
31,345	24%	7,523	31,345	24%	7,523	0	24%	0	0	24%	0	31,345	24%	7,523
0	24%	0	0	24%	0	0	24%	0	0	24%	0	0	24%	0
18,853,338	24%	4,524,801	18,853,338	24%	4,524,801	0	24%	0	34,199	24%	8,208	18,887,537	24%	4,533,009
(17,687,301)	24%	(4,244,952)	(17,687,301)	24%	(4,244,952)	0	24%	0	0	24%	0	(17,687,301)	24%	(4,244,952)
194,453,026		**46,668,726**	**194,453,026**		**46,668,726**	**120,058**		**28,814**	**34,199**		**8,208**	**194,607,283**		**46,705,748**

Sub-total			Changes in tax rate			Increases for the year			Equity			Total deferred tax assets		
Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax
170,154,278	24%	40,837,027	170,154,278	24%	40,837,027	20,000,817	24%	4,800,196	30,612,142	24%	7,346,914	220,767,237	24%	52,984,137
203,377,919	24%	48,810,701	203,377,919	24%	48,810,701	1,915,021	24%	459,605	0	24%	0	205,292,941	24%	49,270,306
18,220,653	24%	4,372,957	18,220,653	24%	4,372,957	0	24%	0	(7,619,007)	24%	(1,828,562)	10,601,646	24%	2,544,395
8,308,108	24%	1,993,946	8,308,108	24%	1,993,946	0	24%	0	0	24%	0	8,308,108	24%	1,993,946
0	24%	0	0	24%	0	0	24%	0	0	24%	0	0	24%	0
0	24%	0	0	24%	0	0	24%	0	0	24%	0	0	24%	0
173,145,140	24%	41,554,834	173,145,140	24%	41,554,834	0	24%	0	0	24%	0	173,145,140	24%	41,554,834
1,853,532	24%	444,848	1,853,532	24%	444,848	580,000	24%	139,200	(39,573,856)	24%	(9,497,725)	(37,140,324)	24%	(8,913,678)
(281,772)	24%	(68,728)	(281,772)	24%	(68,728)	0	24%	0	0	24%	0	(281,772)	24%	(68,728)
574,777,858		**137,945,585**	**574,777,858**		**137,945,585**	**22,495,838**		**5,399,001**	**(16,580,721)**		**(3,979,373)**	**580,692,976**		**139,365,212**

IRAP - Deferred tax assets and liabilities for the year

Taxable temporary differences

Case description amounts in euro	Previous year	Non-recurring transactions	Deferred taxes previous year			Adjustments (+/-)			Uses in current year		
			Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax
Measurement differences for tangible assets	162,623,631	0	162,623,631	5.57%	9,058,136	(162,144,363)	5.57%	(9,031,441)	0	5.57%	0
Adoption of the finance lease standard (IAS 17)	0	0	0	5.57%	0	0	5.57%	0	0	5.57%	0
Measurement differences of intangible assets	316,050	2,355,208	2,671,258	5.57%	148,789	67,045	5.57%	3,734	371,875	5.57%	20,713
Other deferred tax liabilities	4,339,361	0	4,339,361	5.57%	241,702	(4,339,361)	5.57%	(241,702)	0	5.57%	0
IFRS 5 reclassification	0	0	0	5.57%	0	0	5.57%	0	0	5.57%	0
Total	**167,279,042**	**2,355,208**	**169,634,250**		**9,448,627**	**(166,416,679)**		**(9,269,409)**	**371,875**		**20,713**

Deductible temporary differences

Case description amounts in euro	Previous year	Non-recurring transactions	Deferred taxes previous year			Adjustments (+/-)			Uses in current year		
			Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax
Taxed risk provisions	179,448,723	65,383	179,514,106	5.57%	9,998,879	(300,016)	5.57%	(16,711)	13,850,688	5.57%	771,483
Amortization, depreciation and write-downs	4,583,715	0	4,583,715	5.57%	255,313	0	5.57%	0	0	5.57%	0
Costs for business combinations	0	0	0	5.57%	0	0	5.57%	0	0	5.57%	0
Grants	0	0	0	5.57%	0	0	5.57%	0	0	5.57%	0
Goodwill	18,557,353	130,751	18,688,104	5.57%	1,040,927	0	5.57%	0	0	5.57%	0
Other deferred tax assets	(10,682,878)	8,639	(10,674,239)	5.57%	(594,559)	0	5.57%	0	0	5.57%	0
IFRS 5 reclassification	0	0	0	5.57%	0	(116,853)	5.57%	(10,898)	0	5.57%	0
Total	**191,906,913**	**204,773**	**192,111,686**		**10,700,560**	**(416,869)**		**(27,609)**	**13,850,688**		**771,483**

Sub-total			Changes in tax rate			Increases for the year			Equity			Total deferred tax liabilities		
Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax
479,268	5.57%	26,695	479,268	5.57%	26,695	0	5.57%	0	0	5.57%	0	479,268	5.57%	26,695
0	5.57%	0	0	5.57%	0	0	5.57%	0	0	5.57%	0	0	5.57%	0
2,366,428	5.57%	131,810	2,366,428	5.57%	131,810	151,596	5.57%	8,444	0	5.57%	0	2,518,024	5.57%	140,254
0	5.57%	0	0	5.57%	0	0	5.57%	0	0	5.57%	0	0	5.57%	0
0	5.57%	0	0	5.57%	0	0	5.57%	0	0	5.57%	0	0	5.57%	0
2,845,696		**158,505**	**2,845,696**		**158,505**	**151,596**		**8,444**	**0**		**0**	**2,997,292**		**166,949**

Sub-total			Changes in tax rate			Increases for the year			Equity			Total deferred tax assets		
Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax
165,363,402	5.57%	9,210,741	165,363,402	5.57%	9,210,741	17,609,448	5.57%	980,846	30,660,644	5.57%	1,707,798	213,633,494	5.57%	11,899,386
4,583,715	5.57%	255,313	4,583,715	5.57%	255,313	0	5.57%	0	0	5.57%	0	4,583,715	5.57%	255,313
0	5.57%	0	0	5.57%	0	0	5.57%	0	0	5.57%	0	0	5.57%	0
0	5.57%	0	0	5.57%	0	0	5.57%	0	0	5.57%	0	0	5.57%	0
18,688,104	5.57%	1,040,927	18,688,104	5.57%	1,040,927	0	5.57%	0	0	5.57%	0	18,688,104	5.57%	1,040,927
(10,674,239)	5.57%	(594,555)	(10,674,239)	5.57%	(594,555)	0	5.57%	0	(39,464,437)	5.57%	(2,198,169)	(50,138,676)	5.57%	(2,792,724)
(116,853)	5.57%	(10,898)	(116,853)	5.57%	(10,898)	0	5.57%	0	0	5.57%	0	(116,853)	5.57%	(10,898)
177,844,129		**9,901,528**	**177,844,129**		**9,901,528**	**17,609,448**		**980,846**	**(8,803,793)**		**(490,371)**	**186,649,784**		**10,392,004**

33) Net result from discontinued operations

The “Net result from discontinued operations” was negative and equal to 304 million euro (negative for 3,797 million euro at December 31, 2020) and refers:

- for -1,959 thousand euro to the reclassification of depreciation relating to three buildings in the Milan area which, in compliance with IFRS5, at December 31, 2021, have been reclassified under “Assets held for sale” (for consistency, depreciation for the year 2020 was also reclassified here for 1,955 thousand euro);
- for -295 thousand euro for the recognition of a loss on the investment in Sviluppo Turistico Lago d’Iseo S.p.A., equal to 24.29% of the share capital, for which the company exercised its right of withdrawal and which was reclassified under “Assets held for sale”;
- for 1,950 thousand euro to the gain realized on the sale of the investment held in Ge.S.I. S.r.l. of 47% of the share capital.

In 2020, this item was negative, net of the reclassification of amortization, for 1,842 thousand euro and referred to the sale of the shares, equal to 4.16%, of the company Ascopiave S.p.A. for which A2A S.p.A. had exercised the right of withdrawal, net of dividends collected.

34) Net result for the year

The result, net of taxes for the year, was positive for 485,478 thousand euro (545,729 thousand euro at December 31, 2020).

3.9 Note on related party transactions

35) 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 Separate 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 2020, 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.

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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 subsidiaries	Companies associated/related and subsidiaries of associates	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:	**15,105,729**	**7,713,596**	**59,308**	**3,486**	**3**	**222**	**139**	**-**	**7,776,754**	**51.5%**
Non-current assets	*6,735,274*	*5,552,469*	*9,585*	*-*	*-*	*-*	*139*	*-*	*5,562,193*	*82.6%*
Tangible assets	934,219	41,540	-					-	41,540	4.4%
Shareholdings	4,204,056	4,203,179	877					-	4,204,056	100.0%
Other non-current financial assets	1,334,678	1,307,739	8,708				139	-	1,316,586	98.6%
Other non-current assets	13,054	11							11	0.1%
Current assets	*8,323,667*	*2,161,127*	*49,283*	*3,486*	*3*	*222*	*-*	*-*	*2,214,121*	*26.6%*
Trade receivables	2,155,509	884,612	49,283	3,486	3	222		-	937,606	43.5%
Other current assets	3,912,370	74,847						-	74,847	1.9%
Current financial assets	1,204,974	1,201,668						-	1,201,668	99.7%
Non-current assets held for sale	*46,788*		*440*						*440*	*0.9%*
TOTAL LIABILITIES OF WHICH:	**11,773,349**	**829,631**	**72,561**	**156**	**59**	**-**	**1**	**113**	**902,521**	**7.7%**
Non-current liabilities	*4,455,903*	*38,911*	*-*	*-*	*-*	*-*	*-*	*-*	*38,911*	*0.9%*
Non-current financial liabilities	4,191,240	38,911		-	-	-	-	-	38,911	0.9%
Current liabilities	*7,317,446*	*790,720*	*72,561*	*156*	*59*	*-*	*1*	*113*	*863,610*	*11.8%*
Trade payables	2,172,866	365,207	65,394	156	59		1		430,817	19.8%
Other current liabilities	4,156,909	62,001	7,167					113	69,281	1.7%
Current financial liabilities	981,736	363,512							363,512	37.0%

Income statement thousands of euro	Total 12 31 2021	Of which with related parties								
		Companies subsidiaries	Companies associated/related and subsidiaries of associates	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	**8.255.984**	**2.810.810**	**53.695**	**2.595**	**-**	**149**	**-**	**-**	**2.867.249**	**34.7%**
Revenues from the sale of goods and services	8.196.015	2.805.894	53.691	2.595		149			2.862.329	34.9%
Other operating income	59.969	4.916	4						4.920	8.2%
OPERATING EXPENSES	**7.903.709**	**712.483**	**63.645**	**-**	**231**	**-**	**29**	**290**	**776.678**	**9.8%**
Expenses for raw materials and services	7.322.232	306.253	110		231		29	290	306.913	4.2%
Other operating expenses	581.477	406.230	63.535						469.765	80.8%
LABOUR COSTS	**160.014**	**-**	**-**	**-**	**-**	**-**	**-**	**1.742**	**1.742**	**1.1%**
AMORTIZATION, DEPRECIATION, PROVISIONS AND WRITE-DOWNS	**123.140**	**5.784**	**-**	**-**	**-**	**-**	**-**	**-**	**5.784**	**4.7%**
FINANCIAL BALANCE	**375.773**	**442.083**	**209**	**-**	**-**	**-**	**-**	**-**	**442.292**	**n.s.**
Financial income	448.739	444.386	212						444.598	99.1%
Financial expenses	72.966	2.303	3						2.306	3.2%
Net result from discontinued operations	**(304)**		**(295)**						**(295)**	**97.0%**

Section 2 of this file provides complete schedules as required under Consob Resolution no. 17221 of March 12, 2010.
It should be noted that during the year, A2A S.p.A. made grants totalling 2,859 thousand 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.

* * *

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.

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

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

It should also be noted that the company exercised the realignment option, as provided for by Decree Law 104/2020, which made 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.

Moreover, the year in question has seen the following non-recurring transactions:

- the merger by incorporation of the subsidiary Linea Group Holding S.p.A., with effect from January 1, 2021, following the acquisition by A2A S.p.A. of 49% of the share capital of that company by means of the assignment of treasury shares amounting to 2.75% of the share capital of A2A S.p.A., as described in greater detail in the section "Significant events during the year" in the Report on operations. The values of the merged company's assets and liabilities are the same as those shown in the Group's consolidated financial statements;
- the merger by incorporation of the subsidiary Suncity Energy S.r.l., with effect from January 1, 2021;
- the merger by incorporation of the subsidiary A2A Telecommunications S.r.l., with effect from February 1, 2021.

Below is the table with the effects of the non-recurring transactions described above.

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Detail of non-recurring transactions amounts in euro	Note	Merger by incorporation of Linea Group Holding S.p.A. 01/01/2021	Merger by incorporation of Suncity Energy S.r.l. 01/01/2021	Merger by incorporation of A2A Telecommunication S.r.l. 02/01/2021	EFFECT OF NON-RECURRING TRANSACTIONS 2021
ASSETS					
NON-CURRENT ASSETS					
Tangible assets	1	8,175,212	164,921	6,988,238	15,328,371
Intangible assets	2	30,300,192	2,460,523	339,192	33,099,907
Shareholdings	3	201,713,395	(4,269,000)	(9,100,000)	188,344,395
Other non-current financial assets	3	(244,901,127)			(244,901,127)
Deferred tax assets	4	654,776	306,215	125,628	1,086,619
Other non-current assets	5	1,573,165	28,039		1,601,204
Total non-current assets		**(2,484,387)**	**(1,309,302)**	**(1,646,942)**	**(5,440,631)**
CURRENT ASSETS					
Inventories	6	120,196			120,196
Trade receivables	7	16,864,683	1,514,474	(863)	18,378,294
Other current assets	8	10,583,535	127,336		10,710,871
Current financial assets	9	58,212,226			58,212,226
Current tax assets	10	2,758,425	28,051		2,786,476
Cash and cash equivalents	11	958,869		10,000	968,869
Total current assets		**89,497,934**	**1,669,861**	**9,137**	**91,176,932**
NON-CURRENT ASSETS HELD FOR SALE	12				-
TOTAL ASSETS		**87,013,547**	**360,559**	**(1,637,805)**	**85,736,301**
EQUITY AND LIABILITIES					
EQUITY					
Share capital	13				-
(Treasury shares)	14	162,406,701			162,406,701
Reserves	15	(132,315,304)	(1,844,154)	(2,228,376)	(136,387,834)
Net result of the year	16				-
Equity		**30,091,397**	**(1,844,154)**	**(2,228,376)**	**26,018,867**
LIABILITIES					
NON-CURRENT LIABILITIES					
Non-current financial liabilities	17	12,115,161	98,809		12,213,970
Deferrex tax liabilities	4	369,551	696,092	3,062	1,068,705
Employee benefits	18	1,639,406	50,238	388,911	2,078,555
Provisions for risks, charges and liabilities for landfills	19	2,614,150	307,500		2,921,650
Other non-current liabilities	20		8,817		8,817
Total non-current liabilities		**16,738,268**	**1,161,456**	**391,973**	**18,291,697**
CURRENT LIABILITIES					
Trade payables	21	4,714,453	3,312,515		8,026,968
Other current liabilities	21	7,723,144	(61,150)	198,598	7,860,592
Current financial liabilities	22	27,746,285	(2,208,108)		25,538,177
Tax payables	23				-
Total current liabilities		**40,183,882**	**1,043,257**	**198,598**	**41,425,737**
TOTAL LIABILITIES		**56,922,150**	**2,204,713**	**590,571**	**59,717,434**
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE					-
TOTAL EQUITY AND LIABILITIES		**87,013,547**	**360,559**	**(1,637,805)**	**85,736,301**

3.11 Guarantees and commitments with third parties

thousands of euro	12 31 2021	12 31 2020
Guarantees received	412,033	330,144
Guarantees provided	218,187	103,142

Guarantees received

Guarantees received amounted to 412,033 thousand euro (330,144 thousand euro at December 31, 2020) and include 94,159 million euro for sureties and security deposits issued by subcontractors to guarantee the proper execution of the work assigned and 317,874 thousand euro for sureties and security deposits received from customers to guarantee the regularity of payments.

Guarantees provided and commitments with third parties

Guarantees provided amounted to 218,187 thousand euro (103,142 thousand euro at December 31, 2020), of which for obligations undertaken in the loan agreements of 1,300 thousand euro. Said guarantees include bank sureties for 216,568 thousand euro, insurance for 64 thousand euro and parent company guarantees related to associated companies for 1,555 thousand euro.

3.12 Other information

1) Significant events after December 31, 2021

Reference should be made to the specific section of this Report on Operations for a description of subsequent events.

2) Information on treasury shares

A2A S.p.A. does not hold any treasury shares at December 31, 2021. At December 31, 2020, the treasury shares held by the company were 23,721,421, amounting to 53,661 thousand euro. During the second quarter of 2021, the company purchased treasury shares for a value of 108,746 thousand 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. A2A S.p.A. then proceeded to acquire 49% of the share capital of Linea Group Holding S.p.A. by assigning these treasury shares to minority shareholders.

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

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

The item "Non-current assets held for sale" at December 31, 2021 amounted to 46,788 thousand euro and includes the reclassification of tangible assets regarding the properties located in Milan in Corso di Porta Vittoria (Signora), in Via Gonin and in Via Balduccio da Pisa (Orobia), which will be sold in the following year, net of depreciation and deferred taxes related to them, as well as the reclassification of the equity investment, equal to 24.29% of the share capital, in the company Sviluppo Turistico Lago d'Iseo S.p.A., for which the company exercised its right of withdrawal.
The impact on the Income Statement of the reclassification of amortization and depreciation and recognition of the loss on the investment amounted to 2,254 thousand euro.

4) 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).

5) Financial risk management

The parent company, A2A S.p.A., provides centralized risk management for Group companies.
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

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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 A2A S.p.A. is exposed are provided below.

a. Commodity risk

a.1) Commodity price risk and exchange rate risk involved in commodity activities

A2A S.p.A. is exposed to price risk, including the related exchange rate risk, on all of the energy commodities that it handles, namely electricity, natural gas, heat, coal, fuel oil, and environmental certificates; the financial performance of production, purchasing and sales activities is affected by the related price fluctuations. 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 Euroelectric. 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), A2A S.p.A. 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 60,114 thousand euro (23,952 thousand euro at December 31, 2020).

Derivatives of the industrial portfolio not considered hedges

Again with a view to optimising the Industrial Portfolio, A2A S.p.A. entered into Future contracts 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 252 thousand euro (-488 thousand euro at December 31, 2020).

Derivatives of the Trading Portfolio

As part of its trading activity, A2A S.p.A. has taken out Future contracts on major European energy stock exchanges (EEX, ICE) and forward contracts on the price of electricity with delivery in Italy and neighboring countries such as France, Germany and Switzerland. A2A S.p.A. 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 -31,562 thousand euro (-654 thousand euro at December 31, 2020).

a.3) Energy Derivatives, risk assessment of Industrial Portfolio derivatives

PaR[1] (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 A2A S.p.A. 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 methodology, 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 thousand euro (54,679 thousand euro at December 31, 2020).

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.

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

thousands 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	(54,679)	73,733

This means that with a 99% probability, A2A S.p.A. expects not to have changes in fair value exceeding 310,036 thousand euro in the fair value of its entire portfolio of financial instruments at December 31, 2021 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 A2A S.p.A. 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

Under 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 thousand euro at December 31, 2021 (315 thousand euro 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.

The following are the results of the assessments:

thousands 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)	(315)	(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 floating rate loans and the use of derivatives that limit the effects of fluctuations in interest rates.

The book value of bank borrowings and other financing may be analyzed as follows at December 31, 2021:

millions of euro	12 31 2021			12 31 2020		
	Without derivatives	With derivatives	% with derivatives	Without derivatives	With derivatives	% with derivatives
Fixed rate	3,603	3,750	79%	2,975	3,145	75%
Variable rate	1,144	997	21%	1,226	1,056	25%
Total	**4,747**	**4,747**	**100%**	**4,201**	**4,201**	**100%**

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.

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
Collar	Finanz. tasso variabile	(1.6)	38.1	(3,5)	57.1
Total		**(1.6)**	**38.1**	**(3.5)**	**57.1**

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 at		Fair value at		Notional at		Fair value at	
		12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Cash flow hedge	Collar	-	-	-	-	38.1	57.1	1.6	3.5
Total		**-**	**-**	**-**	**-**	**38.1**	**57.1**	**1.6**	**3.5**

The table below shows the technical characteristics and accounting treatment of derivatives existing at December 31, 2021:

Hedged loan	Derivative	Accounting
A2A S.p.A. loan with BEI: expiring in November 2023, residual balance at December 31, 2021 amounting to 38.1 million euro, at variable rate.	Collar to fully cover the loan and the same maturity, with a floor on Euribor rate 2.99% and 4.65% cap. 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.

A2A 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 is impacted 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	0.1	(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 loan in foreign currency	(9.0)	98.0	(14.7)	98.0
Total		**(9.0)**	**98.0**	**(14.7)**	**98.0**

The accounting treatment of the derivative indicated above is as follows:

millions of euro		FINANCIAL ASSETS				FINANCIAL LIABILITIES			
ACCOUNTING TREATMENT	TYPE OF DERIVATIVES	Notional at		Fair value at		Notional at		Fair value at	
		12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Cash flow hedge	CCIRS	-	-	-	-	98.0	98.0	9.0	14.7
Total		**-**	**-**	**-**	**-**	**98.0**	**98.0**	**9.0**	**14.7**

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 company, despite being solvent, 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 gross debt maturities of A2A 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
Loans	1,034	79	955	129	69	76	61	620
Total	**4,747**	**612**	**4,135**	**429**	**369**	**375**	**61**	**2,901**

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 company had a total of 1,986 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) cash and cash equivalents for a total of 886 million euro.

A2A also maintains a Bond Issue Program (Euro Medium Term Note Programme) of 6 billion euro, of which 2,400 million euro still available at December 31, 2021 and 2,900 million euro available at the date of preparation of this report.

The following table analyses the worst case for financial liabilities (including trade payables) in which all of the flows shown are undiscounted future nominal cash flows determined on the basis of residual contractual maturities for both principal and interest; they also include the undiscounted nominal flows of derivative contracts on interest rates.

12 31 2021 millions of euro	1-3 MONTHS	4-12 MONTHS	AFTER 12 MONTHS
Bonds	530	35	3.474
Payables and other financial liabilities	1	80	989
Total financial flows	**531**	**115**	**4,463**
Payables to suppliers	172	12	4
Total trade payables	**172**	**12**	**4**

12 31 2020 millions of euro	1-3 MONTHS	4-12 MONTHS	AFTER 12 MONTHS
Bonds	397	27	2,947
Payables and other financial liabilities	-	81	1,049
Total financial flows	**397**	**108**	**3,996**
Payables to suppliers	102	4	-
Total trade payables	**102**	**4**	**-**

e. Credit risk

Credit risk relates to the possibility that a counterparty 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. 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 recognized on the balance sheet net of any write-downs. It is felt that the amount shown provides and accurate representation of the fair value of the trade receivables portfolio.

For the aging of trade receivables, reference is made to note 7) Trade receivables.

f. Equity risk

A2A S.p.A. was not exposed to equity risk at December 31, 2021.

In particular, it is noted that 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 the 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 non-compliance risk

Bonds, loans 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 A2A S.p.A. 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 direct subsidiaries.

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, 2020 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 value of 683 million euro contain a Credit Rating clause (if rating below BBB- or equivalent level to sub-investment grade), and a change of control clause of A2A S.p.A., with the right for the bank to invoke, upon notice to the company containing indication of the reasons, the early repayment of the loan.

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 A2A S.p.A..

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.

A2A S.p.A. 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 S.p.A. 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 a counterparty defaults and, at the same time, A2A S.p.A. has a claim against the counterparty;
- the DVA is a positive component and contemplates the probability that A2A S.p.A. defaults and, at the same time, a counterparty has a claim against A2A S.p.A..

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 outstanding amounts of derivative contracts stipulated and not expired at the balance sheet date, by maturity.

thousands of euro	Notional value (a)						Balance sheet value (b)	Progressive effect to 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		19,048		19,048			(1,637)	
not considered hedges as per IFRS 9								
Total derivatives on interest rates	**-**	**19,048**	**-**	**19,048**	**-**	**-**	**(1,637)**	**-**
Exchange rate risk management								
considered hedges as per IFRS 9								
- on commercial transactions								
- on non-commercial transactions						98,000	(8,965)	
not considered hedges as per IFRS 9								
- on commercial transactions								
- on non-commercial transactions								
Total derivatives on exchange rates	**-**	**-**	**-**	**-**	**-**	**98,000**	**(8,965)**	**-**

(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 progressively over time in the income statement from the stipulation of the contract to the present day.

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	Due within two years	Due within five years	Notional Value	Fair Value: Balance sheet value (*)	Progressive effect to Income statement (**)
		Quantity			Thousands of euro		
A. Cash flow hedges as per IFRS 9, including:						**60,114.0**	**-**
- Electricity	TWh	5.4	0.1	0.1	498,364.8	(17,811.0)	
- Oil	Bbl						
- Coal	Tons						
- Natural Gas	TWh	4.5			429,775.2	59,293.2	
- Natural Gas	Millions of cubic metres						
- Natural Gas	Degrees day						
- Exchange rate	Millions of dollars						
- Emission rights	Tons	766,000			43,146.1	18,631.8	
B. considered fair value hedges as per IFRS 9						**-**	**-**
C. not considered hedges as per IFRS 9 of which:						**(31,309.8)**	**(30,168.5)**
C.1 hedge margin						**251.8**	**739.4**
- Electricity	TWh						
- Oil	Bbl						
- Natural Gas	TWh						
- Natural Gas	Millions of cubic metres						
- CO_2 Emission rights	Tons	183,000			13,446.8	251.8	739.4
- Exchange rate	Millions of dollars						
C.2 trading transactions						**(31,561.6)**	**(30,907.9)**
- Electricity	TWh	29.5	4.5	0.3	4,296,309.1	(1,595.8)	3,205.6
- Natural Gas	TWh	101.9	18.6	3.1	5,001,808.0	(29,595.7)	(33,739.4)
- CO_2 Emission rights	Tons	716,000			49,370.4	(370.1)	(374.1)
- Environmental Certificates	MWh						
- Environmental Certificates	Tep						
Total						**28,804.2**	**(30,168.5)**

(*) 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.

C) On investments

At December 31, 2021, there are no derivatives on shareholdings like in the previous year.

Financial and operating effects for derivative transactions in 2021

Effects on the balance sheet

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

thousands of euro	NOTES	TOTAL
ASSETS		
NON-CURRENT ASSETS		**-**
Other non-current assets - Derivatives	5	-
CURRENT ASSETS		**3,737,198**
Other current assets - Derivatives	8	3,737,198
TOTAL ASSETS		**3,737,198**
LIABILITIES		
NON-CURRENT LIABILITIES		**10,602**
Other non-current liabilities - Derivatives	21	10,602
CURRENT LIABILITIES		**3,708,394**
Trade payables and other current liabilities - Derivatives	22	3,708,394
TOTAL LIABILITIES		**3,718,996**

Effect on the income statement

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

thousands of euro	Notes	Realised during the year	Change in fair value during the year	Amounts recognized in the Income statement
REVENUES	26			
REVENUES FROM THE SALE OF GOODS				
Energy product price risk management and exchange rate risk management on commodities				
- considered hedges as per IFRS 9		515,363	-	515,363
- not considered hedges as per IFRS 9		121,803	(2,341,083)	(2,219,280)
Total revenues from the sale of goods		**637,166**	**(2,341,083)**	**(1,703,917)**
OPERATING EXPENSES	27			
Expenses for raw materials and services				
Energy product price risk management and exchange rate risk management on commodities				
- considered hedges as per IFRS 9		6,115	-	6,115
- not considered hedges as per IFRS 9		(124,160)	2,310,914	2,186,754
Total costs for raw materials and services		**(118,045)**	**2,310,914**	**2,192,869**
Total recognized in Gross Operating Income (*)		**519,121**	**(30,169)**	**488,952**
FINANCIAL BALANCE	33			
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		(1,851)	-	(1,851)
- not considered hedges as per IFRS 9		-	-	-
Total		**(1,851)**	**-**	**(1,851)**
Total financial expenses		**(1,851)**	**-**	**(1,851)**
TOTAL RECOGNIZED IN FINANCIAL BALANCE		**(1,851)**	**-**	**(1,851)**

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

3
Notes

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

Guarantees and commitments with third parties

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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.

thousands of euro	Criteria to measure the reported amount of financial instruments						
	Notes	Financial instruments measured at fair value with changes recognized in:			Financial instruments measured at amortized cost	Amount as stated in the Balance sheet at 12 31 2021	Fair value at 12 31 2021 (*)
		Income statement	Balance sheet				
		(1)	(2)	(3)	(4)		
ASSETS							
Other non-current financial assets:							
Financial assets measured at fair value of which:							
- unlisted		897	4,091			4,988	n.a.
- listed						-	-
Financial assets held to maturity					96	96	96
Other non-current financial assets					1,329,594	1,329,594	1,329,594
Total other non-current financial assets	3					**1,334,678**	
Other non-current assets	5				13,054	13,054	13,054
Trade receivables	7				2,155,509	2,155,509	2,155,509
Other current assets	8	3,580,818	156,380		175,172	3,912,370	3,912,370
Current financial assets	9				1,204,974	1,204,974	1,204,974
Cash and cash equivalents	11				886,354	886,354	886,354
LIABILITIES							
Financial liabilities							
Non-current and current bonds	17 and 22		109,087		3,603,945	3,713,032	3,713,032
Other non-current and current financial liabilities	17 and 22				1,459,944	1,459,944	1,459,944
Other non-current liabilities	20		10,602		3,455	14,057	14,057
Trade payables	21				2,172,866	2,172,866	2,172,866
Other current liabilities	21	3,612,128	96,266		448,515	4,156,909	4,156,909

(*) 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.

thousands of euro	NOTE	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets measured at fair value	3		897	4,091	4,988
Other current assets	8	3,712,321		24,877	3,737,198
TOTAL ASSETS		**3,712,321**	**897**	**28,968**	**3,742,186**
Non-current financial liabilities	17	107,029			107,029
Other non-current liabilities	20		10,602		10,602
Other current liabilities	21	3,692,516		15,878	3,708,394
TOTAL LIABILITIES		**3,799,545**	**10,602**	**15,878**	**3,826,025**

6) Main regulatory provisions regarding concessions and agreements in the sectors of activity in which the company 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 , 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. XI/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). 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.

7) 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 company 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.

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 company, 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.

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 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 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.

8) Contingent assets arising from environmental certificates

At December 31, 2021, A2A S.p.A. had no surplus of environmental certificates.

9) Auditors' fees

In accordance with Article 2427, paragraph 16-bis, of the Italian civil code, it is hereby reported that the company paid EY S.p.A. total fees for the legally required auditing of the annual accounts and for other services provided during the year in the amount of 337 thousand euro.

10) Registered office

The registered office of the company is in Brescia in Via Lamarmora 230.

4

Attachments

4.1 1. Statement of changes in tangible assets

Tangible assets thousands of euro	BALANCE AT 12 31 2020	EFFECT NON-RECURRING TRANSACTIONS	CHANGES	
			ACQUISITIONS	CHANGES IN CATEGORY
Land	32,497	-	-	-
Buildings	204,422	-	1,233	5,317
Plant and machinery	672,245	4,039	2,382	11,350
Industrial and commercial equipment	2,452	2,588	702	-
Other assets	9,321	1,368	8,228	96
Construction in progress and advances	23,854	4,730	33,397	(16,947)
Leasehold improvements	50	417	56	169
Assets for rights of use	55,578	2,187	-	-
Total tangible assets	**1,000,419**	**15,329**	**45,998**	**(15)**
Historical Cost	2,893,903	24,700	45,998	(15)
Accumulated depreciation	(1,540,995)	(9,371)	-	-
Write-downs	(352,489)	-	-	-

Tangible assets thousands of euro	BALANCE AT 12 31 2019	CHANGES	
		ACQUISITIONS	CHANGES IN CATEGORY
Land	32,335		214
Buildings	214,984	538	246
Plant and machinery	716,172	1,661	6,655
Industrial and commercial equipment	2,096	722	
Other assets	11,776	2,787	
Construction in progress and advances	15,560	15,409	(7,115)
Leasehold improvements	62	3	
Assets for rights of use	9,621		
Total tangible assets	**1,002,606**	**21,120**	**-**

CHANGES							BALANCE AT 12 31 2021
RECLASSIFICATIONS/ OTHER CHANGES		DISPOSALS/SALES		WRITE-DOWN	DEPRECIATION	TOTAL CHANGES	
GROSS VALUE	ACCUMULATED DEPRECIATION	GROSS VALUE	ACCUMULATED DEPRECIATION				
(3,879)	-	(629)	-	-	-	(4,508)	27,989
(92,234)	43,527	(2,617)	1,761	-	(7,694)	(50,707)	153,715
313	1	(64)	46	-	(56,113)	(42,085)	634,199
-	(1)	(113)	113	-	(798)	(97)	4,943
-	-	(865)	732	-	(4,600)	3,591	14,280
(60)	-	(10)	-	(1,113)	-	15,267	43,851
1	-	(192)	192	-	(182)	44	511
2,705	5,542	-	-	-	(11,281)	(3,034)	54,731
(93,154)	**49,069**	**(4,490)**	**2,844**	**(1,113)**	**(80,668)**	**(81,529)**	**934,219**
(93,154)	-	(4,490)	-	(1,113)	-	(52,774)	2,865,829
	49,068		2,844	-	(80,668)	(28,756)	(1,579,122)
-	1	-	-	-	-	1	(352,488)

CHANGES						BALANCE AT 12 31 2020
RECLASSIFICATIONS/ OTHER CHANGES		DISPOSALS		DEPRECIATION	TOTAL CHANGES	
GROSS VALUE	ACCUMULATED DEPRECIATION	GROSS VALUE	ACCUMULATED DEPRECIATION			
		(52)			162	32,497
37	(29)	(3,066)	1,358	(9,646)	(10,562)	204,422
3,257	31	(336)	331	(55,526)	(43,927)	672,245
1	(1)	(380)	380	(366)	356	2,452
6	(37)	(521)	521	(5,211)	(2,455)	9,321
					8,294	23,854
				(15)	(12)	50
54,125	1,048			(9,216)	45,957	55,578
57,426	**1,012**	**(4,355)**	**2,590**	**(79,980)**	**(2,187)**	**1,000,419**

4.2 2. Statement of changes in intangible assets

Intangible assets thousands of euro	BALANCE AT 12 31 2020	EFFECT NON-RECURRING TRANSACTIONS	CHANGES	
			ACQUISITIONS	CHANGES IN CATEGORY
Industrial patent and intellectual property rights	16,495	94	6,326	10,885
Concessions, licences, trademarks and similar rights	27,810	988	27,803	1,616
Goodwill	35,641	29,503	-	-
Assets in progress	18,648	158	12,287	(12,486)
Other intangible assets	2,225	2,356	-	-
Total intangible assets	**100,819**	**33,099**	**46,416**	**15**

Intangible assets thousands of euro	BALANCE AT 12 31 2019	CHANGES	
		ACQUISITIONS	CHANGES IN CATEGORY
Industrial patent and intellectual property rights	16,226	5,581	3,331
Concessions, licences, trademarks and similar rights	21,290	18,202	1,066
Goodwill	35,641		
Assets in progress	9,080	14,276	(4,412)
Other intangible assets	4,881	96	15
Total intangible assets	**87,118**	**38,155**	**-**

CHANGES						BALANCE AT 12 31 2021
RECLASSIFICATIONS/ OTHER CHANGES		DISPOSALS/SALES		DEPRECIATION	TOTAL CHANGES	
GROSS VALUE	ACCUMULATED DEPRECIATION	GROSS VALUE	ACCUMULATED DEPRECIATION			
(45)		-		(9,875)	7,291	23,880
(123)		-		(18,858)	10,438	39,236
-		-		-	-	65,144
(88)		(2,541)		-	(2,828)	15,978
(2,027)				(408)	(2,435)	2,146
(2,283)	**-**	**(2,541)**	**-**	**(29,141)**	**12,466**	**146,384**

CHANGES						BALANCE AT 12 31 2020
OTHER CHANGES		DISPOSALS/SALES		DEPRECIATION	TOTAL CHANGES	
GROSS VALUE	ACCUMULATED DEPRECIATION	GROSS VALUE	ACCUMULATED DEPRECIATION			
(427)	38			(8,254)	269	16,495
(218)	1			(12,531)	6,520	27,810
					-	35,641
(2)		(294)			9,568	18,648
(2,739)	(2)			(26)	(2,656)	2,225
(3,386)	**37**	**(294)**	**-**	**(20,811)**	**13,701**	**100,819**

4.3 3/a. Statement of changes in investments in subsidiaries

Shareholdings thousands of euro	BALANCE AT FINANCIAL STATEMENTS 12 31 2020	CHANGES		
		INCREASES	DECREASES	EFEFCT OF NON-RECURRING TRANSACTION
FINANCIAL ASSETS				
Subsidiaries:				
Unareti S.p.A.	1,381,831			
A2A Ambiente S.p.A.	634,894			
A2A Calore & Servizi S.r.l.	330,627			
A2A Ciclo Idrico S.p.A.	167,000			
A2A gencogas S.p.A.	606,817			
A2A Energiefuture S.p.A.	189,730			
A2A Energia S.p.A.	97,039			25,506
Retragas S.r.l.	30,105			
A2A Smart City S.p.A.	9,222			5,234
Proaris S.r.l. in liquidation	3,557			
Camuna Energia S.r.l.	740			
SEASM S.r.l.	469			
Linea Group Holding S.p.A.	106,385			(104,263)
Linea Gestioni S.r.l.				22,864
LD Reti S.r.l.				153,895
Linea Green S.p.A.				124,191
Linea Ambiente S.r.l.		43,624		(25,959)
Fragea S.r.l. società agricola				245
AGRIPOWER S.r.l.		15,155		
A2A Montenegro d.o.o.	102			
Azienda Servizi Valtrompia S.p.A.	10,758			
A2A Security S.c.p.A.	23			1
A2A Energy Solution S.r.l.	4,575			
A2A Rinnovabili S.p.A.	50			
ACSM-AGAM S.p.A.	190,422			
Ambiente Energia Brianza S.p.A.	158,638			
Yada Energia S.r.l.	20,010			
A2A E-MOBILITY S.r.l.	10			
ROMEO GAS S.p.A.		50		
ES Energy S.r.l.				5
A2A Alfa S.r.l. in liquidation				
Suncity Energy S.r.l.	4,275			(4,275)
A2A Telecommunications S.r.l.		9,100		(9,100)
A2Abroad S.p.A.	4,586			
Plurigas S.p.A. in liquidation	560			
Total subsidiaries	**3,952,425**	**67,929**	**-**	**188,344**

CHANGES			BALANCE AT FINANCIAL STATEMENTS 12 31 2021	SHARE OF EQUITY		
REVERSALS WRITE-DOWNS	OTHERS CHANGES	RECLASSIFICATIONS		% HELD	EQUITY AT 12 31 2021	PRO-RATA AMOUNT
			1,381,831	100.00%	1,470,087	1,470,087
		4,586	639,480	100.00%	546,283	546,283
			330,627	100.00%	379,187	379,187
			167,000	100.00%	224,662	224,662
			606,817	100.00%	664,180	664,180
			189,730	100.00%	286,024	286,024
			122,545	100.00%	218,543	218,543
			30,105	87.27%	40,733	35,548
			14,456	100.00%	11,422	11,422
			3,557	60.00%	5,129	3,077
			740	74.50%	1,012	754
			469	67.00%	1,100	737
	(2,122)		-			
(1,800)			21,064	100.00%	20,610	20,610
			153,895	95.60%	168,189	160,789
			124,191	100.00%	125,321	125,321
	(1,037)		16,628	100.00%	68,041	68,041
			245	100.00%	742	742
			15,155	100.00%	3,970	3,970
			102	100.00%	129	129
			10,758	74.55%	25,041	18,668
			24	45.96%	401	184
			4,575	100.00%	8,258	8,258
			50	100.00%	6,003	6,003
			190,422	41.34%	441,281	182,426
			158,638	33.52%	417,148	139,828
			20,010	100.00%	4,357	4,357
			10	100.00%	640	640
			50	100.00%	49	49
			5	50.00%	674	337
			-	70.00%	1	1
			-			
			-			
		(4,586)	-			
	(560)		-			
(1,800)	**(3,719)**	**-**	**4,203,179**		**5,139,217**	**4,580,857**

4.4 3/b. Statement of changes in investments in affiliates

Shareholdings thousands of euro	BALANCE AT FINANCIAL STATEMENTS 12 31 2020	CHANGES	
		INCREASES	DECREASES
FINANCIAL ASSETS			
Affiliates			
Sviluppo Turistico Lago d'Iseo S.p.A.	735		
SET S.p.A.	467		
Serio Energia S.r.l.	400		
Visano Società Trattamento Reflui S.c.a.r.l.	10		
Total affiliates	**1,612**	-	-
Equity investments held for sale			
Sviluppo Turistico Lago d'Iseo S.p.A.	-		

(*) Figures of the financial statements at December 31, 2020 latest available financial statements.

CHANGES		BALANCE AT FINANCIAL STATEMENTS 12 31 2021	SHARE OF EQUITY		
REVALUATIONS WRITE-DOWNS	OTHER CHANGES		% HELD	EQUITY AT 12 31 20 (*)	PRO-RATA AMOUNT
	(735)	-			
		467	49.00%	2,071	1,015
		400	40.00%	1,958	783
		10	40.00%	26	10
	(735)	**877**		**4,055**	**1,808**
(295)	**735**	**440**	**24.29%**	**2,826**	**686**

4.5 3/c. Statement of changes in investments in other companies

Company Name thousands of euro	SHAREHOLDING %	SHAREHOLDER	CARRYING AMOUNT AT 12 31 2021
Available-for-sale financial assets			
Blugas Infrastrutture S.r.l.	27.51%	A2A S.p.A.	4,269
Immobiliare-Fiera di Brescia S.p.A.	0.90%	A2A S.p.A.	280
Others:			
AQM S.r.l.	7.52%	A2A S.p.A.	
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.	8.57%	A2A S.p.A.	
E.M.I.T. S.r.l. in liquidation	10.00%	A2A S.p.A.	
Stradivaria S.p.A.	n.s.	A2A S.p.A.	
DI.T.N.E. S.c.a.r.l.	1.82%	A2A S.p.A.	
Sinergie Italiane S.r.l. in liquidation	14.92%	A2A S.p.A.	
Total other financial assets			**439**
Total available-for-sale financial assets			**4,988**

Note: A2A S.p.A. took part in the setting up of Società Cooperativa Polo dell'innovazione della Valtellina, subscribing 5 shares having a nominal value of 50 euro.

4.6 4/a. List of investments in subsidiaries

Company Name thousands of euro	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL AT 12 31 2021
Subsidiaries:			
Unareti S.p.A.	Brescia	Euro	965,250
A2A Ambiente S.p.A.	Brescia	Euro	220,000
A2A Calore & Servizi S.r.l.	Brescia	Euro	150,000
A2A Ciclo Idrico S.p.A.	Brescia	Euro	70,000
A2A gencogas S.p.A.	Milan	Euro	450,000
A2A Energia S.p.A.	Milan	Euro	3,000
Retragas S.r.l.	Brescia	Euro	34,495
A2A Smart City S.p.A.	Brescia	Euro	3,448
Proaris S.r.l. in liquidation	Milan	Euro	1,875
Camuna Energia S.r.l.	Cedegolo (BS)	Euro	900
SEASM S.r.l.	Brescia	Euro	700
A2A Montenegro d.o.o.	Podgorica (Montenegro)	Euro	100
A2A Energiefuture S.p.A.	Milan	Euro	50,000
Azienda Servizi Valtrompia S.p.A.	Gardone Val Trompia (BS)	Euro	8,939
A2A Security S.c.p.A.	Milan	Euro	52
A2A Energy Solutions S.r.l.	Milan	Euro	4,000
A2A Rinnovabili S.p.A.	Milan	Euro	50
ACSM-AGAM S.p.A.	Monza	Euro	197,344
A2A Alfa S.r.l. in liquidation	Milan	Euro	100
Yada Energia S.r.l.	Milan	Euro	2,400
A2A E-MOBILITY S.r.l.	Milan	Euro	10
Ambiente Energia Brianza S.p.A.	Seregno (MB)	Euro	119,496
ROMEO GAS S.p.A.	Milan	Euro	50
ES Energy S.r.l.	Jesi (AN)	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

EQUITY AT 12 31 2021	RESULT AT 12 31 2021	% HELD	PRO RATA AMOUNT (A)	BALANCE AT FINANCIAL STATEMENSTS (B)	DELTA (A-B)
1,470,087	81,236	100.00%	1,470,087	1,381,831	88,256
546,283	124,281	100.00%	546,283	639,480	(93,197)
379,187	40,841	100.00%	379,187	330,627	48,560
224,662	26,458	100.00%	224,662	167,000	57,662
664,180	25,475	100.00%	664,180	606,817	57,363
218,543	96,771	100.00%	218,543	122,545	95,998
40,733	1,564	87.27%	35,548	30,105	5,443
11,422	(2,625)	100.00%	11,422	14,456	(3,034)
5,129	(77)	60.00%	3,077	3,557	(480)
1,012	(11)	74.50%	754	740	14
1,100	87	67.00%	737	469	268
129	(26)	100.00%	129	102	27
286,024	11,053	100.00%	286,024	189,730	96,294
25,041	2,490	74.55%	18,668	10,758	7,910
401	32	45.96%	184	24	160
8,258	2,346	100.00%	8,258	4,575	3,683
6,003	4,582	100.00%	6,003	50	5,953
441,281	15,594	41.34%	182,426	190,422	(7,996)
1	(4)	70.00%	1	-	1
4,357	(8,901)	100.00%	4,357	20,010	(15,653)
640	(555)	100.00%	640	10	630
417,148	17,082	33.52%	139,828	158,638	(18,810)
49	-	100.00%	49	50	(1)
674	171	50.00%	337	5	332
20,610	564	100.00%	20,610	21,064	(454)
168,189	9,571	95.60%	160,789	153,895	6,894
125,321	8,852	100.00%	125,321	124,191	1,130
68,041	(8,697)	100.00%	68,041	16,627	51,414
742	357	100.00%	742	245	497
3,970	(2,169)	100.00%	3,970	15,155	(11,185)

4.7 4/b. List of investments in affiliates

Company Name thousands of euro	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL AT 12 31 2020 (*)
SET S.p.A.	Toscolano Maderno (Bs)	Euro	104
Serio Energia S.r.l.	Concordia sulla Secchia (Mo)	Euro	1,000
Visano Società Trattamento Reflui S.c.a.r.l.	Brescia	Euro	25
Equity investments held for sale			
Sviluppo Turistico Lago d'Iseo S.p.A.	Iseo (Bs)	Euro	1,616

(*) Figures of the financial statements at December 31, 2019 latest available financial statements.

EQUITY AT 12 31 2020 (*)	RESULT AT 12 31 2020 (*)	% HELD	PRO RATA AMOUNT (A)	BALANCE AT FINANCIAL STATEMENSTS (B)	DELTA (A-B)
2,071	375	49.00%	1,015	467	548
1,958	337	40.00%	783	400	383
26	-	40.00%	10	10	-
2,826	(246)	24.29%	686	440	246

4.8 Key data of the financial statements of the main subsidiaries and affiliates prepared according to IAS/IFRS

(pursuant to art. 2429.4 of the Italian Civil Code)

SUBSIDIARIES	A2A gencogas S.p.A.		A2A Energiefuture S.p.A.		A2A Ambiente S.p.A.		A2A Calore & Servizi S.r.l.	
Share capital	Euro	450,000,000	Euro	50,000,000	Euro	220,000,000	Euro	150,000,000
% held	A2A S.p.A.	100.00%	A2A S.p.A.	100.00%	A2A S.p.A.	100.00%	A2A S.p.A.	100.00%
Description thousands of euro	12 31 2021	12 31 2020	12 31 2021	12 31 2020	12 31 2021	12 31 2020	12 31 2021	12 31 2020 Revised
Revenues	382,267	240,588	383,298	171,938	509,364	477,348	273,751	244,611
Gross operating income	57,945	71,624	44,559	36,145	215,365	194,095	84,478	71,144
Net operating income	(16,199)	12,005	17,365	18,240	150,123	154,792	45,360	32,436
Result before taxes	(21,731)	6,682	17,293	18,373	159,440	178,062	41,554	28,636
Result of the year	25,475	1,735	11,053	12,652	124,281	137,482	40,841	20,538
Assets	1,365,697	1,159,795	492,008	402,624	1,128,815	897,326	771,023	705,185
Liabilities	701,517	519,095	286,024	195,442	582,531	340,687	391,837	347,566
Equity	664,180	640,700	205,984	207,182	546,283	556,639	379,187	357,618
Net financial position	(223,436)	(213,380)	222,136	125,826	(217,533)	122,671	(258,715)	(236,722)

SUBSIDIARIES	LD RETI S.r.l.		Linea Green S.p.A.		Linea Ambiente S.r.l.		Azienda Servizi Valtrompia S.p.A.	
Share capital	Euro	32,975,717	Euro	48,000,000	Euro	19,000,000	Euro	8,938,941
% held	A2A S.p.A.	95.60%	A2A S.p.A.	100.00%	A2A S.p.A.	100.00%	A2A S.p.A. Unareti S.p.A.	74.55% 0.25%
Description thousands of euro	12 31 2021	12 31 2020	12 31 2021	12 31 2020	12 31 2021	12 31 2020	12 31 2021	12 31 2020
Revenues	53,942	60,828	85,141	70,954	33,506	29,712	14,991	13,219
Gross operating income	26,802	26,221	30,346	24,513	2,407	1,171	6,340	3,907
Net operating income	14,260	14,153	14,513	11,406	(8,231)	(56,587)	3,554	1,495
Result before taxes	13,018	12,981	11,587	9,063	(8,798)	(56,859)	3,408	1,413
Result of the year	9,571	8,682	8,852	6,392	(8,697)	(44,443)	2,490	1,043
Assets	267,910	277,703	293,745	286,163	206,674	159,919	63,230	47,417
Liabilities	99,720	110,018	168,424	163,476	138,633	161,295	38,189	24,807
Equity	168,189	167,685	125,321	122,686	68,041	(1,376)	25,041	22,609
Net financial position	(66,481)	(64,418)	(115,761)	(113,992)	8,372	(16,293)	(27,863)	(17,019)

A2A Energia S.p.A.		A2A Smart City S.p.A.		Retragas S.r.l.		A2A Ciclo Idrico S.p.A.		SEASM S.r.l.		Linea Gestioni S.r.l.	
Euro	3,000,000	Euro	3,448,276	Euro	34,494,650	Euro	70,000,000	Euro	700,000	Euro	6,000,000
A2A S.p.A.	100.00%	A2A S.p.A.	100.00%	A2A S.p.A. Unareti S.p.A.	87.27% 4.33%	A2A S.p.A.	100.00%	A2A S.p.A.	67.00%	A2A S.p.A.	100.00%
12 31 2021	12 31 2020 Revised	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
3,319,878	2,154,593	44,990	53,341	6,904	5,984	109,564	99,131	357	357	55,805	57,101
180,363	180,038	2,790	9,780	4,759	3,735	58,894	48,541	296	287	4,755	3,412
136,048	140,378	(6,146)	2,242	2,259	1,294	37,470	30,120	122	119	1,004	(106)
136,974	140,183	(4,013)	1,448	2,259	1,295	36,176	28,948	119	113	872	653
96,771	99,391	(2,625)	810	1,564	858	26,458	20,373	87	81	564	894
1,393,776	853,296	105,470	127,106	48,056	42,595	465,093	429,939	1,225	1,293	47,956	61,068
1,175,233	632,867	94,049	111,595	7,323	2,617	240,431	212,041	126	280	27,347	39,203
218,543	220,429	11,422	15,511	40,733	39,979	224,662	217,898	1,100	1,013	20,610	21,865
(186,152)	(42,633)	(66,015)	(77,708)	11,643	9,297	(189,326)	(161,170)	(44)	(251)	532	10,297

A2A Security S.c.p.a.		A2A Rinnovabili S.p.A.		A2A Energy Solution S.r.l.		Yada Energia S.r.l.		ACSM-AGAM S.p.A.		Ambiente Energia Brianza S.p.A.	
Euro	52,000	Euro	50,000	Euro	4,000,000	Euro	2,400,000	Euro	197,343,794	Euro	119,495,575
A2A S.p.A. Unareti S.p.A. A2A Ciclo Idrico S.p.A. Amsa S.p.A. A2A gencogas S.p.A. A2A Ambiente S.p.A. A2A Calore & Servizi S.r.l. A2A Energiefuture S.p.A. Other companies	45.96% 18.37% 10.49% 9.14% 3.95% 3.95% 2.60% 1.93% 3.61%	A2A S.p.A.	100.00%	A2A S.p.A.	100.00%	A2A S.p.A.	100.00%	A2A S.p.A.	41.34%	A2A S.p.A.	33.52%
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	12 31 2021	12 31 2020
1,517	1,375	18,622	8,451	20,701	26,814	11,915	2,237	33,796	24,131	16,975	15,815
287	387	13,975	6,124	(289)	615	(8,336)	(7,800)	(4,905)	1,073	(1,525)	(520)
47	145	4,957	2,493	(2,489)	(1,571)	(11,799)	(8,793)	(9,418)	(6,608)	(4,850)	(4,732)
40	138	5,514	3,936	1,930	(307)	(11,832)	(8,793)	13,186	16,107	16,256	2,935
32	99	4,582	6,854	2,346	(97)	(8,901)	(6,500)	15,594	15,335	17,082	3,699
1,432	1,189	247,935	102,425	38,329	44,075	19,474	20,714	717,492	652,524	478,755	465,865
1,031	822	241,932	94,309	30,071	36,999	15,117	7,463	276,211	210,562	61,608	57,790
401	367	6,003	8,116	8,258	7,075	4,357	13,251	441,281	441,962	417,148	408,074
(288)	(520)	(199,485)	(37,032)	(23,409)	(27,640)	(5,735)	3,602	(74,155)	(75,183)	(27,839)	(36,149)

4.9 Key data of the financial statements of the main subsidiaries and affiliates prepared according to ITALIAN GAAP
(pursuant to art. 2429.4 of the Italian Civil Code)

SUBSIDIARIES	Unareti S.p.A.		AGRIPOWER S.r.l.	
Share capital	Euro	965,250,000	Euro	500,000
% held	A2A S.p.A.	100.00%	A2A S.p.A.	100.00%
Description thousands of euro	**12 31 2021**	**12 31 2020**	**12 31 2021**	**12 31 2020**
Revenues	523,990	514,199	9,130	10,367
Gross operating income	254,739	241,453	377	748
Net operating income	116,963	139,554	191	518
Result before taxes	113,785	137,166	(2,917)	1,009
Result of the year	81,236	100,069	(2,169)	750
Assets	2,399,671	2,330,205	23,092	47,054
Liabilities	929,585	846,354	19,122	45,915
Equity	1,470,087	1,483,851	3,970	1,139
Net financial position	(491,650)	(369,260)	(8,470)	(4,227)

AFFILIATES	Sviluppo Turistico del Lago d'Iseo S.p.A.		Società Elettrica di Toscolano Maderno S.r.l.	
Share capital	Euro	1,616,298	Euro	104,000
% held	A2A S.p.A.	24.29%	A2A S.p.A.	49.00%
Description thousands of euro	**12 31 2020**	**12 31 2019**	**12 31 2020**	**12 31 2019**
Revenues	952	1,461	929	990
Gross operating income	(24)	381	672	698
Net operating income	(169)	93	514	536
Result before taxes	(221)	27	505	525
Result of the year	(246)	19	375	377
Assets	6,100	6,312	2,860	3,259
Liabilities	3,275	3,234	788	963
Equity	2,826	3,078	2,071	2,296
Net financial position	(2,060)	(2,151)	(102)	(50)

4
Attachments

1. Statement of changes in tangible assets

2. Statement of changes in intangible assets

3/a. Statement of changes in investments in subsidiaries

3/b. Statement of changes in investments in affiliates

3/c. Statement of changes in investments in other companies

4/a. List of investments in subsidiaries

4/b. List of investments in affiliates

Key data of the financial statements of the main subsidiaries and affiliates prepared according to IAS/IFRS (pursuant to art. 2429.4 of the Italian Civil Code)

Key data of the financial statements of the main subsidiaries and affiliates prepared according to ITALIAN GAAP (pursuant to art. 2429.4 of the Italian Civil Code)

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

	Fragea S.r.l. società agricola		A2A E-MOBILITY S.r.l.		ES Energy S.r.l.		Proaris S.r.l. in liquidation	
	Euro	20,000	Euro	100,000	Euro	10,000	Euro	1,875,000
	A2A S.p.A.	100.00%	A2A S.p.A.	51.00%	A2A S.p.A.	50.00%	A2A S.p.A.	60.00%
	12 31 2021	12 31 2020	12 31 2021	12 31 2020	12 31 2021	12 31 2020	12 31 2021	12 31 2020
	4,180	2,851	1,195	0	8,764	4,585	720	2,632
	1,173	737	(514)	0	258	244	(51)	355
	532	333	(701)	0	258	243	(100)	180
	490	344	(729)	0	258	243	(100)	181
	357	252	(555)	0	171	184	(77)	85
	9,411	10,231	6,101	14	1,758	1,036	5,842	6,600
	8,669	9,846	5,461	4	1,084	392	713	600
	742	385	640	10	674	643	5,129	6,000
	(2,806)	(3,022)	(4,229)	6	995	662	3,460	3,092

	Serio Energia S.r.l.		Visano Società Trattamento Reflui S.c.a.r.l.	
	Euro	1,000,000	Euro	25,000
	A2A S.p.A.	40.00%	A2A S.p.A.	40.00%
	12 31 2020	12 31 2019	12 31 2020	12 31 2019
	2,051	2,193	21	31
	699	585	-	-
	461	347	-	-
	461	347	-	-
	337	247	-	-
	2,308	2,197	48	48
	350	335	22	22
	1,958	1,861	26	26
	822	703	-	-

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

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 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;

   2.2 the report on operations includes reliable analysis on the performance, result of operations and the business of the issuer, as well as description of principal risks and uncertainties to which is exposed.

Milan, March 17, 2022

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

5

Independent Auditors' Report

5 Independent Auditors' Report

EY S.p.A.
Via Meravigli, 12
20123 Milano

Tel: +39 02 722121
Fax: +39 02 722122037
ey.com

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

To the Shareholders of
A2A S.p.A.

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 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 Financial Statements section of our report. We are independent of the Company 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

EY S.p.A.
Sede Legale: Via Meravigli, 12 – 20123 Milano
Sede Secondaria: Via Lombardia, 31 – 00187 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CCIAA di Milano Monza Brianza Lodi
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. di Milano 606158 - P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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We identified the following key audit matters:

Key Audit Matter	Audit response
Valuation of Shareholdings in subsidiaries At December 31, 2021, the Shareholdings in subsidiaries balance amount to 4.203 million euro. The management assesses at least annually the existence of impairment indicators of each investment, in compliance with its strategy of managing legal entities within the group and, in case of occurrence, these assets are subject to impairment test. The processes and methodologies for assessing and determining the recoverable amount of each shareholdings in subsidiaries are based on complex assumptions, that by their nature imply the use of the management's judgment, in particular with reference to the identification of impairment indicators, to forecast of future cash flows relating to the period covered by the Group's strategic plan 2021-2030 updated and approved by 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. In consideration of the judgment required and of the complexity of the assumptions used in the estimate of the recoverable amount of investments, we have considered that this area represents a key audit matter. The disclosures related to the recoverability of the investment in subsidiaries are included in the paragraph "Use of estimates" and in note n.3 "Shareholdings and other non-current financial assets" of the notes to the financial statements.	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 identification of any loss and to the valuation of Shareholdings in subsidiaries; • 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 shareholdings in subsidiaries, 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 used of EY valuation specialists who performed an independent calculation and sensitivity analysis on key assumptions, in order to determine any changes that could significantly impact the valuation of recoverable amount. Lastly, we reviewed the adequacy of the disclosures included in the notes to the financial statements with reference to the recoverability analysis of shareholdings in subsidiaries.

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

The Directors are responsible for the preparation of the 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 Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company 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 Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company'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 Company'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.

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However, future events or conditions may cause the Company to cease to continue as a going concern;

- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 11 June 2015, engaged us to perform the audits of the financial statements for each of the years ending 31 December 2016 to 31 December 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 Company in conducting the audit.

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

Report on compliance with other legal and regulatory requirements

Opinion 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 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 financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in the XHTML format in compliance with the provisions of the Delegated Regulation.

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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 Operation and of the Report on Corporate Governance and Ownership Structure of A2A S.p.A. as at 31 December 2021, including their consistency with the related 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 financial statements of A2A S.p.A. as at 31 December 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 Operation and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of A2A S.p.A. as at 31 December 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.

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.

6

Report of the Board of Auditors

6 Report of the Board of Auditors

REPORT OF THE BOARD OF STATUTORY AUDITORS PURSUANT TO ARTICLE 153 OF LEGISLATIVE DECREE 58/1998 AND ARTICLE 2429, PARAGRAPH 3, CIVIL CODE, TO THE SHAREHOLDERS' MEETING OF A2A S.P.A. OF APRIL 28, 2022 (SECOND CALL, IF APPLICABLE, APRIL 29, 2022)

Shareholders,

the Board of Statutory Auditors in office was appointed by the Shareholders' Meeting of A2A S.p.A. (hereinafter referred to as the "**Company**") of May 13, 2020 and will end its term of office with the Shareholders' Meeting convened to approve the financial statements at December 31, 2022.

Pursuant to article 153, paragraph 1, of Legislative Decree no. 58 of February 24, 1998 (hereinafter the "**T.U.F.**"), the Board of Statutory Auditors hereby informs that, during the year ended December 31, 2021, it carried out the supervisory and control activities required by current regulations, with particular regard to the provisions of the Italian Civil Code, Legislative Decree 58/1998, Legislative Decree no. 39 of January 27, 2010 and Legislative Decree no. 254 of 2016, also taking into account the indications contained in CONSOB communications relating to corporate controls and the activities of the Board of Statutory Auditors, the indications contained in the Corporate Governance Code for listed companies, as well as the Rules of Conduct for the Board of Statutory Auditors of listed companies recommended by the National Council of Chartered Accountants and Accounting Experts.

This Report is given to the Shareholders of the Company in view of the Shareholders' Meeting called, on first call, on April 28, 2022 and, if necessary, on second call, on April 29, 2022 for the approval of the Financial Statements at December 31, 2021.

That said, the activities carried out by the Board of Statutory Auditors during 2021 and up to the date of today's report are set out below, also with reference to the requirements of CONSOB Communication no. DEM/1025564 of April 6, 2001 and subsequent amendments.

***

1. Most significant economic, financial and equity transactions.

The most significant economic, financial and equity transactions and events that took place in 2021 were as follows:

- conclusion of the process of merger by incorporation of LGH S.p.A. into A2A S.p.A.;
- acquisition from Octopus Renewables of a photovoltaic portfolio with 9 plants located in Lazio and 8 in Sardinia for a nominal installed capacity of 173 MW;
- publication of the new Sustainability Finance Framework that sets out the guidelines under which to strengthen the link between the Group’s financial and sustainable strategies;
- issue of the first 500 million Euro Sustainability-Linked Bond with a term of 10 years intended for institutional investors, under the Euro Medium Term Notes program and based on the Sustainability Finance Framework;
- issue of the first Green Bond with investments aligned with the EU taxonomy, amounting to 500 million Euro and with a duration of 12 years, intended for institutional investors, again under the Euro Medium Term Notes program and based on the Sustainability Finance Framework.

The details of all transactions with significant impact on the Company's profitability, assets and liabilities or financial position are provided in the Report on Operations under the section “Significant events during the year”.

The Board of Statutory Auditors received from the Directors and top management, with due periodicity, information on the activities carried out and on the transactions of major economic, financial and equity importance carried out by the Company and its subsidiaries. The Directors have reported about these transactions in their Report on Operations, to which reference is made, also with regard to the characteristics of the transactions and their economic effects.

The Board of Statutory Auditors acquired adequate information, which allowed to reasonably believe that the above transactions complied with the law, By-laws and the principles of correct administration and were not imprudent, risky or in conflict with the resolutions adopted by the shareholders' meeting, or in any case such as to compromise the integrity of the company's assets.

Transactions with related parties have been subject to the transparency procedures provided for by current legislation.

In the Report on Operations, the Directors have also provided information on significant events happened after the end of the year and on the outlook for management operations. In particular, information was provided regarding the risks of impact on the Group's activities deriving from the ongoing conflict between the Russian Federation and Ukraine and from the economic restrictions decided by the Council of the European Union.

2. Atypical and/or unusual transactions, carried out with third parties, intragroup or related parties.

The Board of Statutory Auditors has not found or received any indications from the Board of Directors, the Independent Auditors or the Head of *Internal Audit* regarding the existence of atypical and/or unusual transactions, as defined by Consob communication DEM/6064293 of July 28, 2006, carried out with third parties, related parties or intragroup.

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 on May 13, 2021, the Procedure on related party transactions was amended with effect from 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.

In the notes to the financial statements, the Directors reported on ordinary transactions carried out during the year with Group companies and related parties, to which reference should be made, also with regard to the characteristics of the transactions and their economic effects.

Their examination did not reveal any critical issues with regard to their suitability, congruity or correspondence to the interests of the Company.

The Board of Statutory Auditors verified the actual implementation and functioning of the Procedure for Transactions with Related Parties adopted by the Company, including the periodic information from the Board of Directors in the event of carrying out such transactions.

3. Observations and proposals on the remarks and requests for information contained in the independent auditors' report.

On March 31, 2022, the independent auditors EY S.p.A. issued its report pursuant to article 14 of Legislative Decree no. 39 of January 27, 2010, and article 10 of Regulation (EU) no. 537 of April 16, 2014, in which the independent auditors certify that in their opinion:

- the annual and consolidated financial statements of A2A S.p.A. provide a true and fair view of the financial position and results of operations of the Company and the A2A Group at December 31, 2021, of the economic results and cash flows for the year ended on said date, in accordance with the International Financial Reporting Standards adopted by the European Union, as well as with the measures issued in implementation of article 9 of Legislative Decree no. 38 of February 28, 2005;
- the Report on Operations and some specific information contained in the report on corporate governance and ownership structure indicated in article 123-bis, paragraph 4, of Legislative Decree no. 58 of February 24, 1998 are consistent with the annual and

consolidated financial statements of the Company and the A2A Group at December 31, 2021 and have been prepared in accordance with the law;

- the financial statements for the year ended December 31, 2021, in accordance with the provisions of Delegated Regulation (EU) 2019/815, have been prepared in XHTML format;
- the consolidated financial statements at December 31, 2021, in accordance with the provisions of Delegated Regulation (EU) 2019/815, have been prepared in XHTML format and have been marked-up to the ESEF taxonomy using an integrated computer language (iXBRL);
- there is nothing to report with reference to the statement referred to in article 14, paragraph 2, letter e) of Legislative Decree no. 39 of January 27, 2010, issued on the basis of the knowledge and understanding of the company and the relative context acquired during the audit.

On March 31, 2022, the independent auditors EY S.p.A. also issued their additional report pursuant to article 11 of Regulation (EU) 537/2014, which, among other things, confirms that, during the audit of the Company's annual financial statements and the Group's consolidated financial statements for the year ended December 31, 2021, no significant deficiencies were identified in the internal control system with respect to financial information and/or in the accounting system.

The auditor's reports highlight the key aspects of the audit, to which reference should be made.

The independent auditors EY S.p.A., again on March 31, 2022, issued the certificate of conformity of the information provided in the Consolidated Non-Financial Disclosure prepared by the Company pursuant to articles 3 and 4 of Legislative Decree no. 254/2016.

The same auditing firm specified that the above-mentioned certification does not extend to the information referred to in the European Taxonomy.

4. Complaints pursuant to article 2408 of the Civil Code and filing of petitions. Initiatives undertaken by the Board of Statutory Auditors and related outcomes.

During year 2021, a complaint was received pursuant to art. 2408 of the Italian Civil Code from the Shareholder Tommaso Marino requesting an in-depth examination of the merger between LGH and A2A.

The Board of Statutory Auditors promptly carried out the appropriate investigations and issued an appropriate report to the extraordinary shareholders' meeting of October 8, 2021.

It should be recalled that the Company has adopted a whistleblowing procedure which provides for the establishment of suitable information channels to ensure the reception, analysis and processing of reports, related internal control issues, corporate information, administrative liability of the Company, fraud or other matters, sent by employees, members of corporate bodies or third parties, including in confidential or anonymous form.

5. Appointment of the independent auditors and related costs.

The annual financial statements of A2A S.p.A. and its subsidiaries have been subject to a full audit by EY S.p.A. on the basis of the appointment conferred by the shareholders' meeting for financial years going from 2016 to 2024.

The following table provides a summary of the fees paid for audit work performed within the Group during 2021.

Description thousands of euro	Leading Auditor	Other auditors
A2A S.p.A.		
Audit of annual financial statements	185	
Audit of consolidated financial statements	43	
Periodic tests of accounting	23	
Review of half-yearly report	70	
Audit of the separate annual accounts for ARERA	16	
Total	**337**	
Subsidiaries		
Audit of annual financial statements	1,124	
Periodic tests of accounting	220	
Review of half-yearly report	237	
Audit of the separate annual accounts for ARERA	81	
Other consolidated groups (Agripower, ACSM-AGAM, AEB)	397	88
Total	**2,059**	**88**
Associates and joint ventures		
Audit of the information sent to shareholders for the consolidation	25	
Total	**25**	
TOTAL A2A GROUP	**2,421**	**88**

The Board of Statutory Auditors has been informed by the Company of the recording of the following additional fees paid to companies or professional firms connected to the international network of EY S.p.A. in relation to the offices specified below (amounts in euro):

Company	Purpose	Amount
Retragas S.r.l.	Certification of revenues for year 2020 for ARERA	1,000
AEB S.p.A.	Certification of receivables/payables from n. 22 Municipalities	22,000
GELSIA S.r.l.	Certification of receivables/payables from n. 11 Municipalities	11,000
GELSIA S.r.l.	Certification of participation to the mechanism for offsetting arrears by end customers - Art. 16 ter TIV issued to CSEA	1,000

GELSIA Ambiente S.r.l.	Certification of receivables/payables from n. 13 Municipalities	13,000
RetiPiù S.r.l.	Certification of receivables/payables from n. 8 Municipalities	8,000
A2A S.p.A.	EMTN program comfort letter	45,000
AEB S.r.l.	Certification of receivables/payables from n. 2 Municipalities	2,000
GELSIA S.r.l.	Certification of receivables/payables from n. 1 Municipalities	1,000
GELSIA Ambiente S.r.l.	Certification of receivables/payables from n. 3 Municipalities	3,000
RetiPiù S.r.l.	Certification of receivables/payables from n. 2 Municipalities	2,000
A2A S.p.A.	Certification of Tax Credits for R&D activities	9,500
A2A Ambiente S.p.A.	Certification of Tax Credits for R&D activities	6,000
A2A Calore & Servizi S.r.l.	Certification of Tax Credits for R&D activities	12,180
Unareti S.p.A.	Certification of Tax Credits for R&D activities	9,580
A2A Energiefuture S.p.A.	Certification of Tax Credits for R&D activities	6,000
A2A Ciclo Idrico S.p.A.	Certification of Tax Credits for R&D activities	9,000
AEB S.p.A.	Certification of receivables/payables from n. 2 Municipalities	2,000
GELSIA Ambiente S.r.l.	Certification of receivables/payables from n. 1 Municipalities	1,000
A2A S.p.A.	Bond issue comfort letter	25,000
A2A S.p.A.	Certification fee - year 2020 - Central of San Filippo del Mela (essential units)	1,000
GELSIA Ambiente S.r.l.	Certificate for financial capacity issued to the DMV	1,000
A2A S.p.A.	Bond issue comfort letter	25,000

A2A S.p.A.	Certification of Tax Credits for R&D activities (year 2020)	15,500
A2A Ambiente S.p.A.	Certification of Tax Credits for R&D activities (year 2020)	10,000
A2A Calore & Servizi S.r.l.	Certification of Tax Credits for R&D activities (year 2020)	10,000
Unareti S.p.A.	Certification of Tax Credits for R&D activities (year 2020)	22,500
YADA Energia S.r.l.	Certification of Tax Credits for R&D activities (year 2020)	7,700
A2A Ciclo Idrico S.p.A.	Certification of Tax Credits for R&D activities (year 2020)	8,500
A2A Smart City S.p.A.	Certification of Tax Credits for R&D activities (year 2020)	8,100
A2A Smart City S.p.A.	Certification of Tax Credits for R&D activities (year 2018)	7,700
Total		**306,260**

The above-mentioned appointments fall under the procedure "Management of relations with independent auditors" and have always been approved in advance by the Board of Statutory Auditors.

The Board of Statutory Auditors received, in accordance with the provisions of article 6 paragraph 2 letter a) of Regulation (EU) no. 537/2014, from EY S.p.A., certification of the declaration relating to the independence of EY S.p.A., pursuant to article 6 of Regulation (EU) no. 537/2014, contained in the additional report, from which no situations emerge that might compromise its independence.

6. Main opinions issued by the Board of Statutory Auditors in accordance with current legislation.

<u>During year 2021</u>, the Board of Statutory Auditors, in particular:

- examined and positively assessed the approval of the 2021 Audit Plan drawn up by the Head of the Internal Audit function and approved by the Board of Directors; the Board was informed about the updating of the same as a consequence of the emergency connected with the continuing spread of the Covid-19 pandemic;

- examined and positively assessed the Remuneration Policy for year 2021, as well as the text of the Remuneration Report approved by the Board of Directors at its meeting of March 26, 2021, verifying that it contained the information required by article 123 ter of the T.U.F. and article 84 quater of Consob Regulation 11971/1999;
- examined and positively assessed the text of the Report on Corporate Governance and Ownership Structure approved by the Board of Directors at its meeting of March 26, 2021, verifying that it contains the information required by article 123 bis of the T.U.F. and complies with the provisions of the scheme prepared by Borsa Italiana S.p.A.;
- examined and positively assessed the compliance of the updating of the Procedure for Transactions with Related Parties of the Company with the principles set forth by Consob Regulation no. 17221 of March 12, 2010 and subsequent amendments;
- verified that each member of the Board of Statutory Auditors meets the requirements of independence, integrity and professionalism;
- verified the proper application by the Board of Directors of the criteria and procedures used to assess the independence of its members pursuant to the new Corporate Governance Code;
- issued a favourable opinion, pursuant to article 19, first paragraph, letter e) of Legislative Decree no. 39 of January 27, 2010 and article 5 of European Community Regulation no. 537 of April 16, 2014, in relation to the assignment of "non audit services" to the independent auditors.

After the end of the financial year and up to the date of this report, the Board of Statutory Auditors, also:

- examined and positively assessed the approval of the 2022 Audit Plan prepared by the Head of the Internal Audit function and approved by the Board of Directors;
- examined and positively assessed the Remuneration Policy for 2022 as well as the text of the Remuneration Report approved by the Board of Directors at its meeting of March 23, 2022, verifying that it contained the information required by article 123 ter of the T.U.F. and article 84 quater of Consob Regulation 11971/1999;
- examined and positively assessed the text of the Report on Corporate Governance and Ownership Structure approved by the Board of Directors at its meeting of March 23, 2022, verifying that it contains the information required by article 123 bis of the T.U.F. and complies with the provisions of the scheme prepared by Borsa Italiana S.p.A.;

7. Attendance at meetings of corporate bodies.

Year 2021 was also characterized by the continuing spread of the COVID-19 pandemic. The indications and provisions issued by the government to protect health have imposed stringent measures to limit the spread of the pandemic on the national territory.

The Board of Statutory Auditors received constant information from the Company on the actions undertaken to protect the health of employees in compliance with the emergency regulations in force at the time. In this regard, there are no topics of attention to be submitted to the Company's Shareholders' Meeting.

In this context, the Company's activities were not interrupted and continued, where possible, "remotely" for office personnel.

Also the activities of the Board of Statutory Auditors were conducted in this manner, through the acquisition of data and information in electronic format and the holding of meetings via video/audio conference.

Considering the degree of reliability and timeliness of the Company in ensuring the proper conduct of meetings and an adequate system for sending information flows, the Board of Statutory Auditors believes that the adoption of these methods has not diminished or affected the degree of reliability of the information received or the effectiveness of its activities.

During 2021, the Board attended all the meetings of the Board of Directors, for a total of n. 22 sessions, during which was informed on the activities carried out and the most significant transactions made by the Company and its subsidiaries. In this context, the Board received from the Chairman and CEO the information regarding the exercise of their respective proxies.

Moreover, in 2021 the Board held n. 23 meetings, during which was also exchanged information with the independent auditors in order to ensure that the transactions carried out were not imprudent, risky, in potential conflict of interest, in contrast with the law, By-laws or with the resolutions of the shareholders' meeting or such to affect the integrity of the Company's assets.

The Board also attended n. 17 meetings of the Control and Risk Committee, n. 16 meetings of the Remuneration and Appointments Committee, n. 10 meetings of the Committee for Transactions with Related Parties, n. 3 meetings of the ESG and Local Relations Committee, gaining knowledge of the work they performed during the year.

The Control Body also participated in the Shareholders' Meeting of April 29, 2021 and October 8, 2021.

In 2022 up to the present date, the Board of Statutory Auditors attended n. 7 meetings of the Board of Directors, n. 6 meetings of the Control and Risk Committee, n. 4 meetings of the Remuneration and Appointments Committee, n. 2 meetings of the Committee for Transactions with Related Parties, n. 3 meetings of the ESG and Local Relations Committee and held n. 7 meetings of the Board of Statutory Auditors.

8. Observations on compliance with the principles of correct administration.

The Board of Statutory Auditors, following its supervisory activity, has no observations to make regarding compliance with the principles of correct administration and verified that the Directors are aware of the riskiness and effects of the operations carried out.

In particular, the Board of Statutory Auditors verified that the management decisions were taken in the interest of the Company, compatible with the Company's resources and assets and adequately supported by information, analysis and verification processes, also with recourse, when deemed necessary, to the advisory activities of Committees and external professionals.

9. Observations on the adequacy of the organizational structure.

The Board of Statutory Auditors constantly collected information on the organizational structure of the Company and changes thereto, also meeting with the related function managers of the Company. In light of what has been verified, the Board of Statutory Auditors believes that the organizational structure of the Company, the procedures, expertise and responsibilities are adequate in relation to the size of the Company and the type of activity performed.

The Board of Statutory Auditors also verified the adequacy of the organizational structure of subsidiaries with strategic importance of A2A S.p.A., with particular reference to the internal control and risk management system.

10. Adequacy of the Internal Control and Risk Management System.

The Board of Statutory Auditors monitored the adequacy of the Internal Control and Risk Management System of A2A S.p.A. and its strategically important subsidiaries, by means of:

a) the regular collection of information, including at meetings of the Control and Risk Committee and by means of meetings with the Head of the *Internal Audit* Function, the Head of the *Compliance* Function, the *Group Risk Officer* and the heads of other functions involved from time to time, on the activities carried out, the mapping of risks relating to ongoing activities, the verification programs and the projects for implementing the internal control system, with the acquisition of the related documentation;

b) regular participation in the work of the Control and Risk Committee set up pursuant to the Corporate Governance Code for listed companies;

c) examination of the periodic Reports from the Control and Risk Committee;

d) examination of the reports by the Head of the *Internal Audit* Function, concerning the assessments carried out in various areas of the company, at both peripheral and *corporate* level, on the functioning of the Group's Internal Control and Risk Management System and the monitoring of the implementation of the corrective actions identified following the audit activity; examination of the periodic reports drawn up on a six-monthly basis by the Head of the *Internal Audit* Function, containing information on the activities that were carried out during the reference period, the methods with which the Company performs its risk management, the compliance with plans defined by their containment, the containment and streamlining of strategic goals, as well as the positive assessment by the Head of *Internal Audit* Function regarding the suitability of the internal control and risk management system of the Company and its strategically important subsidiaries, in relation to the characteristics of the business and the risk profile assumed;

e) the examination of reports on the profiles of prevention, monitoring and management of the risk of legislative non-compliance and anti-corruption.

The Board of Statutory Auditors, also:

- verified that the Company disposes of an Organizational, Management and Control Model consistent with the principles contained in Legislative Decree 231/01 and in the guidelines drawn up by Trade Associations, most recently updated by the Board of Directors on June 25, 2021, to take account of the inclusion of A2A, by the Ministry for Economic Development (MISE), among the parties to which shall apply the regulations and obligations of Legislative Decree no. 105 of September 21, 2019, due to the electricity generation network management activities carried out by the Company and, consequently, the adaptation of the Model, in order to implement the provisions of art. 1, paragraph 11-bis, Legislative Decree no. 105 of September 21, 2019, which introduced through Art. 24-*bis*, paragraph 3, of Decree 231, the reference to certain conduct of criminal relevance in relation to the perimeter of national cyber security;

- confirmed that the Company follows an Anti-Corruption Policy, approved in the version updated by the Board of Directors on July 11, 2019;
- examined the periodic reports (at June 30, 2021 and December 31, 2021) of the Supervisory Body provided for by Legislative Decree no. 231/2001, which summarize the activities carried out during the year, and met with its members;
- met with representatives of the Board of Statutory Auditors of the subsidiaries A2A Energia S.p.A. and ACSM-AGAM S.p.A. for the purposes of exchanging information on, among other things, the functioning of corporate activities and compliance with the directives issued by the parent company, the characteristics of the internal control system, the corporate organization of subsidiaries, the composition and activities of the Supervisory Bodies, Committees and the *Internal Audit* function.

To conclude, while carrying out the aforementioned activities, the Board of Statutory Auditors:

a) did not identify any critical situations or facts that might suggest, with respect to year 2021, that the Internal Control and Risk Management System of A2A S.p.A. is inadequate;

b) considering the information provided by the Chairman of the Supervisory Board and the reports mentioned above, which highlighted that, in 2021, no censurable facts or violations of the Model emerged, the Board of Statutory Auditors, to the extent of its competence, considers that said Model is suitable for preventing offences under the regulations in question and is correctly adopted;

c) noted the positive assessment expressed by the Board of Directors in relation to the adequacy and effective functioning of the Internal Control and Risk Management System for 2021.

The Board of Statutory Auditors explored and constantly monitored the events during the year regarding ongoing tax, administrative, civil and criminal litigations involving the Company and the Group, for which reference should be made to what's detailed in the Consolidated Annual Report of 2021, Section 3) Other information, Paragraph 8) "Update on the main legal and tax disputes currently pending".

11. Adequacy of the administrative-accounting system and its reliability.

The Board of Statutory Auditors, to the extent of its competence, monitored the adequacy of the administrative-accounting system and its reliability in correctly representing operating events as well as the activities carried out, under the coordination of the Head of Financial Reporting, for the purposes of compliance with Law 262/05 "*Provisions for the protection of savings and the regulation of financial markets*" and subsequent amendments and additions, by means of:

a) the acquisition of information from the Head of Financial Reporting as well as from the Heads of other company's functions, also in the context of participation in the work of the Control and Risk Committee;

b) the acquisition of information on the procedures adopted and instructions issued by A2A S.p.A. for the preparation of the Annual Report of the Group at December 31, 2021 and the Half-Year Report of the Group at June 30, 2021;

c) the examination of the periodic reports by the Head of Financial Reporting, as well as the reports of the *Internal Audit* Function on the actual application of the administrative and accounting procedures pursuant to Law 262/05 and on the outcome of the related tests carried out, drawn up in execution of the mandate entrusted by the Head of Financial Reporting;

d) meetings with the Independent Auditors and analysis of their findings;

e) examination of company documents.

The Board of Statutory Auditors also noted that, following the favourable opinion issued by the Control and Risk Committee, in accordance with the recommendations made by the European Securities and Markets Authority ("ESMA") on January 21, 2013, the joint document Bank of Italy/Consob/ISVAP no. 4 of March 3, 2010 and Consob Communication no. 3907 of January 19, 2015, on March 17, 2022, the Board of Directors, autonomously and prior to the approval of the annual financial statements, approved the impairment test procedures applied by the Company in preparing the financial statements at December 31, 2021 and the impairment test procedures to be applied to the annual financial statements of the companies of the A2A Group.

In the course of carrying out the activity described above, the Board of Statutory Auditors did not identify any critical situations or facts that might lead to the conclusion, with respect to year 2021, that the administrative-accounting system of A2A S.p.A. is inadequate and/or unreliable.

12. Adequacy of the instructions given to subsidiaries.

It should be noted that the Company regulates, by means of specific procedures, the flow of information coming from its subsidiaries, particularly with regard to major transactions.

The Board of Statutory Auditors considers the instructions given by the Company to its subsidiaries pursuant to article 114, paragraph 2 of the T.U.F. to be adequate, in order to comply with the communication obligations provided for by the law.

13. Any relevant aspects relating to meetings with the auditors.

The Board of Statutory Auditors met with the independent auditors with regard to the Annual Report on December 31, 2021:

a) to exchange information on the verifications carried out by the latter pursuant to Legislative Decree 39/2010 and article 150, paragraph 3 of the T.U.F., on the regular accounting and correct reporting of events in the accounting records. During these meetings, there were no reports of problems or abnormalities;
b) for the examination and evaluation of the preparation process, including the evaluation of the correct application of accounting standards and homogeneity of the same, the Half-Year Report of the Group at June 30, 2021 and the Annual Report of the Group at December 31, 2021, as well as the outcomes of the audit and evaluation of these documents.

In particular, the Board of Statutory Auditors:

- analyzed the work carried out by the independent auditors, and in particular, the methodological framework, the audit approach used for the various significant areas of the financial statements and the planning of the audit work;
- shared with the independent auditors issues related to business risks, thus being able to appreciate the adequacy of the response planned by the independent auditors according to the structural and risk profiles of the Company and the Group.

The Board of Statutory Auditors, also:

a) received, pursuant to article 11 of Regulation (EU) no. 537/2014, the supplementary report of the independent auditors, also illustrating the key issues arising from the statutory audit and any significant deficiencies in the internal control system for financial reporting and/or in the accounting system, from which no significant deficiencies were identified;

b) took note of the statement on the independence of EY S.p.A. pursuant to article 6 of Regulation (EU) no. 537/2014, contained in the supplementary report, from which no situations emerge that could compromise its independence;

c) discussed, pursuant to article 6, paragraph 2, letter b) of Regulation (EU) no. 537/2014, with the independent auditors the risks relating to the independence of the same and the measures adopted by the independent auditors to mitigate said risks.

14. Adherence to the Corporate Governance Code for Listed Companies.

The Board of Statutory Auditors verified that the Company, which had already adhered to the Corporate Governance Code for Listed Companies, opted to adhere, by resolution of December 17, 2020, to the new Corporate Governance Code 2020 edition for Listed Companies effective as of January 1, 2021.

It therefore supervised, pursuant to article 149, paragraph 1, letter c-bis) of the T.U.F., the procedures for the concrete implementation of the rules of corporate governance provided for by the Self-Regulation Code and, from January 1, 2021, the Corporate Governance Code, with particular regard to:

- the correct application of the ascertainment criteria and procedures adopted by the Board of Directors to assess the independence of its members;
- the manner in which the self-assessment activities of the Board of Directors and its Internal Committees were carried out, including those relating to the requirements for independent directors;
- the structure of the Company's Corporate Governance.

The Board of Statutory Auditors also acknowledges that the Board of Directors, at its meeting of

March 23, 2022, examined the recommendations of the Corporate Governance Committee contained in the letter of December 3, 2021 addressed by the Chair of the Committee to the Chairpersons of the Boards of Directors of Italian listed companies and, for information, to the relative Chief Executive Officers and Chairpersons of the control bodies, in order to make the necessary decisions in this regard.

The Board of Statutory Auditors monitored the activities carried out by the Control and Risk Committee, the Remuneration and Appointments Committee, the ESG and Local Relations Committee and the Related Parties Committee also with regard to the activities set forth in the Corporate Governance Code.

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In addition to the above, the Board of Statutory Auditors:

- assessed the compliance of its composition with the provisions of the law on gender quotas, as well as its adequacy in terms of policies on diversity of age and diversity of educational and professional experience;
- evaluated and confirmed the correctness and effectiveness of its functioning, also taking into account the requirements of professionalism, competence and experience of its members, the compliance with the regulatory provisions on the accumulation of offices of the Statutory Auditors, the time availability in performing its duties, as well as the functionality and quality of information flows with the Board of Directors, the Control and Risk Committee, the independent auditors and other control functions;
- successfully carried out the periodic verification of compliance with the criteria of independence with regard to each of its members, as required by regulatory provisions and the Corporate Governance Code. The outcome of said audits is outlined in the Annual Report on Corporate Governance and Ownership Structures drawn up for year 2021;

- drafted the summary sheets of the control activities carried out by the Board of Statutory Auditors in 2020, as set out in CONSOB Communication no. 1025564 of April 6, 2001.

15. Consolidated Non-Financial Statement

The Board of Statutory Auditors monitored compliance with the provisions of Legislative Decree no. 254 of December 30, 2016 and Consob Regulation no. 20267 of January 18, 2018 regarding the Consolidated Non-Financial Statement ("CNFS") drawn up by the Company.

The Board of Statutory Auditors recognizes that the Company, in its capacity as Parent Company, drew up the Consolidated Non-Financial Statement in accordance with the requirements of Articles 3 and 4 of Legislative Decree No. 254/2016 and the "Global Reporting Initiative Sustainability Reporting Standards" (so-called. "GRI Standards") defined by GRI - Global Reporting Initiative, identified as reporting standards by the Directors, as described in the "Methodology Note" section of the CNFS.

The Board of Statutory Auditors monitored compliance with the provisions established by Legislative Decree no. 254 of 2016, ensuring that the CNFS allows for an understanding of the Group's activities, its performance, its results and the impacts produced, and that the CNFS reports on environmental, social issues, pertaining to personnel, respect for human rights and governance, taking into account the activities and characteristics of the company, in accordance with the provisions of Article 3 of Legislative Decree no. 254 of 2016.

The Board of Statutory Auditors discussed with the independent auditors the control activities carried out with respect to the CNFS and received confirmation that these did not reveal any critical issues to be reported.

The Board of Statutory Auditors also verified the approval by the Board of Directors, on March 17, 2022, of the aforementioned Consolidated Non-Financial Statement and the issue on March 31, 2022, by the independent auditors, of the specific Report on the Group's CNFS for the year ended on December 31, 2021, which certifies the compliance of its preparation, in all significant aspects, with articles 3 and 4 of Legislative Decree no. 254/2016 and GRI standards, with the exception of information referring to the European Taxonomy.

Final evaluation of the supervisory activity carried out and proposal to the Shareholders' Meeting.

Having regard to the foregoing, and having, in the year under consideration:

- monitored compliance with the law and By-laws, principles of proper administration, and in particular the adequacy of the administrative and accounting organization structure adopted by the Company and proper functioning thereof;
- monitored the observance of information obligations with respect to privileged information;
- monitored the functioning and effectiveness of the internal control and risk management system and the administrative-accounting system, in order to assess their suitability to company requirements, as well as their reliability for the representation of management events;
- monitored compliance with the provisions of law relating to the process of preparing, controlling, approving and publishing the Company's Statutory Financial Statements and the process of preparing, controlling and publishing the Group's Consolidated Financial Statements and reports on operations for the year 2021, including through direct verifications and information obtained from the independent auditors, and also ascertained the adequacy, from the point of view of the method, of the process of *impairment test*;
- verified that, in accordance with Regulation (EC) no. 1606/2002 and Legislative Decree no. 38/2005, the financial statements of A2A S.p.A. and the consolidated financial statements of the Group as of December 31, 2021 are drawn up in accordance with IAS/IFRS international accounting standards approved by the European Commission, supplemented

by the related interpretations issued by the International Accounting Standards Board (IASB);

- monitored compliance with the procedure for the preparation and presentation of the financial statements to the Shareholders' Meeting also with reference to the ESEF format in accordance with the provisions of Delegated Regulation (EU) 2019/85;
- monitored, pursuant to article 19, paragraph 1 of Legislative Decree 39/2010, the financial reporting process and effectiveness of internal control, internal audit and risk management systems and informed the Board of Directors on the outcome of the statutory audit;
- monitored compliance with the provisions established by Legislative Decree 254/2016 and Consob Regulation No. 20267/2018, with respect to the Consolidated Non-Financial Statement.

Providing the foregoing, the Board of Statutory Auditors states that, during the supervision activities described above, no reprehensible facts, omissions, or irregularities arose that require reporting to the competent bodies.

In view of the above, the Board of Statutory Auditors kindly requests that You approve the financial statements at December 31, 2021 presented by the Board of Directors along with the report on operations and the proposed distribution of a dividend.

Milan, April 1, 2022

THE BOARD OF STATUTORY AUDITORS

(Signed Giacinto Sarubbi)	-	Chairman
(Signed Maurizio Leonardo Lombardi)	-	Statutory Auditor
(Signed Chiara Segala)	-	Statutory Auditor