



**ALIA SERVIZI
AMBIENTALI**
SpA

FINANCIAL STATEMENTS 2021

Contents

Corporate Bodies	3
Notice of call of the Ordinary Shareholders' Meeting.....	4
Statement of Financial Position	5
Income Statement	6
Statement of Comprehensive Income	7
Cash Flow Statement.....	8
Statement of Changes in Equity	10
Notes to the Separate Financial Statements	11
Certification of the Separate Financial Statements in accordance with Article 81-ter of CONSOB regulation 11971 of 14 May 1999, as amended and supplemented.....	67
Independent Auditors' Report on the Separate Financial Statements	68

Alia Servizi Ambientali S.p.A.

Registered office in Florence, Via Baccio da Montelupo no. 52

Share Capital € 94,000,000.00 Fully paid-up

Tax Code 04855090488

Florence Register of Companies 04855090488

Florence R.E.A. (Administrative Economic Register) no. 491894

Corporate Bodies

Board of Directors (1)

Chairman Nicola Ciolini (2)

Vice-Chairman Claudio Toni (3)

Chief Executive Officer Alberto Irace (4)

Director Francesca Vignolini (5)

Director Vanessa De Feo (6)

Board of Statutory Auditors (7)

Chairman Stefano Pozzoli

Standing auditor Silvia Bocci

Standing auditor Gabriele Turelli

Alternate auditor Antonella Giovannetti

Alternate auditor Fausto Antonio Gonfiantini

Financial Reporting Manager

Francesco Natali

Independent Auditors

PricewaterhouseCoopers S.p.A. (8)

- (1) Appointed by the Shareholders' Meeting held on 22 December 2020 for the three-year period 2020-2021-2022.
- (2) Appointed as Chairman by the Shareholders' Meeting held on 22 December 2020.
- (3) Appointed as Vice-Chairman by the Shareholders' Meeting held on 22 December 2020.
- (4) Appointed as Chief Executive Officer during the Board of Directors' meeting held on 22 December 2020. Until that date the position had been held by Alessia Scappini, appointed during the Board of Directors' meeting held on 25 September 2018
- (5) Appointed by the Shareholders' Meeting held on 22 December 2020.
- (6) Appointed by the Shareholders' Meeting held on 22 December 2020.
- (7) Appointed by the Shareholders' Meeting held on 22 December 2020 for the three-year period 2020-2021-2022.
- (8) Appointed by the Shareholders' Meeting held on 16 February 2017 for the nine-year period 2017-2025.

Notice of call of the Ordinary Shareholders' Meeting

The Shareholders of "ALIA Servizi Ambientali S.p.A." are invited to an Ordinary Shareholders' Meeting to be held on first call on 29 April 2022, at 10.00 a.m. at the registered office of Alia Servizi Ambientali S.p.A. in Florence, Via Baccio da Montelupo 52 and, if necessary, on second call, on 5 May 2022 at 2.30 p.m. at the registered office of Alia Servizi Ambientali S.p.A. in Florence, Via Baccio da Montelupo 52 (BoD Room) and, in any case, by audio/videoconference call, as required by Article 106 of Decree Law 18 of 17 March 2020 and Article 15 of the Articles of Association, in order to discuss and pass resolutions on the following

Agenda:

1) Financial Statements at 31 December 2021, Board of Statutory Auditors' Report and Independent Auditors' Report: related and consequent resolutions.

Presentation of the Consolidated Financial Statements at 31 December 2021.

Presentation of the Consolidated Non-Financial Statement prepared pursuant to Legislative Decree 254/2016.

The Chairman of the Board of Directors
Nicola Ciolini

Statement of Financial Position

STATEMENT OF FINANCIAL POSITION	NOTES	2021	2020
Property, plant and equipment	1	15,232,690	49,184,413
Concession rights	2/3	211,371,997	149,059,655
Other intangible assets	3	55,176	4,703,699
Equity investments in subsidiaries	4	16,969,615	20,096,442
Equity investments in associates and joint ventures	4	7,243,145	4,057,313
Other equity investments	4	8,614,595	114,326
Non-current financial assets	5	977,617	3,486,758
Non-current trade receivables	8	2,110,649	3,249,744
Deferred tax assets	6	9,176,577	10,947,104
Other non-current assets	6	1,297,360	865,491
Total non-current assets		273,049,422	245,764,946
Inventories	7	2,468,383	3,041,850
Trade receivables	8	112,736,723	93,643,719
Current tax assets	9	95,096	2,385,532
Other current assets	10	7,510,911	4,252,925
Cash and cash equivalents	11	33,730,665	62,256,685
Total current assets		156,541,779	165,580,711
TOTAL ASSETS		429,591,201	411,345,657
Share capital	12	94,000,000	85,376,852
Reserves	13	56,230,767	73,435,227
IFRS FTA Reserve	13	7,896,006	7,896,006
Profit (loss) for the year		8,475,423	(8,340,374)
Total shareholders' equity		166,602,195	158,367,711
Provisions for risks and charges	14	34,617,145	30,872,869
Employee severance pay and other benefits	15	15,433,733	16,350,493
Non-current financial liabilities	16	42,730,111	58,804,783
Non-current trade payables	17	4,233,333	5,066,666
Other non-current liabilities	17	4,772,524	5,749,879
Total non-current liabilities		101,786,846	116,844,689
Current financial liabilities	18	55,535,285	35,217,928
Trade payables	19	88,926,460	87,190,610
Current tax liabilities	20	1,280,175	-
Other current liabilities	20	15,460,240	13,724,719
Total current liabilities		161,202,160	136,133,257
TOTAL LIABILITIES		262,989,006	252,977,946

TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	429,591,201	411,345,657
---	--------------------	--------------------

(*) It should be noted that the reporting scheme of some data relating to the previous year has been modified in order to offer the reader greater comparability of the information reported in the financial statements at 31 December 2021. For more details, reference should be made to the paragraph on the "Reclassifications of comparative data" in the explanatory notes.

Income Statement

INCOME STATEMENT	NOTES	2021	2020
Revenues	21	342,936,728	299,404,640
Construction revenues - Concession rights	2	39,469,351	28,096,067
Other operating revenues	22	4,960,016	3,863,511
Other income	22	2,979,159	1,939,169
Consumption of raw materials and consumables	23	16,506,142	15,123,265
Costs for services	23	189,232,552	174,388,613
Personnel costs	23	109,353,618	100,430,230
Other operating expenses	23	2,604,697	2,643,283
Construction costs - Concession rights	2	39,469,351	28,096,067
EBITDA		33,178,893	12,621,929
Amortisation, depreciation, provisions and write-downs	24	21,218,023	18,783,050
Net value write-backs (write-downs) of trade and other receivables	24	(223,116)	108,679
Operating income (EBIT)		12,183,986	(6,269,800)
Write-downs and (reinstatements) of financial assets		-	3,316,206
Share of profits (losses) of joint ventures and associates	25	1,535,138	586,921
Financial income	25	514,313	540,514
Financial costs	25	2,071,606	2,210,946
Financial operations		(22,155)	(4,399,717)
Profit before tax		12,161,831	(10,669,517)
Tax	26	3,686,408	(2,329,143)
Net profit (loss) for the year		8,475,423	(8,340,374)

Statement of Comprehensive Income

STATEMENT OF COMPREHENSIVE INCOME	2021	2020
Profit (loss) for the year	8,475,423	(8,340,374)
Components that cannot be reclassified to profit or loss		
Actuarial gains (losses) from provisions for employee benefits	(456,289)	(45,888)
Tax effect related to other comprehensive income that cannot be reclassified	109,509	11,013
Total comprehensive income (loss) for the year	8,128,643	(8,375,249)

Cash Flow Statement

CASH FLOW STATEMENT	NOTES	31/12/2021	31/12/2020
OPENING CASH AND CASH EQUIVALENTS	10	62,256,685	85,910,558
Result for the year (A)		8,475,423	- 8,340,374
Depreciation of property, plant and equipment	23	727,604	2,188,010
Amortisation of intangible assets	23	18,005,462	13,641,641
Accrual to provision for bad debts	23	-	108,679
Accrual to provision for risks	23	8,543,113	5,447,530
Non-monetary adjustments related to changes in equity investments (including effects of valuation at equity)	24	- 1,535,138	2,729,285
Effect of deferred tax assets/liabilities through profit or loss	25	1,880,036	- 2,466,588
Provision for current tax	25	1,806,372	137,445
(Capital gains) / Capital losses from disposals / (contributions)	22	- 123,460	- 62,184
Financial (Income) / Costs	24	1,557,293	1,670,432
Accrual to the provision for Employee Severance Pay	14	4,341,079	4,315,461
Other adjustments for non-cash elements		- 2,403,363	
Non-monetary adjustments (B)		32,798,998	27,709,711
Cash flow from Current Operations (C)=(A)+(B)		41,274,421	19,369,337
(Increase)/Decrease in Inventories	6	573,467	- 332,679
(Increase) / Decrease in Trade receivables	7	- 18,891,930	- 4,826,432
(Increase) / Decrease in Current tax assets	8	-	1,020,795
Increase / (Decrease) in Current tax liabilities		0	-
(Increase) / Decrease in Other current assets	9	- 398,943	1,070,715
Increase / (Decrease) in Trade payables	19	1,492,390	12,745,247
Increase / (Decrease) in Other current liabilities	20	3,724,119	- 1,570,887
Other changes		-	2,388,819
Change in Net Working Capital (D)		- 13,500,896	10,495,579
Increase / (Decrease) in non-current assets		707,226	846,237
(Increase) / Decrease in non-current liabilities	16	- 1,810,688	- 1,831,687
Interest collected / (paid)	24	- 1,224,720	- 1,291,016

Change in deferred tax assets / liabilities	25	-	0	-	2,466,590
Use of Provisions for risks / Provision for Employee severance Pay	13 + 14	-	8,752,535	-	9,448,013
Current tax paid			-	-	59,676
Other operating changes (E)			- 11,080,717		- 14,250,745
<hr/>					
Cash flows from operating activities (G)=(C)+(D)+(E)			16,692,807		15,614,171
<hr/>					
(Investments) in property, plant and equipment	1	-	1	-	6,836,927
Disinvestments from property, plant and equipment	1		-		94,245
(Investments) in intangible assets	2	-	39,480,692	-	31,623,093
Disinvestments from intangible assets	2		334,957		329,321
(Investments) in non-current financial assets	3 + 4	-	11,285,128	-	4,910,000
Disinvestments from non-current financial assets	3 + 4		782,117		1,054,466
Cash and cash equivalents acquired as a result of incorporations			187,235		-
Cash flows from investing activities (H)			- 49,461,512		- 41,891,988
<hr/>					
Free cash flows (I)=(G)+(H)			- 32,768,705		26,277,817
<hr/>					
<i>Financing activities - Borrowed capital</i>					
New loans	15		-		8,000,000
Repayment of loans	18	-	14,568,924	-	3,098,836
Increase (decrease) in other short-term financial payables			18,811,609	-	2,277,220
<i>Financing activities - Net worth</i>					
Change in liquidity for BC transactions			-		-
<hr/>					
Cash flows from financing activities (J)			4,242,685		2,623,944
<hr/>					
Net change in cash and cash equivalents (L)=(I)+(J)	10	-	28,526,020		23,653,873
<hr/>					
CLOSING NET CASH AND CASH EQUIVALENTS	10		33,730,665		62,256,685

Statement of changes in Equity

Description	<i>Share Capital</i>	<i>Extraordinary reserve and other revenue reserves</i>	<i>Other reserves</i>	<i>Profit for the year</i>	<i>Equity</i>
Balance at 1 January 2020	85,376,852	73,551,236	7,896,005	-80,567	166,742,960
Profit (loss) for the period				-8,340,374	-8,340,374
Other comprehensive income (loss)		-34,875			-34,875
Comprehensive income for the year		-34,875		-8,340,374	-8,375,249
<i>Changes with shareholders:</i>					
Allocation of the previous year's result		-80,567		80,567	-
Balance at 31 December 2020	85,376,852	73,435,227	7,896,005	- 8,340,374	158,367,711
Balance at 1 January 2021	85,376,852	73,435,227	7,896,005	-8,340,374	158,367,711
Profit (loss) for the period				8,475,423	8,475,423
Other comprehensive income (loss)		-346,780			-346,780
Comprehensive income for the year		-346,780		8,475,423	8,128,643
<i>Changes with shareholders:</i>					
Allocation of the previous year's result		-8,340,374		8,340,374	-
Merger by incorporation		105,842			105,842
Capital increase without payment	8,623,148	-8,623,148			-
Balance at 1 January 2021	94,000,000	56,230,767	7,896,005	8,475,423	166,602,195

Notes to the Separate Financial Statements

1) GENERAL INFORMATION AND SIGNIFICANT EVENTS DURING THE YEAR

Alia Servizi Ambientali S.p.A (hereinafter also referred to as “Alia” or the “Company”) is the company that manages environmental services such as the collection, treatment and disposal of municipal waste in Central Tuscany, as a concessionaire for the integrated management of municipal and similar waste, in accordance with Article 26, paragraph 6, of Tuscan regional law 61/2007 for the area concerned by the entire scope of the concession agreement.

As from 2017, it adopted the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) for the preparation of the financial statements, given that Alia is qualified as a PIE (Public Interest Entity - as defined by Article 16 of Legislative Decree 39/2010).

At the end of 2017, the transitional period ended, which is regulated by the Service Contract (hereinafter also referred to as “Service Contract”) for the twenty-year concession signed with ATO Toscana Centro (Integrated Municipal Waste Management Authority) on 31 August 2017, and from 1 January 2018, the term started for the concession involving the integrated management of municipal waste on an exclusive basis, which consists of the following activities:

- provision of basic services;
- provision of ancillary services;
- execution of the works provided for in the contract.

As from 1 January 2018 the service is delivered for 30 Municipalities in the province of Florence, 12 in the Province of Pistoia and 7 in the Province of Prato; as from 1 March 2018 the service is also delivered for other 2 municipalities in the Province of Florence and other 8 municipalities in the Province of Pistoia, for a total of 59 municipalities served.

On 1 March 2018, the owned assets which are functional to the service were transferred from former operators who were not part of Alia, such as AER Ambiente, Energia Risorse S.p.A. and COSEA Ambiente S.p.A., to the concession area operator Alia. These assets have therefore been "added" to the assets of the Operator at the residual book value applicable at the date of the transfer.

The Company delivered integrated urban hygiene services on behalf of 59 municipalities in the provinces of Florence, Prato and Pistoia during 2019, since the merger had been completed between the Municipal districts of Barberino Val D'Elsa and Tavernelle Val di Pesa.

During 2021, due to the continuation of the Covid-19 pandemic, Alia found itself in the position of having to bring its methods of delivering services in the areas served into line with a number of regulatory measures issued by the Italian, Tuscany Region and Municipal Governments in the field of hygiene and healthcare, with a significant increase in operating costs. Specifically, the higher costs for the collection and disposal of "Covid waste", picked up directly from the homes of quarantined users, amounted to about Euro 4.6 million in 2021.

The Directors have also assessed whether the going-concern assumption is applicable to the preparation of the financial statements, concluding that it is adequate since there are no doubts regarding the Company's ability to continue as a going concern.

SEPARATE FINANCIAL STATEMENTS

The separate financial statements of Alia S.p.A. at 31 December 2021 were prepared in accordance with the International Financial Reporting Standards (hereinafter IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. The term IFRS also includes all revised international accounting standards (IAS) and all the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC). The financial statements of Alia at 31 December 2021 are presented in Euro units.

The core business operations carried out by the Group are described in the Report on Operations on the Consolidated Financial Statements.

These draft financial statements at 31 December 2021 were approved by the Board of Directors on 31 March 2022, which authorised their publication and are subject to statutory audit by PricewaterhouseCoopers S.p.A. on the basis of the engagement for the nine-year period 2017-2025 assigned by a resolution passed by the Shareholders' Meeting held on 16 February 2017.

FINANCIAL STATEMENT SCHEDULES

The separate financial statements are made up of the following schedules:

- Statement of financial position
- Income statement
- Statement of comprehensive income
- Cash flow statement
- Statement of changes in Equity.

Alia prepares and submits the "Consolidated disclosure of non-financial information", in the form of a "separate report", as required by Article 5 "Disclosure reporting and regime" of Legislative Decree 254/2016. This disclosure is published according to the same methods and timing as the Annual Report and is available on the Company's website.

With reference to the Statement of financial position, a form of presentation which provides for the breakdown of assets and liabilities into current and non-current items has been adopted, as required by paragraph 60 and ff. of IAS 1.

The "Income statement" is in report form with each item ordered by type, which is deemed more consistent than presentation by expenditure allocation. The chosen form is in fact in line with international practice.

In order to report additional information on the results of operations, the Company has opted for the preparation of two separate statements, the "Income Statement", which includes the profit or loss for the period, and the "Statement of comprehensive income" (hereinafter also referred to as "OCI"), which includes both the profit or loss for the period and changes in equity relating to income statement items, which, as expressly provided for by international accounting standards, are recognised among equity components. The Statement of Comprehensive Income also provides a breakdown of Other comprehensive income (loss) which distinguishes between profits and losses that will be subsequently reclassified to the income statement and profits and losses that will never be reclassified to the income statement.

The Cash Flow Statement is broken down by areas of cash flow generation. The schedule adopted by the Company has been prepared according to the indirect method. Cash and cash equivalents stated in the schedule include the balance sheet values of these items at the reporting date. Income and expenses relating

to interest, dividends received and income tax are included in the cash flows generated from operating activities.

The Statement of Changes in Equity is presented as required by international accounting standards, showing separately the profit or loss for the period and any revenue, income, charge and expense that have not been taken to the income statement or the statement of comprehensive income, but are charged directly to Equity on the basis of specific IAS/IFRS accounting standards.

MERGER BY INCORPORATION OF Q.THERMO AND Q.ENERGIA

The 2021 financial year saw the merger by incorporation of Q.Thermo S.r.l. and Q.Energia S.r.l., which are both wholly owned.

The legal effects of the aforesaid transaction, which was completed on 15 October 2021 following the execution of the related deed of merger, applied from 15 October 2021, backdated to 1 January 2021 for accounting and tax purposes.

For the sake of completeness, it should be noted that this merger was classified as a business combination between entities under common control: therefore, since it was a "business combination involving entities under common control", which is included among operations that are explicitly excluded from the scope of application of IFRS 3, the merger was reported in the financial statements of the company resulting from the merger: as a result, the values of the acquiree's assets and liabilities were recognised at the values resulting from the financial statements of the merged company, according to an accounting treatment that is such as to allow the management to provide disclosures that are both material and reliable, pursuant to the provisions of IAS 8, paragraph 10.

Given that the transaction was a reorganisation of the Group, in accordance with Assirevi OPI Document no. 2 (Revised), "Accounting treatment of mergers in the financial statements", it was recognised according to the principle of continuity of accounting values, i.e. in continuity with those of the merged company, charging the difference from cancellation to equity.

Given that the transaction was classified as a reorganisation, the income statement figures of the merged company were included in the financial statements of the merging company with effect from 1 January 2021.

2) ACCOUNTING POLICIES AND BASIS OF PREPARATION

The separate financial statements at 31 December 2021 were prepared according to the historical cost principle, except for the items illustrated below which must or can be measured at fair value according to IFRS.

The accounting standards, policies and estimates adopted in preparing the separate Financial Statements are those required by international accounting standards.

The Directors have also assessed whether the going-concern assumption is applicable to the preparation of the financial statements, concluding that it is adequate.

Property, plant and equipment

Immovable and movable property are stated in "Property, plant and equipment."

Tangible assets are recorded at their purchase price or production cost, including any directly-attributable additional costs necessary to make the assets available for use.

Property, plant and equipment under construction are valued at cost and depreciated as from the financial period in which they enter into service. The residual value and useful life of an asset must be reviewed at least

at the end of each financial period and, if expectations differ from previous estimates, changes must be accounted for as a change in the accounting estimate.

Tangible assets are systematically depreciated on a straight-line basis over their useful life. When the tangible asset consists of several components with different useful lives, depreciation is carried out for each component. The value to be depreciated consists of the carrying amount reduced by the presumed net transfer value at the end of its useful life, if it is significant and can be measured reliably. Land is not subject to depreciation (except for landfills, as detailed below), even if purchased together with a building. Routine maintenance costs are charged in full to the Income Statement. Value-increasing maintenance costs are allocated to the assets to which they refer and amortised in relation to their residual useful lives.

The presumed realisable value which is deemed to be recovered at the end of the useful life is not depreciated. The useful life of each asset is reviewed annually and any changes are made for the purpose of a correct recognition of the value of the asset, if necessary.

Landfills are depreciated on the basis of the filling percentage determined as the ratio of the volume occupied at the end of the period to the overall authorised volume.

If there is objective evidence that is such as to suggest the existence of a permanent impairment loss, property, plant and equipment are subjected to Impairment Test, according to the criteria set out in the paragraph on the "Impairment".

Upon disposal, or if no future economic benefits are expected from the use of the asset, it is derecognised from the financial statements and any loss or profit (calculated as the difference between the transfer value and the carrying amount) is recognised in the Income Statement in the period of the aforementioned derecognition.

These are depreciated on a straight-line basis (except for the depreciation of landfills which is recognised based on the ratio of the amounts of waste transferred and the amount of waste that can be transferred).

The residual value and the useful life of an asset are reviewed at least at each financial year-end and, if expectations differ from previous estimates, any change/s is/are accounted for prospectively as a change in estimate under IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Based on auditing whether the residual useful lives of the assets from an accounting point of view are consistent with the actual physical, technical and technological life of each asset, while also taking account of the study carried out by ARERA (the Italian Regulatory Authority for Energy, Networks and Environment) against which the useful lives of different types of assets were presented, the depreciation rates applicable to the following categories of assets for the 2021 financial year were set out.

The useful lives adopted in preparing the 2020 Financial Statements were confirmed in 2021.

The table below reports the depreciation rates of property, plant and equipment, as depreciated on a straight-line basis.

DESCRIPTION	Useful life (years)	DEPRECIATION RATES
Civil and industrial buildings	40	2.50%
Light-weight constructions	7	14.29%
Landfill - operating machines and mechanical shovels	15	6.67%
Landfill- other systems	15	6.67%
Sorting and composting plant - pre-treatment	12	8.33%
Sorting and composting plant - composting and anaerobic digestion	20	5.00%
Sorting and composting plant -biogas and leachate collection and processing	25	4.00%

Sorting and composting plant - other systems	15	6.67%
PV plant	10	10.00%
Miscellaneous and small workshop equipment	7	14.29%
Other miscellaneous and small equipment	7	14.29%
Motor vehicles	8	12.50%
Cars	5	20.00%
Miscellaneous door-to-door collection equipment	5	20.00%
Dumpsters	8	12.50%
Bell-shaped containers	8	12.50%
Bins	5	20.00%
Office furniture and ordinary machines	7	14.29%
Electromechanical office machines	5	20.00%
Fully-depreciable assets		100.00%

Intangible assets

Intangible assets acquired or produced internally are stated in assets, when it is probable that the use of the assets will generate future economic benefits and when the cost of the asset can be determined reliably.

Intangible assets consist of assets without identifiable physical substance, controlled by the entity and capable of producing future economic benefits.

Identifiability is defined with reference to the possibility of distinguishing the intangible asset 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, i.e. it can be sold, transferred, leased or exchanged independently or as an integral part of other fixed assets.

Control over the entity consists of the power to take advantage of the future economic benefits deriving from the asset and of the possibility of limiting its access by others.

Intangible assets with a definite useful life are stated net of accumulated amortisation and any permanent impairment loss determined according to the same methods as those described above for property, plant and equipment. Changes in expected useful lives or in the ways in which the future economic benefits associated with the intangible asset are achieved by the entity are recognised by changing the amortisation period or method and are treated as changes in accounting estimates. The amortisation rates on intangible assets with a definite useful life are recorded through profit or loss in the cost category consistent with the function of the intangible asset.

Development costs are stated as assets only if all of the following conditions are met: costs can be determined reliably and the product's technical feasibility, expected volumes and prices indicate that any cost incurred in the development phase will generate future economic benefits. Capitalised development costs include only expenses incurred that can be attributed directly to the development process. Capitalised development costs are amortised on a systematic basis, as from when work commences on production over the estimated life of the product. Other development costs are recognised through profit or loss when incurred.

If there is objective evidence of permanent impairment losses, intangible assets are subjected to Impairment Test according to the criteria set out in the paragraph on the "Impairment". Any write-downs may be subject to subsequent value reinstatements if the reasons that led to impairment cease to exist.

Profits or losses arising from the disposal of an intangible asset are determined as the difference between the disposal value and the carrying amount and are recognised through profit or loss at the time of the sale.

Goodwill (if any) and other intangible assets, where present, with an indefinite useful life are not amortised; the recoverability of their book value is verified at least annually and in any case whenever an event occurs that suggests that they are impaired, except for goodwill, which is tested for impairment at least on an annual basis.

Concession rights consist of the Concessionaire's right to use the asset (the "intangible asset" method) under concession in consideration of the costs incurred for the design and construction of the asset with the obligation to hand over it at the end of the concession term. Concession rights are recognised at fair value (estimated on the basis of the cost incurred) of intangible assets relating to construction and expansion of assets falling within the scope of IFRIC 12.

If the fair value of the services received cannot be measured reliably, revenue is calculated on the basis of the fair value of the services provided (fair value of the construction services performed).

Restoration or replacement are not capitalised and are included in the estimate of the provision described below.

The amortisation fund and the provision for restoration or replacement costs considered as a whole ensure adequate coverage of the following costs:

- transfer to the successor Operator at book value on the expiry of the concession term of freely transferable assets with a useful life longer than the term of the concession;
- restoration and replacement of components subject to wear and tear of the assets under concession.

If events occur that suggest an impairment of these intangible assets, the difference between the book value and the related "recoverable value" is taken to profit or loss.

Concession rights are amortised, limited to those assets for which a "takeover value" will be recognised at the end of the concession term, on the basis of the useful life of the underlying assets, according to the criteria shown in the table in the paragraph on "Property, plant and equipment". Assets that will not be included in the determination of the takeover value are amortised on the basis of the shorter of the term of concession and the useful life of each asset.

These assets are amortised on a straight-line basis; the related amortisation rates are reported in the table below.

DESCRIPTION	Useful life - ARERA (years)	AMORTISATION RATES
Intangible assets	7	14.29%

For more details on the depreciation rates of property, plant and equipment included in concession rights, reference should be made to the table reported in the paragraph above.

Impairment losses

At each reporting date, the Company reviews the book value of its tangible and intangible assets to establish whether there is any evidence that these assets have recorded an impairment loss. If this evidence exists, the recoverable amount of these assets is estimated in order to calculate the amount of any possible write-down (impairment test). Where it is not possible to estimate the recoverable amount of each asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the greater of net selling price and value in use. In measuring the value in use, estimated future cash flows are discounted at their present value by using a pre-tax rate that reflects current market assessments of the present value of money and the specific risks associated with the asset.

If the recoverable amount of an asset (or of a cash-generating unit - "CGU") is estimated to be lower than its carrying amount, the carrying amount of the asset is reduced down to the lower recoverable amount. An impairment loss is recognised immediately through profit or loss.

When the conditions for a write-down are no longer met, the book value of the asset (or of the cash-generating unit) is increased up to the new value arising from its estimated recoverable value, but not beyond the net carrying amount that the asset would have had had the write-down not been recognised for impairment loss. The reversal of the value is charged immediately to profit or loss.

Leases (for lessee)

The Company recognises a right of use at the inception date of the lease, which corresponds to the date on which the underlying asset is available for use for any and all lease agreements under which it is a lessee, except for short-term leases (i.e. leases with a term of less than or equal to 12 months and which do not contain a call option) and those with low-value assets (i.e. with a unit value of less than Euro 5 thousand).

Lease payments relating to short-term, low-value leases are recognised as costs in the income statement on a straight-line basis over the lease term.

Rights of use are valued at cost, net of accumulated amortisation and impairment losses and as adjusted following any remeasurement of lease liabilities. The value assigned to rights of use corresponds to the amount of the lease liabilities recognised, in addition to any initial direct costs incurred, any lease payments settled on or before the inception date of the lease, and restoration costs, net of lease incentives received (if any). The discounted value of the liability determined in this manner increases the right to use the underlying asset, against an entry in a dedicated provision. Unless the Company is reasonably certain that it will acquire ownership of the leased asset at the end of the lease term, rights of use are amortised on a straight-line basis over the estimated useful life or the lease term, whichever is shorter.

The lease term is calculated by considering the non-cancellable period of the lease, together with the periods covered by an option to extend the agreement if it is reasonably certain that it will be exercised, or any period covered by an option to terminate the lease if it is reasonably certain that it will not be exercised. The Company assesses whether or not it is reasonably certain that the extension or termination options will be exercised, while taking account of any and all relevant factors that create an economic incentive relating to such decisions.

The financial liability for leases is recognised at the inception date of the lease for a total value equal to the present value of the lease payments to be made over the lease term, as discounted by using incremental interest rates (Incremental borrowing rate "IBR"), when the interest rate implicit in the lease cannot be determined easily. Variable lease payments are still recognised in the income statement as a cost accrued in the period.

The book value of right-of-use assets is classified in the accounts in the respective class of underlying asset; details are provided in the explanatory notes.

IFRS 16 requires management to make estimates and assumptions that may affect the measurement of the right of use and the financial liability for leases, including the determination of: contracts within the scope of application of the new rules regulating the measurement of assets/liabilities according to the finance method; terms and conditions of the agreement; interest rate used to discount future lease payments.

Leases (for the lessor)

Lease agreements under which the Company is the lessor are classified as operating leases or as finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards attached to the ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards attached to the ownership of an underlying asset.

As regards finance leases, at the effective date the Company recognises the assets held under a finance lease in the statement of financial position and states them as a receivable at a value equal to the net investment in the lease, which is measured by using the interest rate implicit in the lease.

As regards operating leases, the Company must recognise operating lease payments as an income on a straight-line or any other systematic basis.

Costs, including amortisation, incurred to realise lease income are recognised as an expense.

Equity investments in subsidiaries, associates and joint ventures

Equity investments in subsidiaries are valued at cost. These are companies in relation to 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 own power over the investee", as defined by IFRS 10. Generally, the existence of control is presumed when directly holding more than half of the voting rights exercisable at the ordinary shareholders' meeting, also considering potential votes, i.e. voting rights attached to convertible instruments.

Equity investments in associates and joint ventures are stated among non-current assets and are valued using the equity method.

Associates are those entities over which the parent company exercises significant influence in making strategic (financial and operational) decisions, even though it does not retain control over them, while also considering potential votes, i.e. voting rights attached to convertible instruments; significant influence is presumed when the company directly holds more than 20% of the voting rights that can be exercised at the ordinary shareholders' meeting.

The Company applies IFRS 11 to all partnership agreements. According to IFRS 11 investments in joint arrangements are classified as joint operations or joint ventures depending on the contract rights and obligations of each investor. The Company has established that the only partnership agreement it has currently in place falls within the scope of joint ventures.

In applying the equity method, the investment in an associate or joint venture is initially recognised at cost and the carrying amount is increased or decreased to recognise the Company's share of the investee's profits or losses realised after the date of acquisition. The Company's share of the investee's profit (loss) for the period is recognised in the income statement. Dividends received from an investee reduce the carrying amount of the equity investment.

Non-current assets held for sale

Non-current assets (and disposal groups of assets) classified as held for sale are measured at the lower of their previous carrying amount and market value, net of selling costs.

Non-current assets (and disposal groups of assets) are classified as held for sale when their carrying amount is expected to be recovered through a disposal transaction rather than through their use in the entity's operations. This condition is met only when the sale is highly probable, the asset (or group of assets) is available for immediate sale in its current condition and the Management has made a commitment to sell, which should take place within twelve months of the date of classification under this item.

Inventories

These are recognised when the risks and rewards associated with the assets acquired are transferred and are stated at the lower of purchase cost, including any and all directly attributable additional costs and charges and indirect costs relating to in-house production, and the presumed realisable value inferable from market trends.

These mainly include spare parts and are valued at the lower of weighted average cost and market value at the reporting date. Weighted average cost is determined for the reporting period in relation to each inventory code. Weighted average cost includes any additional costs accrued in the period. The value of obsolete and slow-moving stock is written down in relation to the possibility of use or realisation, setting aside a specific provision for material obsolescence.

Cash and cash equivalents

This item includes cash on hand, current bank accounts and deposits repayable on demand, as well as other short-term high-liquidity financial investments that are readily convertible into cash and are subject to a non-significant risk of change in value.

Financial assets (including equity investments in other companies)

These are classified and measured by considering both the financial asset management model and the contract terms and conditions of cash flows that can be derived from the asset. Depending on the features of the instrument and the business model adopted for its management, the following three categories are reported: (i) financial assets measured at amortised cost; (ii) financial assets measured at fair value through other comprehensive income (hereinafter also referred to as OCI); (iii) financial assets measured at fair value through profit or loss.

Financial assets are measured using the amortised cost method if both the following conditions are met:

- the financial asset management model consists of holding the asset for the sole purpose of collecting the related cash flows; and
- the financial asset generates, at predetermined contractual dates, cash flows that consist exclusively of the return on the asset itself.

According to the amortised cost method, the initial book value is subsequently adjusted to take account of repayments of principal, any write-downs and the amortisation of the difference between the repayment value and the initial book value.

Amortisation is carried out on the basis of the effective internal interest rate which is the rate that makes the present value of expected cash flows and the initial book value equal upon initial recognition.

Receivables and other financial assets measured at amortised cost are stated in the balance sheet, net of the related provision for write-down.

Financial assets consisting of debt instruments whose business model provides for both the possibility of collecting contract cash flows and the possibility of realising capital gains on disposal ("hold to collect and sell" business model), are measured at fair value through OCI (assets measured at FVTOCI).

In this case, changes in the fair value of the instrument are recognised in equity, among other comprehensive income. The cumulative amount of fair value changes, which is charged to the equity reserve which includes other comprehensive income, is reversed through profit or loss when the instrument is derecognised. Interest income calculated using the effective interest rate, exchange rate differences and write-downs are recognised through profit or loss.

A financial asset which is not measured at amortised cost or at FVTOCI is measured at fair value through profit or loss (assets measured at FVTPL).

Trade and other receivables

These are initially recognised at fair value and subsequently measured using the amortised cost method, net of the provision for bad debts.

The Company measures any impairment or write-downs of receivables using an Expected Loss method. As regards trade receivables, the Company adopts a simplified approach which does not require the recognition of periodic changes in credit risk, but rather the recognition of an Expected Credit Loss ("ECL") calculated over the entire maturity of the receivable (lifetime ECL).

Trade receivables are written down in full when there is no reasonable expectation of recovery, i.e. when there are inactive commercial counterparties.

The book value of the asset is reduced through the use of a provision for write-down and the amount of the loss is recognised in the income statement.

When collection of the consideration is deferred beyond normal business terms applied to customers, the receivable is discounted to present value.

Financial liabilities

Upon initial recognition they are measured at their fair value equal to the amount received at the reporting date, to which must be added any transaction costs directly attributable to payables and loans. After initial recognition, non-derivative financial liabilities are measured at amortised cost according to the effective interest method.

The Company's financial liabilities include trade payables and other payables and loans.

Financial liabilities are classified as payables and loans, or as derivatives designated as hedging instruments, as the case may be. The Company determines the classification of its financial liabilities upon initial recognition.

Profits and losses are accounted for through profit or loss when the liability is extinguished, as well as through the amortisation process.

Amortised cost is calculated by recording each discount or premium on the acquisition and fees or costs that are an integral part of the effective interest rate. Amortisation at the effective interest rate is stated among financial costs in the income statement.

A financial liability is derecognised when the underlying obligation is extinguished, or cancelled or fulfilled.

When an existing financial liability is replaced by another of the same lender, under substantially different conditions, or the conditions of an existing liability are substantially amended, this change or amendment is treated as a write-off of the original liability and the recognition of a new liability, taking any difference between book values to profit or loss.

Employee benefits

The liability relating to the benefits allocated to employees and paid on or after the termination of the employment relationship under defined benefit plans is determined, separately for each plan, on the basis of actuarial assumptions by estimating the amount of future benefits that employees have accrued at the reporting date ("projected unit credit method"). The liability stated in the accounts, net of plan assets (if any), is recognised on an accrual basis over the vesting period of the right. The liability is measured by independent actuaries.

The components of the cost of defined benefits are recognised as follows:

- service costs are recognised among personnel costs in the Income Statement;
- net financial expenses on the defined benefit liability or asset are recognised in the Income Statement as Financial income/(expenses), and are determined by multiplying the value of the net liability/(asset) by the rate used to discount the obligations, taking account of the payments of contributions and benefits made during the period;
- the remeasurement components of the net liability, which include actuarial gains and losses, the return on assets (excluding interest income recognised in the Income Statement) and any change in the limit of the asset, are recognised immediately in Other comprehensive income (loss). These components must not be reclassified to the Income Statement in a subsequent period.

Provisions for risks and charges

These concern costs and charges of a given type, and of certain or probable existence, which were undetermined in terms of amount or timing at the reporting date. The allocations are booked when there is a current obligation (legal or constructive) arising from a past event, if an outlay of resources to satisfy the obligation is probable, and the amount of the obligation can be estimated reliably.

The provisions are stated at the value consisting of the best estimate of the amount which the entity would pay to discharge the obligation or to transfer it to third parties at the reporting date. If the effect of discounting back the value of money is significant, provisions are calculated according to the discounted cash

flow method at a pre-tax discount rate which reflects the market's current valuation of the cost of money in relation to time. When the discounting back is carried out, the increase in the provision due to the passage of time is recognised as a financial cost.

If the liability relates to property, plant and equipment, the provision is initially recorded against an entry under the fixed assets to which it refers; the related cost is recognised through profit or loss through the depreciation process of the tangible asset to which it refers.

Provision for restoration and replacement

According to IFRIC 12, the concessionaire does not meet the requirements to report infrastructures in its accounts as property, plant and equipment and the accounting treatment of the works executed on the infrastructure is of different importance depending on their type. In particular, there are two categories: works referable to normal infrastructure maintenance, replacement works and scheduled maintenance of the infrastructure at a future date.

The former relate to normal routine maintenance which is recognised through profit or loss when incurred, also in accordance with IFRIC 12. The latter, considering that IFRIC 12 does not provide for the recognition of a physical infrastructure asset but only of a right, must be recognised in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; this standard requires the recognition of a provision divided into an operating component (including any effect arising from changes in the discount rate) and a financial component through profit or loss, on the one hand, and, on the other, the recognition of a provision for charges in the balance sheet.

The "Provision for restoration or replacement", in accordance with the obligations laid down in the concession agreement, therefore includes the best estimate of the present value of the costs accrued at the reporting date for maintenance scheduled for subsequent periods, aimed at ensuring the required functionality, operation and safety of the set of assets under concession based on the information available at the reporting date.

After-closure provisions

They consist of the amount set aside to meet the costs that shall be incurred to manage the closure and post-closure period of landfills that are currently under operation. Future outlays have been discounted in accordance with the provisions of IAS 37. The increases in the provision include the financial component inferred from the discounting procedure and the provisions due to changes in the assumptions on future outlays following the review of estimates concerning both landfills in operation and those already exhausted. The uses consist of the actual outlays that were determined during the year. Provisions are also set aside by taking account of the rules laid down in the regulations in force (Legislative Decree 36/2003).

Grants

Grants from public bodies are recognised at fair value when it is reasonably certain that they will be received and the conditions for obtaining them will be satisfied.

Grants received for specific assets whose value is recorded under fixed assets are recognised in a specific liability item and credited to profit or loss in relation to the amortisation or depreciation period of the assets to which they refer.

Operating grants (paid for the purpose of providing immediate financial support to the entity or as compensation for expenses and losses incurred in a previous period) are fully recognised through profit or loss when the conditions for entering them are satisfied.

Revenues

The Company proceeds with the recognition of revenues after having identified contracts with its customers and the related obligation to be satisfied (transfer of goods and/or services), calculated the consideration to which the entity believes it is entitled in exchange for the satisfaction of each of these obligations and considering the manner in which this obligation is satisfied (performance at point in time or over time).

In particular, the Company proceeds with revenue recognition only if the following requirements are met (identification requirements of the “contract” with the customer):

- a) the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and have undertaken to fulfil their respective obligations; there is therefore an agreement between the parties which creates rights and obligations that are due and payable regardless of the form in which this agreement is expressed;
- b) the Company may identify the rights of each party with respect to the goods or services to be transferred;
- c) the Company may identify the terms of payment for the goods or services to be transferred;
- d) the contract has commercial substance; and
- e) it is probable that the Company will receive the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

If the requirements referred to above are not met, the related revenues are recognised when: (i) the Company has already transferred control over the goods and/or provided services to the customer and all or almost all of the consideration promised by the customer has been received and is not refundable; or (ii) the contract has been terminated and the consideration the Company has received from the customer is not refundable.

If the requirements reported above are instead met, the Company applies the rules of recognition described below.

The Company carries out waste collection and road sweeping activities set out in the concession agreement or under contracts with private individuals or entities, in which almost all transactions take place in accordance with contracts that provide for only one performance obligation. Revenues from provision of the services described above are recognised when they are rendered with reference to the state of progress, considering that the Company delivers environmental services over a given period of time, depending on the services performed.

Costs

Costs are charged to profit or loss when their existence has become certain, the amount can be determined objectively and when it is possible to establish that the entity sustained these costs on an accruals basis, while taking account of the substance of the transaction.

Financial income and charges

Financial income is recognised on an accruals basis and includes interest income on invested funds, foreign exchange gains and income from financial instruments, when they are not offset in hedging transactions. Interest income is charged to profit or loss when it accrues, taking into account the effective yield.

Financial costs are recognised on an accruals basis and include interest expense on borrowings calculated by using the effective interest method and foreign exchange losses. They also include the financial component of the annual accrual to the provision for restoration.

Financial costs incurred for investments in assets for which a certain period of time normally passes to make the asset ready for use are capitalised and amortised over the useful life of the class of assets to which they refer.

Income tax

Current tax

Current income tax for the period is determined based on an estimate of taxable income and in compliance with domestic legislation in force or substantially approved at the reporting date, taking account of any applicable exemption and of any tax credit due.

Deferred tax assets and liabilities

These are calculated on the temporary differences between the value attributed to assets and liabilities in the accounts and the corresponding values recognised for tax purposes.

The rates applied are those estimated that will be in force when the temporary differences reverse. Deferred tax assets are recorded only to the extent that it is probable that taxable income will be available against which these assets may be used. The book value of receivables for deferred tax assets is reduced to the extent that it is no longer probable that the related tax benefit may be realised. The business planning period is taken into account in the assessment of deferred tax assets.

When the results are recorded in the OCI section, current tax, deferred tax assets and liabilities are also directly charged to this section. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Taxes can be offset when they are applied by the tax authority itself, when there is a legal entitlement to offsetting and the net balance is expected to be paid.

Use of estimates

The preparation of the financial statements and of the explanatory notes has required the use of estimates and assumptions both in the determination of certain assets and liabilities and in the measurement of contingent assets and liabilities. The final results that derive from the occurrence of events could differ even significantly from these estimates.

The estimates have been used in the assessment of tariff adjustments, provisions for risks and charges, provisions for bad debts, useful life of assets, employee benefits and taxes. The estimates and assumptions are reviewed periodically and the effects of each change are immediately taken to profit or loss.

The main assumptions used by management in the evaluation process of the aforementioned accounting estimates are illustrated below. The criticality inherent in these estimates is in fact determined by using assumptions and/or professional judgements relating to issues that are by their nature uncertain. Changes to the conditions underlying the assumptions and judgements adopted could have a significant impact on subsequent results.

Revenue Recognition

Revenues from sales and services are recognised on an accrual basis. The fee invoiced to each municipality is that determined under the scope of the concession area, which the Authority distributes annually between each of the Municipalities. For more details, reference should be made to paragraph 2 below.

Recoverable value of non-current assets

Non-current assets include property, plant and equipment, concession rights, other intangible assets, equity investments and other financial assets. The Company reviews the carrying amount of non-current assets held and used and of disposal assets periodically, when events and circumstances require such review. When the book value of a non-current asset has recorded an impairment loss, the Company recognises a write-down

equal to the excess amount of the book value of the asset and its recoverable value through use or sale, determined with reference to the cash flows envisaged in the most recent business plans.

Provisions for risk and charges

The identification of whether there is a current obligation (legal or constructive) is not easy to determine in some circumstances. The directors evaluate these events on a case-by-case basis, together with the estimated amount of financial resources required to fulfil the obligation. Provisions are estimated within a complex process that involves subjective judgements by the Company management. The Company is also involved in legal and tax disputes concerning complex and difficult legal issues, which are subject to a varying degree of uncertainty, including the facts and circumstances surrounding each case, jurisdiction and different applicable laws. Given the uncertainties attached to these issues, it is difficult to predict with certainty the outlay of funds that will arise from said disputes and it is therefore possible that the value of the provisions for legal proceedings and litigation may change as a result of future developments in the proceedings in progress. The Company monitors the status of ongoing disputes and consults with its legal counsels and experts in legal and tax matters. When the directors believe that the occurrence of a liability is only possible, the risks are reported in the specific information section on commitments and risks, without giving rise to any provision.

Liabilities for landfills and After-closure provisions

The provision for liabilities for landfills consists of the amount set aside to meet the costs that must be incurred to manage the closure and post-closure period of landfills currently in use. Future outlays, which are inferred for each landfill from a specific valuation report which is prepared by third-party experts and is updated annually, have been discounted in accordance with the provisions of IAS 37.

Provision for bad debts

This reflects management's estimate of expected losses relating to the loan portfolio. The Company applies the simplified approach envisaged under IFRS 9 and records expected losses on all trade receivables based on the residual maturity, determining the provision based on the past experience of credit losses as adjusted to take account of specific forecast factors relating to creditors and the economic environment (Expected Credit Loss - ECL concept).

Amortisation and depreciation

Amortisation and depreciation of fixed assets constitute a significant cost to the Company. Fixed assets are amortised or depreciated systematically over their estimated useful life. The useful economic life of the company's fixed assets is determined by the directors, with the help of technical experts, once the asset has been purchased. The Company evaluates technology and sector changes, decommissioning/closure costs and the recoverable value to update the residual useful life on a periodical basis. This periodical updating could entail a change in the amortisation and depreciation period and therefore also in the amortisation and depreciation allowances for future periods.

Employee benefits

Provisions for employee benefits and net financial costs are valued according to an actuarial method that requires the use of estimates and assumptions to calculate the net value of the obligation. The actuarial method considers financial parameters such as, for example, the discount rate and salary growth rates and considers the probability of occurrence of potential future events by using demographic parameters such as, for example, employee mortality and resignation or retirement rates. The assumptions used for the valuation are detailed in the explanatory notes.

Current tax and future recovery of deferred tax assets

Deferred tax assets are recognised on the basis of forecasts of tax income expected in future periods, which can be inferred from long-term company plans. The valuation of expected income for the purposes of accounting for deferred tax depends on factors that may vary over time and determine effects on the measurement of deferred tax assets.

Reclassifications of comparative data

It should be noted that the reporting scheme of some data relating to the previous year has been modified in order to offer the reader greater comparability of the information provided in the financial statements at 31 December 2021. In particular, an amount of Euro 2,979 thousand has been reclassified from “Other operating revenues” to “Other income”.

Newly-applied standards

New accounting standards and interpretations, amendments to accounting standards and interpretations applicable from 1 January 2021

As at the reporting date the competent bodies of the European Union approved the first-time adoption of the following accounting standards and amendments applied by the Group on 1 January 2021.

On 31 March 2021 the IASB issued an amendment on “Covid-19-Related Rent Concessions Beyond 30 June 2021 (Amendments to IFRS 16)” whereby it extended by one year the period of application of the amendment issued in 2020, which provided lessees with the option to account for Covid-19-related rent concessions without having to assess, through contract analysis, whether the definition of lease modification was met under IFRS 16. Therefore, lessees that applied this option in the 2020 financial year accounted for the effects of the rent concessions directly through profit or loss as at the effective date of the concession. The 2021 amendment, which is only available to entities that have already adopted the 2020 amendment, applied as from 1 April 2021, with early adoption permitted. No additional impact is reported on the financial statements at 31 December 2021.

On 27 August 2020 the IASB issued, following the reform on interbank interest rates such as IBOR, the “Interest Rate Benchmark Reform – Phase 2”, which made amendments to the following standards:

- IFRS 9 Financial Instruments;
- IAS 39 Financial Instruments: Recognition and Measurement;
- IFRS 7 Financial Instruments: Disclosures;
- IFRS 4 Insurance Contracts; and
- IFRS 16 Leases.

All the amendments became applicable on 1 January 2021. The adoption of these amendments did not entail any impact on the financial statements at 31 December 2021.

On 25 June 2020 the IASB issued an amendment on the “Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)”. The amendments allow the temporary exemption from applying IFRS 9 to be extended until 1 January 2023 for insurance companies. The adoption of this amendment did not entail any impact on the financial statements at 31 December 2021.

Newly-issued accounting standards and interpretations, reviews and amendments to existing standards and interpretations not yet applicable or not yet endorsed

As at the reporting date the competent bodies of the European Union approved the first-time adoption of the following accounting standards and amendments, which are not yet applied:

In May 2017 the IASB issued the new IFRS 17 "Insurance Contracts". The new standard, which will replace IFRS 4 and will be applicable from 1 January 2023, was amended in June 2020.

In January 2020 the IASB issued some amendments to IAS 1, which clarify that the definition of a liability as "current" or "non-current" depends on the right in place as at the reporting date. The amendments will be applicable from 1 January 2023.

In May 2020 the IASB published some narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual revisions of IFRS 1, IFRS 9, IAS 41 and IFRS 16. The amendments will be applicable from 1 January 2022.

In February 2021 the IASB published some narrow-scope amendments to standards IAS 1, Practice Statement 2 and IAS 8. The amendments are aimed at improving disclosures on accounting policies and helping users of financial statements distinguish between changes in accounting estimates and changes in accounting policies. The amendments will be applicable from 1 January 2023. However, the IASB plans to publish a draft in the fourth quarter of 2021, in which it will propose deferring the effective date of application to no earlier than 1 January 2024.

In May 2021 the IASB published some amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The amendments require companies to recognise deferred taxes upon initial recognition of an asset or liability in a transaction that results in equal amounts of deductible and taxable temporary differences. The amendments will be applicable from 1 January 2023.

The Company will adopt these new standards, amendments and interpretations, based on their expected date of application, and will assess their potential impacts when they are endorsed by the European Union.

3) EXPLANATORY NOTES TO THE ASSET ITEMS

NON-CURRENT ASSETS

1) Property, plant and equipment

The balances of these items can be inferred from the table below:

DESCRIPTION	LAND AND BUILDINGS	PLANT AND MACHINERY	INDUSTRIAL AND COMMERCIAL EQUIPMENT	OTHER ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL PROPERTY, PLANT AND EQUIPMENT
VALUES AT 31.12.2020						
Gross Value	39,437,600	13,534,415	5,789,561	9,145,341	5,258,288	73,165,204
Accumulated depreciation	-7,587,670	-3,469,254	-4,785,030	-8,138,837	0	-23,980,791
NET BALANCE AT 31.12.2020	31,849,929	10,065,161	1,004,531	1,006,504	5,258,288	49,184,413
NET CHANGES FOR FY 2021						
RECLASSIFICATION OF GROSS VALUE TO CONCESSION RIGHTS	-34,844,162	453,201	-5,789,066	-7,991,709	-5,258,288	-53,430,024
RECLASSIFICATION OF ACCUMULATED DEPRECIATION TO CONCESSION RIGHTS	6,396,358	-927,994	4,784,659	6,987,623	0	17,240.646
ACQUISITIONS FROM MERGERS - GROSS VALUE	2,965,258	0	0	0	0	2,965.258
DECREASES	0	0	0	-39,467	0	-39,467
DISPOSAL OF ACCUMULATED DEPRECIATION	0	0	0	39,467	0	39,467
2021 DEPRECIATION	-67,970	-659,076	-62	-495	0	-727,603
Gross Value	7,558,696	13,987,616	495	1,114,164	0	22,660,971
Accumulated depreciation	-1,259,282	-5,056,323	-433	-1,112,242	0	-7,428,280
NET BALANCE AT 31.12.2021	6,299,414	8,931,292	62	1,922	0	15,232,690

The increase recorded during the year related to a plot of land acquired within the scope of the merger by incorporation of Q.Thermo S.r.l..

As regards the reclassifications to concession rights, reference should be made to the information provided in the note below.

2) Concession rights

These consist of the rights relating to the integrated municipal waste management in the municipal districts of ATO Toscana Centro, which was started from 1 January 2018. For more details on the changes in this item, reference should be made to the information provided in the paragraph on “Other intangible assets” below.

On 31 August 2017, Alia Servizi Ambientali S.p.A. (which is also referred to as the Concessionaire and/or Operator) and ATO Toscana Centro (Integrated Municipal Waste Management Authority) signed a “Service contract for integrated municipal waste management under Article 26, paragraph 6, of Regional Law 61/2017 and Article 203 of Legislative Decree 152/2006” (hereinafter also referred to as the “Contract” or “Service Contract”). The contract was entered into following a public tender procedure for the concession of the integrated municipal waste management service in the Municipal districts under the responsibility of ATO Toscana Centro.

At the end of 2017, the transitional period ended and from 1 January 2018, the term started for the concession involving the integrated management of municipal waste on an exclusive basis, which consists of the following activities:

- provision of basic services;
- provision of ancillary services;
- execution of the works provided for in the contract.

As from 1 January 2018 the service is delivered for 30 Municipalities in the province of Florence, 12 in the Province of Pistoia and 7 in the Province of Prato; as from 1 March 2018 the service is also delivered for other 2 municipalities in the Province of Florence and other 8 municipalities in the Province of Pistoia, for a total of 59 municipalities served. As a result of the merger of the Municipalities of Tavarnelle Val di Pesa and Barberino Val d’Elsa, the number of Municipal districts under management is equal to 58.

During 2021 Revenues from Concession Fees were measured in accordance with ARERA resolution no. 433/19 RIF, in compliance with ATO TC’s Resolution of 14 June 2021. In this resolution, ATO TC resolved, in fact, the approval of (i) the report pursuant to Article 4.6 of the WTM to check for the economic and financial balance of the operations, and (ii) the supplementary deed and the attached WTM Service Contract form negotiated with the Concessionaire - “to adopt the EFPs prepared for 2021 for each municipal district under Alia’s management according to the provisions of annex 1 attached to Resolution 443 for the Toscana centro municipalities for each municipality included in the reference tariff area.”

The table below shows the breakdown of basic services.

BASIC SERVICES	
1	Collection, transport, sweeping, support to domestic composting
2	User relationships and communication management
3	Analysis, communication and reporting
4	Sale of waste and/or raw materials and/or supply raw materials and/or by-products deriving from collection, treatment, recovery and/or disposal operations
5	Operation of the existing plants included in the perimeter of the tender for the treatment, recovery and/or disposal of waste that will be transferred to the service Contractor
6	Waste transport between the plants
7	Operation of existing and new collection sites
8	Operation of new installations (if any)

The table below shows the breakdown of ancillary services.

ANCILLARY SERVICES	
1	Washing roads and public areas or for general public use
2	Weeding as part of waste collection
2BIS	Weeding as part of waste collection without collection of cut material
3	Waste collection and cleaning after public and similar events
4	Cleaning banks of rivers, streams and lakes
5	Cleaning residues from accidents and similar emergency services
6	Collecting syringes abandoned on public land or private land intended for public use
7	Cleaning bird droppings and canine excrement
8	Collecting animal carrion
9	Removing vehicle wrecks abandoned on public land
10	Cleaning and washing particularly valuable public surfaces
11	Washing and disinfection of drinking fountains and tanks
12	Cleaning public toilets
13	Collecting asbestos from small household tasks
14	Collecting special waste lying in public areas
15	Pest control and rat extermination
16	Collecting used vegetable oils from catering activities and/or with containers in local areas, if these operations comply with current and newly-issued legislation
17	Collecting cemetery waste from exhumation and removal of remains from crypts
18	Assessment, collection and litigation service for users

As a result of the application of the WTM and the definition of the scope of regulation set out by ARERA by resolution no. 443/19, ancillary services are integrated once again into Concession fees calculated according to the WTM. This scope still excludes Ancillary services nos. 10, 11, 12 and 15, for which a remuneration is envisaged, which is based on the unit price set out in the tender offer, in line with 2018, 2019 and 2020.

The object of the Concession also includes the execution of works included in the tender as defined in the table below:

Intervention	Amount of Works	Security costs
33 Collection sites	Euro 12,320,000.00	Euro 123,200.00

The remuneration for these works is envisaged under the Economic and Financial Plan. The related planning is regulated by Section 10 of the Contract. The executive design of the works will be approved by ATO in advance and it will be possible to carry out a rebalancing as a result of any substantiated cost deviation.

Composition of the concession right

At the inception of the Concession granted to the Operator Alia, the ownership was transferred for all plants, real estate and other capital assets that had been used by the former operators until that date, as well as for those owned by the local Bodies, granted to it under a loan for use agreement. As reported in the Introduction (in the paragraph on "General information and significant events during the year"), the transfer of assets functional to the service, such as properties, capital and staff took place from 1 March 2018, at the residual book value resulting on the date of transfer, for former operators AER Ambiente, Energia Risorse S.p.A. and COSEA Ambiente S.p.A., not incorporated into Alia.

In 2021 there was a review of the perimeter of the concession asset according to the criteria of being functional to the operation of the integrated management service as a result of the definition of the reference regulatory framework under ARERA Resolution no. 443/2019/MTR, which was followed by additional resolutions issued by ARERA itself, as well as by specific resolutions issued by ATO, during the same year.

The reclassifications made during 2021 from Property, plant and equipment to Concessions rights thus arise from the aforesaid review. In particular, historical costs and accumulated depreciation (equal to Euro 54.8 million and Euro 18.3 million, respectively) were reclassified from Property, plant and equipment and historical costs and accumulated depreciation (equal to Euro 14 million and Euro 9.4 million, respectively), from other fixed assets for a total amount of Euro 68.8 million of historical costs and Euro 27.7 million of accumulated depreciation.

In this regard it should be noted that, given the depreciation criteria adopted, this reclassification did not entail any impact on the income statement for the year.

The table below summarises the book value of the assets falling within the scope of the concession (“regulated assets”):

DESCRIPTION	NET IAS BALANCE AT 31.12.2020	GROSS VALUE	ACCUMULATED DEPRECIATION	ASSETS UNDER CONSTRUCTION	NET IAS BALANCE AT 31.12.2021
LAND AND BUILDINGS	80,043,848	155,681,353	-47,305,479	1,073,409	109,449,282
PLANT AND MACHINERY	8,790,437	121,150,754	-108,234,374	5,517,236	18,433,616
INDUSTRIAL AND COMMERCIAL EQUIPMENT	272,215	6,652,934	-5,118,982	9,530	1,543,482
OTHER TANGIBLE ASSETS	59,633,240	160,439,761	-94,070,727	4,471,437	70,840,470
DEVELOPMENT COSTS	227,716	643,807	-50,279		593,528
CONCESSIONS, TRADEMARKS AND SIMILAR RIGHTS	68,784	11,535,257	-8,934,060	7,885,505	10,486,701
OTHER INTANGIBLE ASSETS	23,416	9,401,872	-9,376,955		24,917
TOTAL	149,059,655	465,505,737	-273,090,856	18,957,116	211,371,997

Obligations to acquire or build property units

As noted above, the company is required to build 33 collection sites under the concession agreement. None were built during 2021.

Obligations to deliver or rights to receive certain assets at the end of the concession term

At the end of the Concession term, capital assets and their appurtenances, required for the service management, are transferred to the successor Operator free of charge and free of burdens and encumbrances. If, at the time of termination of operations, these assets have not been depreciated in full, the successor Operator will pay Alia S.p.A. an amount equal to the original book value of the work or plant not yet depreciated, net of public grants (if any) directly related thereto (pursuant to Section 13 of the Contract and ARERA Resolution no. 363/2021).

The Operator is obliged to keep the transferred plants in operation and held under management in full working order, implementing the routine maintenance Plan and performing non-routine maintenance, when necessary, having agreed on them with ATO in advance. The Operator is also obliged to maintain the transferred plants in operation but not managed, as well as the transferred plants that are not in operation, in safe conditions,

implementing the Plans to maintain them in safe conditions. The decommissioning of the plants must be agreed with ATO. Where still existing upon expiry, or in any case at the time of early termination of the Contract, the Operator undertakes to hand over the works, installations and other equipment in a state of efficiency and good maintenance.

In case of decommissioning agreed between ATO and the Operator involving plants and/or other works functional to the integrated municipal waste management service, for which the law, public planning, or authorisation to operate or execute the work itself, require investigation plans to verify the state of non-contamination of the site upon decommissioning, the Operator shall be required to carry out this activity. Decommissioning will be considered for the purposes of rebalancing the management.

Options for renewal and early termination of the agreement

Upon the natural expiry or in the event of early termination of the contract, the Operator is required to ensure the complete and regular continuation of the service and, in particular, compliance with public service obligations and minimum standards of local public service, at the same terms and conditions regulated by this Contract, until the new Operator takes over the operation of the service. No indemnity or compensation in addition to what is already provided for in the Contract for the performance of the service may be claimed by the Operator for the continuation of the service. ATO undertakes to start the awarding procedures at least one year before the expiry date of the contract or, in the event of termination, as soon as the term in which it becomes operational has expired.

Other rights and obligations

The services provided for in the Contract, the operation of which is entrusted to the Concessionaire, are based on a prominent public interest. To satisfy this or due to regulatory or legislative developments, ATO may request, on its own initiative or at the request of the Municipalities, changes in both basic services and ancillary services on request from the Operator.

The procedure (Section 7 of the contract) provides for ATO's application to be submitted to the Operator, as well as the preparation of a specific project describing the changes in the services and the proposals for changes in the economic and financial plan.

The changes are permitted up to one-fifth of the overall contract amount as prescribed by law.

ATO also reserves (Section 8) the right to appoint the Operator to deliver additional complementary services in the event of supervening circumstances, reasons of public interest and/or orders issued by the competent national, regional and provincial authorities. The awarding of these services is subject to the following conditions:

- the additional complementary services cannot be separated from the original contract from a technical and economic point of view without causing serious inconveniences to the granting ATO authority or, even though they can be separated from the performance of the initial contract, they are strictly necessary for its completion;
- the total value associated with the additional complementary services must not exceed 20% of the amount of the initial contract.

A procedure similar to that of the changes must be followed for their activation.

At the request of ATO, the Operator may be required to perform additional functional works which have become necessary following the public interest requirements which have arisen and/or legislative and/or regulatory provisions, provided that they are envisaged in the planning agreements in force at the time.

The cost of additional functional works will be considered for the purpose of rebalancing the management under the Contract. The Operator may in turn propose to ATO plants and/or works not provided for in the concession area Plan, but complementary to the planning, which allow a reduction in the tariff rate of the Operator. ATO reserves the right to accept them and, in case of acceptance, the same procedure is applied for the complementary works requested by ATO.

According to the provisions of the concession agreement, reported above, these rights were accounted for by applying the intangible asset model, required by IFRIC 12, since it was considered that the underlying concession relationships did not guarantee the existence of the concessionaire's unconditional right to receive cash, or other financial assets. Improvement works and services performed on behalf of the granting authority are accounted for as "Construction costs - concession rights". Since all the works have been contracted out to third parties, these improvements have been recognised on the basis of the costs actually incurred, after having considered that this amount consists of the fair value of the services provided.

Construction revenues - concession rights

These consist of the fees receivable for the work performed in favour of the granting authority and are measured at fair value, as determined on the basis of total costs incurred. These are stated against an entry under concession rights among intangible assets.

At 31 December 2021 these revenues amounted to Euro 39,469,351 and related to the following types of assets:

CHANGES FROM PURCHASES 2021 - CONCESSION RIGHTS			
CATEGORY	FROM 2021 CAPITALISATIONS	FROM ASSETS UNDER CONSTRUCTION	TOTAL
LAND AND BUILDINGS	3,056,659	512,699	3,569,358
PLANT AND MACHINERY	2,412,652	4,465,599	6,878,251
INDUSTRIAL AND COMMERCIAL EQUIPMENT	579,731	9,530	589,262
OTHER TANGIBLE ASSETS	17,550,531	4,240,449	21,790,980
<i>of which Collection equipment</i>	<i>5,177,818</i>	<i>3,217,895</i>	<i>8,395,713</i>
<i>of which Motor vehicles</i>	<i>11,113,185</i>	<i>886,074</i>	<i>11,999,259</i>
<i>of which office machines</i>	<i>1,080,009</i>	<i>136,480</i>	<i>1,216,489</i>
<i>of which other assets</i>	<i>179,519</i>		<i>179,519</i>
DEVELOPMENT COSTS	424,239		424,239
CONCESSIONS, TRADEMARKS AND SIMILAR RIGHTS	1,305,154	4,912,108	6,217,262
TOTAL	25,328,967	14,140,384	39,469,351

These are capitalised costs for investments made on these types of assets. Development costs, equal to Euro 424,239, entirely relate to the increase in the capitalisation that was already started in 2019 in relation to the "Suhm - smart containers-bins" project.

Construction costs - concession rights

At 31 December 2021 these amounted to Euro 39,469,351 and were stated in accordance with the provisions of IFRIC 12.

There are no mortgages or liens on the above fixed assets in favor of financial institutions, except for the composting plant located in Faltona, in the Municipal district of Borgo San Lorenzo, on which a first mortgage of Euro 17.7 million has been registered in favour of Mps Capital Services S.p.A., as security for the loan granted by the Bank for Euro 8,850,000 required for the financing of the entire investment.

The main capitalisations carried out during 2021 involved additional investments for implementations at the industrial complex located in Florence, at Via di Castelnuovo n. 20, località Ferrale, which was acquired in 2017 from the bodies in charge of Bankruptcy procedure n. 288/2014 of the Court of Florence, and which entered permanently into use during 2018. At this property, the investments made during 2021 concerned the building transformation activities at the waste management plant for a value of Euro 1,155,619.

Additional investments in plant and machinery mainly concerned the construction of new waste shredding lines at the MBT plant in Case Passerini for a value of Euro 821,902 and at the MTB plant in Paronese for a total value of Euro 1,373,910.

A purification system was implemented at the MBT plant in Case Sartori for a value of Euro 427,219, while the Dano MBT plant Dano was involved in an investment of Euro 209,630 to replace the screen. A substantial investment was also made to upgrade the passive network for Euro 360,181.

Purchases for industrial and commercial equipment amounted to approximately Euro 579,731 relating to workshop tools, technical instruments and miscellaneous equipment. Additional purchases, reclassified to "Other property, plant and equipment", concerned furniture and other office shelving for a total value of Euro 179,519, while investments were made in HPE centralized hardware for Euro 829,000 and for attendance recording and pedestrian access control systems for Euro 57,707; on a residual basis, other investments were made in electrical and electronic machines for Euro 193,302.

3) Other intangible assets

The Company holds no goodwill or intangible assets with an indefinite useful life.

DESCRIPTION	DEVELOPMENT COSTS	CONCESSIONS, TRADEMARKS AND SIMILAR RIGHTS	OTHERS	ASSETS UNDER DEVELOPMENT	TOTAL OTHER INTANGIBLE ASSETS	CONCESSION RIGHTS	ASSETS UNDER DEVELOPMENT	TOTAL CONCESSION RIGHTS	INTANGIBLE ASSETS
VALUES AT 31.12.2020									
Gross value	0	9,664,479	1,116,026	3,316,647	14,097,151	387,592,932		387,592,932	401,690,083
Accumulated amortisation	0	-8,290,119	-1,103,334		-9,393,452	-238,533,276		-238,533,276	-247,926,729
NET BALANCE AT 31.12.2020	0	1,374,360	12,692	3,316,647	4,703,699	149,059,655		149,059,655	153,763,354
CHANGES FOR FY 2021									

RECLASSIFICATION OF GROSS VALUE TO CONCESSIONS RIGHTS	27,594	-9,600,350	-1,116,026	-3,316,647	-14,005,429	58,860,518	8,574,935	67,435,453	53,430,024
RECLASSIFICATION OF ACCUMULATED AMORTISATION TO CONCESSIONS RIGHTS	-5,584	8,272,946	1,103,334	0	9,370,695	-26,611,340		-26,611,340	-17,240,646
ACQUISITIONS FROM MERGERS - GROSS VALUE						1,360,115		1,360,115	1,360,115
ACQUISITIONS FROM MERGERS - ACCUMULATED AMORTISATION						-1,138,068		-1,138,068	-1,138,068
CHANGES FROM PURCHASES	0	0	0	0	0	25,328,967	14,140,384	39,469,351	39,469,351
TRANSFERS FOR RECLASSIFICATIONS	0	0	0	0	0	3,738,134	-3,738,134	0	0
DECREASES	0	0	0	0	0	-11,374,928	-20,069	-11,394,997	-11,394,997
DISPOSAL OF ACCUMULATED AMORTISATION	0	0	0	0	0	11,183,501		11,183,501	11,183,501
AMORTISATION 2021	-3,942	-9,847	0	0	-13,789	-17,991,673		-17,991,673	-18,005,462
Gross value	27,594	64,129	0	0	91,723	465,505,737	18,957,116	484,462,854	484,554,576
Accumulated amortisation	-9,526	-27,020	0	0	-36,547	-273,090,856		-273,090,856	-273,127,403
NET IAS BALANCE AT 31.12.2021	18,067	37,109	0	0	55,176	192,414,881	18,957,116	211,371,997	211,427,173

During the year software licenses were acquired for Euro 1,927,412, of which specific licences of Euro 781,033 for ERP accounting, budget and payments management software, Euro 983,091 for the Windows environment and related systems engineering, and Euro 90,900 for implementation of ERP payroll management software. These increases are included in the item assets under development of concession rights.

It should be noted that no fixed assets are pledged as collateral, there are no contractual commitments for the acquisition of new fixed assets nor is the Company entitled to compensation from third parties for impairment losses and disposals.

The aforementioned reclassification under "Concession Rights" refers to the set of plants, real estate and other assets which were used by the former operators and the ownership of which was transferred to Alia S.p.A. at the inception of the concession, as detailed in the paragraph on "Concession Rights".

4) Equity investments

The value of equity investments amounted to Euro 32,827 thousand (of which Euro 16,970 thousand in subsidiaries and Euro 7,243 thousand in associates, while non-qualified investments amounted to Euro 114 thousand).

Description	Balance at 31 12 2021
Equity investments in subsidiaries (valued at cost)	16,969,615
Equity-accounted investments in associates and joint ventures	7,243,145
Other equity investments	8,614,595
TOTAL	32,827,356

Equity investments in subsidiaries valued at cost

The table below shows the book value of investments in subsidiaries:

	PROGRAMMA AMBIENTE S.p.A.	Q.THERMO SRL	Q.ENERGIA	REVE S.p.A.	VALCOFERT SRL	TOTAL EQUITY INVESTMENTS IN SUBSIDIARIES
% ownership	100.00%	100.00%	100.00%	51.00%	83.33%	
Value at 31.12.2020	1,371,020	3,227,357	166,658	15,331,407	0	20,096,442
Acquisitions					100,000	100,000
Write-downs						0
Revaluations						0
Reclassifications for changes in the consolidation area					167,188	167,188
Change from merger by incorporation		-3,227,357	-166,658			-3,394,015
Value at 31.12.2021	1,371,020	0	0	15,331,407	267,188	16,969,615
Company equity	690,178	0	0	36,222,788	137,168	37,050,135
Share of equity attributable	690,178	0	0	18,473,622	114,302	19,278,103
Difference	680,842	0	0	-3,142,215	152,886	-2,308,488

Revet is a company specialising in the collection and selection of waste from sorting and recycling of heterogeneous plastic waste. The company became a subsidiary controlled by Alia on 30 September 2018.

Programma Ambiente S.p.A. holds an 80% interest in Programma Ambiente Apuane S.p.A., a company that operates a landfill site for non-hazardous inert waste and asbestos cement products.

On 13 July 2021 the Board of Directors of Alia S.p.A. approved the Plan for the merger by incorporation of Programma Ambiente S.p.A.. The transaction is expected to be completed in the first four-month period of 2022, and will be accounted for as from 1 January 2022.

On 13 October 2021 there was the completion of the merger by incorporation of Q.tHerma S.r.l. and Q.Energia S.r.l., with legal effects applied from 15 October 2021 and accounting effects backdated to 1 January 2021.

The Company has carried out a business combination transaction in relation to the acquisition of control over Valcofert S.r.l..

In this regard, it should be noted that by a deed under file no. 27832 of 5 July 2021 Alia S.p.A., which already held 42.50% of the quota capital of Valcofert S.r.l., acquired from Braunfert S.r.l. the ownership of the entire quota the latter held, equal to 40.83% of the quota capital, thus acquiring control over the entity up to holding 83.33% of said capital.

Equity-accounted investments in associates and joint ventures

The table below shows the book values and the income statement and balance sheet data of associates and joint ventures:

GENERAL DETAILS							
Company name	IRMEL SRL	AL.BE S.r.L.	VALCOFERT SRL	SEA RISORSE SPA	REAL SRL	VALDISIEVE SCRL	
Main operating office	PONTE BUGGIANESE (PT) - VIA CAMPORCIONI EST 16	PECCIOLI (PI) - VIA GUGLIELMO MARCONI	CERTALDO - LOC. CANTONE S.S. 429	VIAREGGIO - VIA PALADINI	EMPOLI (FI)- VIA MOLIN NUOVO 28/30	FLORENCE (FI) VIA BENEDETTO VARCHI 34 CAP 50132	
Registered office	PONTE BUGGIANESE (PT) - VIA CAMPORCIONI EST 16	PECCIOLI (PI) - VIA GUGLIELMO MARCONI	EMPOLI - VIA GARIGLIANO	VIAREGGIO - VIA DEI COMPARINI	EMPOLI (FI)- VIA MOLIN NUOVO 28/30	FLORENCE(FI) VIA BENEDETTO VARCHI 34 CAP 50132	
Ownership percentage held by the company	36.00%	50.00%	83.33%	24.00%	50.10%	25.00%	
Sharing of voting rights held by the Company	36.00%	50.00%	83.33%	24.00%	50.10%	25.00%	
ALIA BALANCE SHEET VALUES							TOTAL
Alia balance sheet value at 31/12/2020	288,251	505,319	156,270	757,882	2,048,808	300,783	4,057,313
Dividends collected				-177,083	-605,034		-782,117
Purchases		2,600,000					2,600,000
Reclassifications for changes in the consolidation area			-167,188				-167,188
Change for application of the equity method through P&L	112,446	-39,969	10,918	18,040	1,433,703	0	1,535,137
Alia balance sheet value at 31/12/2021	400,697	3,065,350	0	598,839	2,877,476	300,783	7,243,145

The main investments in associates are:

- Sea Risorse SpA (a company operating in sorted waste collection operations in two municipal districts of the Versilia region).
- Irmel Srl: The company operates treatment and waste-to-energy plants for inert waste from construction, in the provinces of Pistoia and Florence, respectively
- Al.be Srl: was established in a 50-50 partnership with Belvedere S.p.A. on 11 April 2018. Its purpose is the recovery and processing of waste with the operation of plants for the production of biogas - biomethane and biofuels.
- REAL srl: this company was established in a 49.90% partnership with RELIFE S.p.A. on 4 November 2019. The company operates in the collection, processing, sorting, transformation and storage of waste paper. The Company has established that the partnership agreement it has currently in place with the partner Relife S.p.A. falls within the scope of joint ventures.
- Valdisieve Società consortile: is a holding company that controls companies operating in the waste sector.

Non-qualified equity investments amounted to Euro 8,614,595.

On 11 May 2021 Alia completed the closing of the transaction concerning Scapigliato S.r.l. by subscribing the capital increase reserved to join the corporate structure, with an outlay of approximately Euro 8.5 million, corresponding to 16.50% of the quotas of the company.

5) Non-current financial assets and non-current trade receivables

Below are the non-current financial assets:

Description	Balance at 31 12 2021	Balance at 31 12 2020	Change
Receivables from Subsidiaries	761,340	3,238,560	- 2,477,220
Receivables from Associates	-	116,780	- 116,780
Guarantee deposits	216,278	131,418	84,860
TOTAL	977,617	3,486,758	- 2,509,141

The balance at 31 December 2021, equal to Euro 978 thousand, net of the Provision for write-down, mainly includes receivables from Programma Ambiente Apuane SpA for Euro 700 thousand.

Below is the breakdown of the Provision for bad debts:

Description	31/12/2020	Increases	Uses/ Releases	31/12/2021
Provision for bad debts - loan to subsidiaries	278,556		223,116	55,440
Provision for bad debts - loans to associates	3,220	-		3,220
TOTAL	281,776	-	223,116	58,660

Below are non-current trade receivables:

Description	Balance at 31 12 2021	Balance at 31 12 2020	Change
Non-current trade receivables	2,110,649	3,249,744	-1,139,096
TOTAL	2,110,649	3,249,744	-1,139,096

This item includes trade receivables due beyond 12 months from the end of the year as a result of the payment plans agreed upon with the counterparties.

6) Deferred tax assets and liabilities and other non-current assets

Description	BALANCE AT 31 12 2021	BALANCE AT 31 12 2020	Change
Deferred tax assets	14,540,788	16,905,306	-2,364,519
Deferred tax liabilities	5,364,211	5,958,203	-593,992
TOTAL	9,176,577	10,947,104	-1,770,527

Deferred tax assets are generated by the temporary differences between the balance sheet profit and taxable income, mainly in relation to the provision for bad debts, provisions for risks and charges, statutory amortisation greater than that for tax purposes, past tax losses and provisions for employee benefits.

Tax losses will be recovered through taxable income that the company will generate during the period of the concession term as they can be also inferred from the long-term plan for the period 2021-2030, which was approved by the Company's Board of Directors on 24 May 2021.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against corresponding current tax liabilities.

They are reported in the financial statements by offsetting deferred tax asset items, equal to Euro 14,540,788 against the debt for deferred tax liabilities, equal to Euro 5,364,211.

The receivable for deferred tax assets reported in the statement of financial position (equal to Euro 14,541 thousand) includes the receivable for deferred tax assets through OCI for Euro 652 thousand.

Below is a breakdown of deductible and taxable temporary differences:

DEFERRED TAX ASSETS (net of deferred tax liabilities)

ITEMS	DEFERRED TAX ASSETS/LIABILITIES - 2020			CHANGES - 2021			DEFERRED TAX ASSETS/LIABILITIES - 2021		
	Temporary Differences		Tax effect	Temporary Differences		Tax effect	Temporary Differences		Tax effect
Fixed assets	-16,710,292	IRES tax	-4,010,470	3,684,122	IRES tax	884,189	-13,026,170	IRES tax	-3,126,281
Fixed assets		IRAP tax	-855,567		IRAP tax	188,627		IRAP tax	-666,940
Case Passerini landfill	-3,750,570	IRES tax	-900,137	-1,644,313	IRES tax	-394,635	-5,394,883	IRES tax	-1,294,772
Total deferred tax liabilities			-5,766,174			678,181			-5,087,992
Case Passerini landfill		IRAP tax	-192,029		IRAP tax	-84,189		IRAP tax	-276,218
Provision for bad debts	18,070,316	IRES tax	4,336,876	-2,038,928	IRES tax	-489,343	16,031,388	IRES tax	3,847,533
Productivity	2,494,131	IRES tax	598,591	1,628,591	IRES tax	390,862	4,122,722	IRES tax	989,453

Litigation risks	2,536,392	IRES tax	608,734	-157,568	IRES tax	-37,816	2,378,824	IRES tax	570,918
Litigation risks		IRAP tax	129,863		IRAP tax	-8,067		IRAP tax	121,796
Employee Severance Pay	376,651	IRES tax	90,396	-323,708	IRES tax	-77,690	52,943	IRES tax	12,706
Losses from previous years	36,125,629	IRES tax	8,670,151	-10,082,691	IRES tax	-2,419,846	26,042,938	IRES tax	6,250,305
Vaiano landifll	770,925	IRES tax	185,022	451,869	IRES tax	108,449	1,222,794	IRES tax	293,471
Vaiano landifll		IRAP tax	39,471		IRAP tax	23,136		IRAP tax	62,607
Vigiano landfill	4,527,037	IRES tax	1,086,489	942,247	IRES tax	226,139	5,469,284	IRES tax	1,312,628
Vigiano landifll		IRAP tax	231,784		IRAP tax	48,243		IRAP tax	280,027
Provision for maintenance risks	454,557	IRES tax	109,094	1,873	IRES tax	450	456,430	IRES tax	109,543
Provision for maintenance risks		IRAP tax	23,273		IRAP tax	96		IRAP tax	23,369
Provision for bad debts on loans	281,776	IRES tax	67,626	-223,116	IRES tax	-53,548	58,660	IRES tax	14,078
ACE (Allowance for corporate equity)	771,218	IRES tax	185,092	-771,218	IRES tax	-185,092	0	IRES tax	0
Actuarial gain/loss O.C.I.	2,261,845	IRES tax	542,843	456,289	IRES tax	109,509	2,718,134	IRES tax	652,352
Total deferred tax assets			16,713,278			-2,448,708			14,264,570
TOTAL	48,209,615		10,947,104	-8,076,549		-1,770,527	40,133,066		9,176,577

[IRES = Corporate Income Tax]

[IRAP = Regional Production Activity Tax]

Other non-current assets

Description	Balance at 31 12 2021	Balance at 31 12 2020	Change
IRAP tax credit (ACE, Allowance for corporate equity) beyond 12 months	153,169	231,306	-78,138
Prepaid expenses	1,144,191	634,185	510,007
TOTAL	1,297,360	865,491	431,869

The amount of Euro 153 thousand related to the transformation of the ACE (*Aiuto alla Crescita Economica*, Allowance for corporate equity) surplus into a tax credit that can be offset. Prepaid expenses mainly relate to surety policies.

CURRENT ASSETS

7) Inventories

The table below shows changes in inventories:

Values at 31/12/2020	3,041,850
Changes recorded during the year	-573,467
Values at 31/12/2021	2,468,383

Inventories, amounting to Euro 2,468 thousand (Euro 3,042 thousand at 31 December 2020), mainly consisted of spare parts and equipment for the maintenance and running of the plants in operation.

8) Trade receivables

The table below shows the breakdown of trade receivables:

Description	Balance at 31 12 2021	Balance at 31 12 2020	Change
Receivables from Customers	128,768,111	111,714,035	17,054,076
Provision for bad debts	- 16,031,387	- 18,070,316	2,038,928
TOTAL	112,736,723	93,643,719	19,093,004

The balance mainly includes receivables from Municipalities, third-party customers and related companies. These receivables mainly relate to invoices issued to municipalities for environmental hygiene services not yet collected at 31 December 2021 and receivables from users for TIA (*Tariffa di Igiene Ambientale*, Environmental Hygiene Tariff) bills.

Below is the breakdown of changes in the provision for bad debts:

Description	31/12/2020	Increases	Uses	31/12/2021
Provision for bad debts	18,070,316		2,038,928	16,031,387

The Provision for bad debts was used mainly for the write-off of TIA tariff receivables.

Below is the ageing of customers at 31 December 2021, including non-current trade receivables:

BALANCE OF RECEIVABLES - 2021	OVERDUE AMOUNTS				AMOUNTS FALLING DUE
	0-30	31-60	61-90	Beyond 90	
128,768,111	2,580,432	664,270	467,536	5,398,866	119,657,006

The total amount of ageing, equal to Euro 128,768,111, only includes the amount of receivables from customers (due within and beyond 12 months) for invoices issued, net of invoices to be issued (Euro 73,731,964) and credit notes to be invoiced (Euro 476,388).

9) Current tax assets

The table below shows the breakdown of current tax assets:

Description	Balance at 31 12 2021	Balance at 31 12 2020	Change
IRES tax advances	72,587	2,109,612	-2,037,025
IRAP tax advances	0	202,313	-202,313
Withholding tax receivables from Tax Office	22,509	73,607	-51,098
TOTAL	95,096	2,385,532	-2,290,436

The balance at 31 December 2021, equal to Euro 95 thousand, mainly consists of IRES (Corporate Income) tax advances, for amounts in excess of the debt calculated at the end of the year and receivables for withholdings reported.

10) Other current assets

Below is the breakdown of other current assets:

Description	Balance at 31 12 2021	Balance at 31 12 2020	Change
VAT receivables from Tax Office	343,119	2,814	340,305
Receivables from Tax Office for VAT refund	418	418	0
Receivables for IRAP tax refund	0	0	0
Other receivables	6,093,722	3,793,769	2,299,953
Accrued income	0	0	0
Prepaid expenses	1,073,652	455,924	617,728
TOTAL	7,510,911	4,252,925	3,257,986

The balance at 31 December 2021, amounting to Euro 7,511 thousand, related to other receivables for Euro 6,094 thousand, of which an amount of Euro 2,850 thousand is claimed from Programma Ambiente S.p.A., an amount of Euro 1,600 thousand from ATO for grants to be received and an amount of Euro 403 thousand from the Tuscany Regional government.

11) Cash and cash equivalents

The table below shows the balances of the items at 31 December 2021:

Description	Balance at 31 12 2021	Balance at 31 12 2020	Change
Current bank accounts	33,260,048	61,661,256	-28,401,209
Postal accounts	464,545	579,819	-115,274

Money and Cash on hand	6,072	15,610	-9,538
TOTAL	33,730,665	62,256,685	-28,526,020

The balance consists of liquid assets, cash on hand and cash equivalents at the reporting date.

4) EXPLANATORY NOTES TO THE LIABILITY ITEMS

SHAREHOLDERS' EQUITY

12) Share capital

The share capital of Alia S.p.A. is divided into 94,000,000.00 ordinary shares with a value of Euro 1.00 each, fully authorised and paid up; no treasury shares are held.

On 16 December 2021 the extraordinary shareholders' meeting of Alia resolved, by a deed drawn up by Mr Santoro, Notary Public, a capital increase without payment, equal to Euro 46,920,745, through the use of existing reserves, for the implementation of the rebalancing agreement provided for in Section 10.2 of the Shareholders' Agreement. At the same time, a resolution was passed for a capital reduction of Euro 38,297,597 by allocating the amount of the reduced capital to "Rebalancing Reserve"; accordingly, the Share Capital showed a net increase of Euro 8,623,148 at 31 December 2021.

13) Reserves

The table below shows the breakdown of reserves:

Description	Balance at 31/12/2020	Allocation of the previous year's result	Capital increase without payment	Changes for the year	Balance at 31/12/2021	Possible use (*)
Share premium reserve	16,965,073		-7,523,470	105,842	9,547,445	A,C
<i>Legal reserve</i>	1,848,130				1,848,130	C
<i>Extraordinary reserve</i>	34,870,966	-8,340,374	-26,530,592		0	A,B,C
<i>OCI reserve - Actuarial loss</i>	-890,958			346,780	-1,237,738	
<i>Profits carried forward</i>	355,229				355,229	A,B,C
<i>Other reserves</i>	12,866,684		-12,866,684		0	A,B,C
<i>Rebalancing reserve</i>	0		38,297,597		38,297,597	A,C
<i>Ex Asm SpA Business combination reserve</i>	-2,488,476				-2,488,476	A,B,C
<i>Ex Publiambiente SpA Business combination reserve</i>	9,327,922				9,327,922	A,B,C
<i>Ex Cis Srl Business combination reserve</i>	580,659				580,659	A,B,C
Extraordinary reserve and other profit reserves	56,470,156	-8,340,374	-1,099,679	-346,780	46,683,323	
Total reserves	73,435,229	-8,340,374	-8,623,149	-240,938	56,230,768	

IAS transition reserve	7,896,005				7,896,005	A,C
------------------------	-----------	--	--	--	-----------	-----

(*) Capital increase (A) - Distribution to shareholders (B) - Loss coverage (C)

The decrease recorded in 2021 related to the allocation of the result for the 2020 financial statements and to the aforesaid capital increase without payment, which had been resolved on 16 December 2021, by using existing reserves. Finally, we must note the increase in share premium reserve arising from the incorporation of Q.Energia S.r.l..

Share premium reserve

The share premium reserve was set aside in 2017 against the merger of ASM S.p.A, CIS S.r.l. and Publiambiente S.p.A. into former Quadrifoglio S.p.A. (subsequently Alia S.p.A.). It is derived from the differences between the capital increases resolved upon the merger and the shareholders' equity values of the three merged companies and was reduced as a result of the capital increase without payment.

This reserve also includes the differential of the results of operations in the financial statements taken as a basis for the share swap at 30 June 2016 and the results taken as a basis for the merger transactions at 31 December 2016. These differences, which were appropriately allocated to the aforementioned reserves, are set at Euro 3,081 thousand for the contribution given by former Publiambiente S.p.A., Euro 37 thousand by former A.S.M. S.p.A. and Euro - 4 thousand by former CIS S.r.l..

The same differential was also recorded for the contribution of the equity of former Quadrifoglio S.p.A. and was appropriately allocated to extraordinary reserve and other revenue reserves, amounting to Euro 2,218 thousand.

Rebalancing reserve

This reserve was set aside as a result of the capital increase without payment as described above.

NON-CURRENT LIABILITIES

14) Provisions for risks and charges

Below is the breakdown of the item:

DESCRIPTION	Other risks	Provision for non-routine maintenance risks (IFRIC 12)	Case Passerini landfill	Vaiano landfill	Vigiano landfill	TOTAL
Value at 31/12/2020	5,030,524	454,557	18,906,475	1,154,106	5,327,206	30,872,869
Changes for the year						
Provisions	7,191,722	1,873				7,193,595
Adjustment to the provision			-1,935,433	441,751	907,768	- 585,914
Financial costs (income)			291,120	10,118	34,479	335,717
Uses, reclassifications and releases	-2,651,700	0	-193,503	- 57,307	- 296,612	- 3,199,122
Value at 31/12/2021	9,570,546	456,429.82	17,068,660	1,548,668	5,972,841	34,617,145

The balance of provisions for risks and charges, equal to Euro 34,617 thousand, showed an increase of Euro 917 thousand compared to 2020.

The balance at the end of the year mainly included:

- Provision for post-closure operation of landfills for Euro 24,590 thousand: this is the amount set aside to meet the costs that shall be incurred to manage the closure and post-closure period of landfills that are currently under management. Future outlays, which are inferred for each landfill from a specific valuation report, prepared by an independent third-party expert, have been discounted in accordance with the provisions of IAS 37. The increases in the provision include the financial component inferred from the discounting procedure and the provisions due to changes in the assumptions on future outlays following the review of valuation reports concerning both landfills in operation and those already exhausted. The uses consist of the actual outlays that were determined during the year.
As regards Case Sartori, a provision for Post-management was not set aside in accordance with the provisions of the EFP drawn up in tendering, which led to awarding the environmental management service of ATO Toscana Centro. According to the plan, the costs incurred for the post-management of this landfill will in fact be covered as required by the WTM.
- Provisions for Other risks for Euro 9,571 thousand. This item has been recorded to cover future and possible risks related to pending disputes (for Euro 5,448 thousand). It should be noted that in 2021 provisions were set aside for about Euro 3.1 million in relation to proceedings RG (General Register) no. 1987/2016; for more details, reference should be made to the paragraph on “Main pending litigation”. An amount of Euro 4,123 thousand was also allocated for productivity bonuses payable to employees.
- Provision for restoration and replacement for Euro 456 thousand. This item is recorded to meet costs relating to future and prospective cyclical non-routine maintenance of plants, as required by IFRIC 12.

The item of uses, reclassifications and releases of the provision for other risks, amounting to Euro 3,199 thousand, related to the payment of bonuses to employees in 2021 for Euro 2,494 thousand.

Furthermore, the potential impact on the Provisions for post-closure operation of landfills in terms of increases, as a result of a theoretical decrease of 50 bps in discount rates, would be equal to Euro +1,827 thousand. On the contrary, the potential impact on the Provision in terms of decrease, as a result of a theoretical growth of 50 bps in interest rates, would be equal to about Euro -1,646 thousand.

Finally, the potential effect on Provisions relating to post-closure operation of landfills in terms of increase, as a result of an assumed increase of 5% of expected future outlays, should be equal to Euro 1,230 thousand.

15) Employee severance pay and other employee benefits

The amount payable to employees for severance pay benefits at 31 December 2021 is shown in the table below:

Value at 31/12/2020	16,350,493
Interest Cost	-3,145
Uses	-1,283,487
Transfer to other social security institutions	-118,707
Other changes	32,291
Actuarial (Gain) / Loss	456,289
Value at 31/12/2021	15,433,734

The item, amounting to Euro 15,434 thousand, includes provisions for subordinate employee severance pay and other contractual benefits, net of advances granted and payments made to social security institutions in accordance with current legislation. The calculation is carried out by using actuarial techniques and discounting future liabilities at the reporting date. These liabilities consist of the receivables that the employees will accrue on the date on which they will presumably leave the company.

The table below shows the main assumptions used in the actuarial estimate of employee benefits:

Description	Rates used for FY 2021	Rates used for FY 2020
Inflation rate	1.75%	0.80%
Annual discount rate	0.44%	-0.02%
Annual rate of overall pay increases	2.81%	2.10%
Annual frequency of leaving work for reasons other than death	1.00%	1.00%

The actuarial component relating to the Employee Severance Pay and the related deferred tax are shown in the OCI section.

The table below shows the effects in absolute values at 31 December 2021 which would have been reported following reasonably possible changes in actuarial assumptions:

turnover rate + 1%	15,300,869
turnover rate - 1%	15,579,440
inflation rate + 0.25%	15,636,833
inflation rate - 0.25%	15,234,009
discount rate + 0.25%	15,110,316
discount rate - 0.25%	15,767,832

It should be noted that the Company has made reference, for the measurement of the discount rate, to the iBoxx Corporate AA index with duration 7-10.

16) Non-current financial liabilities

The table below shows the related breakdown:

Description	Balance at 31/12/2021			Balance at 31/12/2020			Change
	Current	Non-current	Total	Current	Non-current	Total	
Bonds	10,988,644	34,897,383	45,886,027	6,098,493	44,825,980	50,924,473	-5,038,446
Payables to banks	44,275,416	6,810,830	51,086,246	29,119,435	13,978,802	43,098,237	7,988,009
Financial liabilities to banks	55,264,060	41,708,214	96,972,274	35,217,928	58,804,783	94,022,710	2,949,563
Financial liabilities for rights of use	271,225	1,021,897	1,293,122	-	-	-	1,293,122
Total financial liabilities	55,535,285	42,730,111	98,265,395	35,217,928	58,804,783	94,022,710	4,242,685

Below are the changes in payables to banks and bondholders for loans:

Description	31/12/2020	New loans	Repayments	Reclassifications	Other changes	31/12/2021
Non-current liabilities	58,804,783			- 17,182,186	85,617	41,708,214
Current financial liabilities						
Short-term borrowings	19,450,000	20,000,000	-2,500,000	-	-	36,950,000
Current portion of non-current debt	15,767,928	-	-14,568,924	17,182,186	-67,130	18,314,060
Total current financial liabilities	35,217,928	20,000,000	1,068,924	17,182,186	-67,130	55,264,060
Total financial liabilities to banks and bondholders	94,022,710	20,000,000	17,068,924	-	18,488	96,972,274

Payables to banks: the balance also includes amounts due to banks for the medium- and long-term portion (equal to Euro 6,811 thousand).

Bond: on 9 March 2017, the Company completed the procedure for the issue of a Euro 50,000,000 bond listed on the Irish Stock Exchange in Dublin. It has a term of seven years and an effective rate of 2.7%. The loan started to be repaid from 2021; the value of the portions repaid by the company amounted to Euro 15 million as at the reporting date.

Cash and cash equivalents deriving from the issue of bonds are mainly intended to finance the investments planned and attributable to the transformation of services under the twenty-year concession agreement.

Financial payables to banks require compliance with certain levels of financial ratios set out as per contract, such as Net Financial Position/EBITDA and Net Financial Position/Equity, according to the definitions agreed with the financing counterparties and measured on the Company's balance sheet values.

Failure to comply with the covenants and other contractual commitments applied to the loan(s), if not adequately remedied within the agreed terms, may result in the obligation to repay the related residual debt in advance.

The Company had complied with all the above parameters as at 31 December 2021.

The table below shows the breakdown of "Net Financial debt" at 31 December 2021, prepared in accordance with paragraph 175 and ff. of ESMA Recommendations/2021/32/382/1138.

Euro	31/12/2021	31/12/2020	Change
A. Cash	33,730,665	62,256,685	(28,526,020)
B. Cash equivalents	-	-	-
C. Other current financial assets	-	-	-
D. Liquidity (A + B + C)	33,730,665	62,256,685	(28,526,020)
E. Current financial debt	36,950,000	19,450,000	17,500,000
F. Current portion of non-current financial debt	19,538,619	16,721,262	2,817,357
G. Current financial debt (E + F)	56,488,619	36,171,262	20,317,357
H. Net current financial debt (G - D)	22,757,954	(26,085,423)	48,843,378
I. Non-current financial debt	6,810,830	13,978,802	(7,167,972)
J. Debt instruments	34,897,383	44,825,980	(9,928,597)

K. Trade payables and other non-current payables	6,455,230	6,386,666	68,564
L. Non-current financial debt (I + J + K)	48,163,444	65,191,449	(17,028,005)
M. Total financial debt (H + L)	70,921,398	39,106,025	31,815,373

“Current portion of non-current financial debt” and “Trade payables and other non-current payables” include deferred payables for the purchase of plants totalling Euro 5.4 million, in addition to tax liabilities for rights of use.

For the amount of payables with maturity of beyond 5 years, reference should be made to the paragraph on “Liquidity risk” of these explanatory notes.

17) Non-current trade payables and Other non-current liabilities

Non-current trade payables

Description	Balance at 31 12 2021	Balance at 31 12 2020	Change
Payables to suppliers due beyond 12 months	4,233,333	5,066,666	833,333
TOTAL	4,233,333	5,066,666	833,333

This item refers to the Company’s payable to third party suppliers for the instalment payment of the acquisition of the Montignoso landfill, which took place during 2018.

Other non-current liabilities

Below is the related breakdown:

Description	Balance at 31 12 2021	Balance at 31 12 2020	Change
Deferred income beyond 12 months	3,063,918	3,884,183	-820,265
Payables to Publiservizi Spa	1,200,000	1,320,000	-120,000
Provincial Tax	507,106	544,196	-37,090
Guarantee deposits	1,500	1,500	0
TOTAL	4,772,524	5,749,879	-977,355

The payable to Publiservizi S.p.A., equal to Euro 1,200 thousand, relates to an amount owed to this company for the purchase of an industrial shed located in the Municipal district of Fucecchio (Florence).

The Provincial Tax Debt consists of the amount to be paid for this purpose on TIA tariff bills collected during the year. Deferred income relates to portions of set-up grants received and accruing in future years. The breakdown of portions accrued after 2021 and beyond five years can be inferred from the table below:

	FROM 1 TO 5 YEARS	BEYOND 5 YEARS
TOTAL	961,078	2,102,840

CURRENT LIABILITIES

18) Current financial liabilities

For the table of changes in financial liabilities, reference should be made to note 16.

The balance at 31 December 2021 amounted to Euro 55,535,285 (Euro 35,217,928 at 31 December 2020) and mainly related to short-term payables to banks, including the amounts of loans falling due within the subsequent 12 months. There were no overdrafts.

The balance also includes the short-term portion of the Bond for Euro 988,644, consisting of interest that accrued during the period, as well as the repayment of principal of Euro 10,000,000.

19) Trade payables

The table below shows the breakdown of trade payables:

Description	Balance at 31 12 2021	Balance at 31 12 2020	Change
Payables to suppliers	77,853,919	77,087,037	766,882
Payables to subsidiaries	10,667,653	9,470,102	1,197,551
Payables to associates	377,881	615,247	-237,366
Payables to entities controlled by parent companies	27,007	18,224	8,783
TOTAL	88,926,460	87,190,610	1,735,850

The balance, equal to Euro 88,926 thousand (Euro 87,191 thousand at 31 December 2020), mainly includes trade payables to third-party suppliers (Euro 77,854 thousand) and to subsidiaries (Euro 10,668 thousand).

The payable to subsidiaries mainly relates to invoices received from Revet for collection and treatment of light multi-material and glass, and sales of compost.

20) Other current liabilities

Other current liabilities are broken down in the table below:

Description	Balance at 31 12 2021	Balance at 31 12 2020	Change
Other payables	1,846,426	1,923,604	-77,178
Payables to employees	7,218,268	5,742,835	1,475,433
Accrued expenses	5,484	7,589	-2,105
Deferred income	862,022	861,653	369
Deferred VAT - Customers	776	776	0
Withholding tax payables to Tax Office	41,397	18,005	23,392
Employee IRPEF tax payables to Tax Office	1,575,862	1,360,984	214,877
Payables to social security institutions	3,901,122	3,803,782	97,340

Payables to the Municipality of Florence	8,882	5,490	3,393
TOTAL	15,460,240	13,724,719	1,735,521

The debt positions illustrated above relate to the tax and social security payables repaid by the Company within 12 months. The payable to the shareholder Municipality of Florence relates to payments for waste tax, received from users as accounting agents and reversed after 12 months.

5) EXPLANATORY NOTES TO THE INCOME STATEMENT ITEMS

21) Revenues

Revenues from waste collection, treatment and disposal service, amounted to Euro 342,937 thousand, of which an amount of Euro 311,546 thousand came from the Municipalities that are directly and indirectly shareholders of the Company. The remaining revenues related to other sales and commercial services.

For more information on the Company's performance of operations, reference should be made to the Report on Operations.

22) Other operating revenues

Other operating revenues amounted to Euro 4,960,016 (Euro 3,863,511 at 31 December 2020) and are broken down in the table below:

Description	Balance at 31 12 2021	Balance at 31 12 2020	Change
Incentive tariff	154,205	188,935	-34,730
Other revenues	1,444,234	1,095,947	348,287
Revenues for claims compensation	83,155	215,979	-132,824
GSE electricity production incentives	243,246	268,274	-25,028
Contingent assets	490,590	937,210	-446,621
Revenues from company canteen	282,223	281,520	702
Revenues from penalties	382,266	222,064	160,202
Recoveries and refunds	1,880,098	653,581	1,226,517
TOTAL	4,960,016	3,863,511	1,387,421

The Company carries out waste collection and road sweeping activities set out in the concession agreement or under contracts with private individuals or entities, in which almost all transactions take place in accordance with contracts that provide for only one performance obligation which is satisfied over time.

Other income

Other income amounted to Euro 2,979,159 (Euro 1,939,169 at 31 December 2020) and are broken down in the table below:

Description	Balance at 31 12 2021	Balance at 31 12 2020	Change
Set-up grants	107,612	157,370	-49,758
Operating grants	147,453	22,995	124,458
Capital grants	699,475	701,392	-1,916
Revenues from recovery of fuel excise duties	411,571	433,148	-21,577
Capital gains from disposals	290,312	330,002	-39,689
Research and development grant	6,820	6,838	-19
Capitalisation of internal staff costs	1,315,916	287,425	1,028,491
TOTAL	2,979,159	1,939,169	1,039,990

23) Operating costs

Below is the breakdown of the following operating costs:

Description	Balance at 31 12 2021	Balance at 31 12 2020	Change
Fuels and lubricants	8,254,972	5,901,762	2,353,210
Spare parts	2,089,387	2,553,245	- 463,858
Bags	1,270,979	1,160,967	110,012
Consumables	2,534,259	2,713,501	- 179,241
Chemicals	293,784	423,472	- 129,689
Other purchases	2,062,761	2,370,319	- 307,558
Consumption of raw materials and consumables	16,506,142	15,123,265	1,382,876
Waste collection	54,568,816	49,964,043	4,604,773
Insurance	4,720,865	4,364,157	356,708
TIA tariff collection services	1,205,237	829,124	376,113
Legal and notarial fees	288,327	408,507	- 120,180
Third-party services	4,077,293	2,688,468	1,388,825
Refund to suppliers of regional waste disposal tax	2,838,205	2,731,907	106,298
Others	13,090,475	10,780,842	2,309,633
Transport, treatment and disposal services	77,720,250	72,025,090	5,695,160
Cleaning and sweeping services	5,387,451	4,928,844	5,250,615
Operation and cleaning of green areas and historic centres	6,912,280	6,180,487	731,792
Environmental hardship allowance	1,366,098	1,419,366	- 53,268
Maintenance	10,179,459	10,908,544	- 729,085

Energy, water and gas utilities	3,403,177	3,540,315	-	137,138
Rentals and leases payable	2,054,190	2,324,893	-	270,703
Canteen	1,420,429	1,294,025		126,403
Costs for services	189,232,552	174,388,613		14,843,939
Wages and salaries	67,890,335	65,857,605		2,032,730
Contracted work	9,959,508	5,428,282		4,531,226
Social security costs	23,039,974	22,328,150		711,824
Employee severance pay	4,341,079	4,315,461		25,618
Other personnel costs	4,122,722	2,500,731		1,621,991
Personnel costs	109,353,618	100,430,230		8,923,389
Regional disposal tax	875	1,037	-	162
Contingent liabilities	287,639	340,467	-	52,828
Sundry tax and duties	1,220,924	1,185,165		35,759
Capital losses	166,852	267,818	-	100,965
Others	928,407	848,796		79,611
Other operating costs	2,604,697	2,643,283	-	38,585

The fees paid to directors and statutory auditors amounted to Euro 106,720 and Euro 38,379.

As regards the breakdown of the average number of employees at 31 December 2021, reference should be made to the paragraph on "Personnel recruitment and training policy" of the Report on Operations.

24) Amortisation, depreciation, provisions and write-downs

The table below shows the amortisation, depreciation and other provisions set aside during the year:

Description	Balance at 31 12 2021	Balance at 31 12 2020	Change
Amortisation of intangible assets	13,789	265,323	- 251,534
Depreciation of property, plant and equipment	727,603	2,188,009	- 1,460,406
Amortisation of concession rights	17,991,673	13,376,318	4,615,355
Provisions for risks	3,070,873	1,064,360	2,006,513
Provisions for Post-closure period of landfills (net of releases)	-585,914	1,889,040	-2,474,954
TOTAL	21,218,023	18,783,050	2,434,973

Net value write-backs (write-downs) of trade and other receivables

This item is broken down as follows:

Description	Balance at 31 12 2021	Balance at 31 12 2020	Change
Accrual to Provision for bad debts	- 223,116	108,679	- 331,795
TOTAL	- 223,116	108,679	- 331,795

25) Financial operations

Write-downs and reinstatements of financial assets

There were no write-downs and reinstatements of financial assets.

Share of profits/losses of Joint Ventures and associates

The balance at 31 December 2021 came to Euro 1,535,138 and consists of the impact through profit or loss relating to revaluations and write-downs of equity investments in equity-accounted associates and joint ventures.

Financial income

The table below shows the breakdown of financial income:

Description	Balance at 31 12 2021	Balance at 31 12 2020	Change
Income from equity investments in other companies	68	0	68
Other interest income from receivables	482,366	336,174	146,192
Interest income from current bank accounts	21,262	187,477	-166,215
Interest income from subsidiaries	10,618	16,863	-6,245
TOTAL	514,313	540,514	-26,201

Financial costs

The table below shows the breakdown of financial costs:

Description	Balance at 31 12 2021	Balance at 31 12 2020	Change
Interest on loans	287,393	272,375	15,018
Interest expense on Bond	1,311,554	1,429,883	-118,329
Default interest expense	17,909	6,881	11,029
Interest expense on current bank accounts	22,401	18,463	3,938
Financial costs on discounting of provisions for post-closure operation of landfills	335,717	379,417	-43,700
Interest expense on Employee Severance Pay	0	64,483	-64,483
Other interest expense	96,633	39,445	57,188
TOTAL	2,071,606	2,210,946	-139,340

26) Taxation

Below is a reconciliation of difference between production value and costs and IRAP taxable income; the rate was 5.12% in 2021 and remained unchanged compared to 2020:

Difference between production value and costs	123,799,448
Increases due to revenues	
Decreases due to revenues	1,075,667
Increases due to costs	1,545,324
Decreases due to costs	94,778,277
Taxable income	29,490,827
Current IRAP tax rate	5.12%
Accrued IRAP tax	1,509,930

The following is a reconciliation between accounting income and IRES taxable income.

Profit (loss) before tax	12,161,831
Increases	11,086,392
Decreases	10,642,943
Tax losses	-10,084,224
ACE deduction	1,292,276
Taxable income	1,228,780
IRES tax rate	24%
Accrued IRES tax	294,907

Below is the calculation of the tax rate for 2021:

Current IRES tax	294,907
Current IRAP tax	1,511,465
Change in deferred tax	1,880,036
Accrued tax	3,686,409
Income before tax	12,161,831
Tax rate	30.31%

6) OTHER INFORMATION

Fees due to Independent Auditors e

Annual fees for the statutory audit of accounts services performed by the audit firm PricewaterhouseCoopers S.p.A. to the Parent Company totalled Euro 60,000. Fees for non-audit services performed by the same audit

firm amounted to Euro 15,000, relating to the limited audit of the Non-financial Statement of the Parent Company and to Euro 9,000 to other services.

Related-party transactions

The municipal waste service operated by Alia S.p.A. in the area of competence is performed on the basis of agreements signed with local area authorities and concerns the operation of collection, transport, road sweeping and washing services, sending waste for recovery and disposal, etc. on an exclusive basis. The agreements signed with local area authorities regulate the economic aspects of the contractual relationship, as well as the methods of organisation and operation of the service and the quantitative and qualitative levels of the services delivered. The fees due to the operator for the services performed, including municipal waste disposal, treatment and recovery, are set annually according to the national tariff method in accordance with ARERA WTM Resolution no. 443/2019. The 2021 fees approved by the local area authorities were invoiced to each Municipality or to the citizens, where the quantity-based tariff fee is applied.

"Related parties" are those indicated by the international accounting standard concerning disclosures on related-party transactions (IAS 24 revised).

Related-party transactions were carried out at arm's length, the major of which are shown below:

EURO*1,000	RECEIVABLES	NON-CURRENT FINANCIAL ASSETS	PAYABLES	REVENUES	COSTS
PARENT COMPANIES	29,147	0	9	93,159	501
MUNICIPALITY OF FLORENCE	29,147		9	93,159	501
EURO*1,000	RECEIVABLES	NON-CURRENT FINANCIAL ASSETS	PAYABLES	REVENUES	COSTS
MUNICIPALITIES	67,154	0	1,512	219,482	2,637
MUNICIPALITY OF SIGNA	1,515		0	3,928	0
MUNICIPALITY OF SESTO FIORENTINO	1,037		222	9,946	252
MUNICIPALITY OF SCANDICCI	1,992		0	9,611	3
MUNICIPALITY OF CALENZANO	1,584		0	5,099	0
MUNICIPALITY OF BAGNO A RIPOLI	2,438		3	6,096	2
MUNICIPALITY OF CAMPI BISENZIO	4,397		159	9,705	159
MUNICIPALITY OF SAN CASCIANO VAL DI PESA	1,181		0	3,774	19
MUNICIPALITY OF IMPRUNETA	1,015		0	3,122	6
MUNICIPALITY OF GREVE IN CHIANTI	669		0	3,249	1
MUNICIPALITY OF FIESOLE	750		0	3,430	0
MUNICIPALITY OF BARBERINO VAL D'ELSA	111		0	0	0
MUNICIPALITY OF FIGLINE E INCISA VALDARNO	341		14	5,283	52
MUNICIPALITY OF SCARPERIA E SAN PIERO	263		0	2,466	0
MUNICIPALITY OF LASTRA A SIGNA	1,400		0	3,738	0
MUNICIPALITY OF EMPOLI	3,139		0	10,009	80

MUNICIPALITY OF VINCI	608		0	2,769	10
MUNICIPALITY OF MONTELUPO FIORENTINO	452		1	2,561	13
MUNICIPALITY OF CASTELFIORENTINO	1,873		0	3,220	32
MUNICIPALITY OF CERRETO GUIDI	369		0	1,913	3
MUNICIPALITY OF GAMBASSI TERME	296		0	970	0
MUNICIPALITY OF MONTAIONE	140		5	822	0
MUNICIPALITY OF BORGO SAN LORENZO	1,287		130	3,838	183
MUNICIPALITY OF CAPRAIA E LIMITE	901		0	1,330	0
MUNICIPALITY OF VICCHIO	1,439		0	1,768	0
MUNICIPALITY OF FUCECCHIO	1,855		0	4,089	22
MUNICIPALITY OF MASSA E COZZILE	368		0	1,292	0
MUNICIPALITY OF BARBERINO DI MUGELLO	538		0	2,393	4
MUNICIPALITY OF MONTESPERTOLI	1,683		352	2,734	1,062
MUNICIPALITY OF PONTE BUGGIANESE	885		0	1,388	0
MUNICIPALITY OF CERTALDO	1,390		0	2,930	13
MUNICIPALITY OF LARCIANO	394		0	1,122	0
MUNICIPALITY OF MONSUMMANO TERME	1,471		3	3,433	8
MUNICIPALITY OF VAGLIA	402		0	918	0
MUNICIPALITY OF PISTOIA	9,072		182	19,638	236
MUNICIPALITY OF SERRAVALLE PISTOIESE	802		0	1,900	0
MUNICIPALITY OF CHIESINA UZZANESE	543		0	798	0
MUNICIPALITY OF AGLIANA	297		0	3,062	0
MUNICIPALITY OF QUARRATA	303		0	4,787	2
MUNICIPALITY OF MONTALE	248		0	1,995	3
MUNICIPALITY OF BUGGIANO	1,069		0	1,496	0
MUNICIPALITY OF CANTAGALLO	259		7	529	0
MUNICIPALITY OF CARMIGNANO	533		12	2,447	0
MUNICIPALITY OF MONTEMURLO	585		0	3,689	1
MUNICIPALITY OF POGGIO A CAIANO	2,325		12	1,784	0
MUNICIPALITY OF PRATO	5,272		396	36,058	412
MUNICIPALITY OF VAIANO	548		14	1,651	2
MUNICIPALITY OF VERNIO	346		0	944	0
MUNICIPALITY OF ABETONE CUTIGLIANO	344		0	632	0
MUNICIPALITY OF MARLIANA	130		0	551	0
MUNICIPALITY OF MONTECATINI TERME	1,713		0	6,086	11
MUNICIPALITY OF PIEVE A NIEVOLE	1,029		1	1,677	3

MUNICIPALITY OF PESCIA	1,371	0	4,242	0
MUNICIPALITY OF RIGNANO SULL'ARNO	377	0	1,449	0
MUNICIPALITY OF SAMBUCA PISTOIESE	198	0	237	0
MUNICIPALITY OF SAN MARCELLO PITEGLIO	648	0	1,389	1
MUNICIPALITY OF UZZANO	135	0	919	0
MUNICIPALITY OF BARBERINO TAVARNELLE	817	0	2,541	4
MUNICIPALITY OF LAMPORECCHIO	7	0	35	40

Information on operating segments - IFRS 8

The Company operates in the sector of environmental hygiene, as well as collection, sweeping and disposal of municipal waste. For this reason, the data given above report the balance sheet and income statement data of the sole operating segment.

Fair value measurement hierarchy levels

In relation to financial instruments recognised at fair value in the statement of financial position, IFRS 7 requires these values to be classified on the basis of a level hierarchy that reflects the significance of the inputs used in fair value measurement.

The following levels are distinguished:

- Level 1 - quoted prices in active markets for assets or liabilities subject to measurement;
- Level 2 - inputs other than quoted market prices within Level 1 that are observable either directly (prices) or indirectly (derived from prices) on the market;
- Level 3 - inputs that are not based on observable market data. "Assets measured at fair value" referred to in the table above are included in this level.

Breakdown of financial instruments by category of measurement applied

The table below reports a reconciliation between the classes of financial assets and liabilities as identified in the statement of financial position and the types of financial assets and liabilities identified based on the requirements of IFRS 7 - adopted in these Financial Statements.

<i>(In Euro units)</i>	Financial assets / liabilities measured at fair value	Assets measured at amortised cost	Liabilities measured at amortised cost	Total
CURRENT ASSETS				
Trade receivables		112,736,723		112,736,723
Other current assets		7,510,911		7,510,911
Cash and cash equivalents		33,730,665		33,730,665
NON-CURRENT ASSETS				
Non-current financial assets		977,617		977,617

Equity investments in other companies		8,614,595		8,614,595
Non-current trade receivables		2,110,649		2,110,649
Other non-current assets		1,297,360		1,297,360
CURRENT LIABILITIES				
Current financial liabilities			55,535,285	55,535,285
Trade payables			88,926,460	88,926,460
Other current liabilities			15,460,240	15,460,240
NON-CURRENT LIABILITIES				
Non-current financial liabilities			42,730,111	42,730,111
Non-current trade payables			4,233,333	4,233,333
Other non-current liabilities			4,772,524	4,772,524

It should be noted that there were no financial instruments measured at fair value at 31 December 2021. Trade receivables and payables have been measured at the book value that is believed to approximate their fair value.

Risks

The Company has designed specific policies for each of the following types of risk with the primary aim of setting out the strategic guidelines, organisational and management principles, macro processes and techniques required for their active management (where applicable):

- 1) Financial Risks (liquidity, exchange rate, interest rate);
- 2) Credit Risks;
- 3) Equity Risks;
- 4) Operational Risks.

The active management methods used by the Company for each type of risk are described below.

1. FINANCIAL RISKS:

a) Liquidity risk

Liquidity risk is the risk that the financial resources available to the company are not sufficient to meet the financial and commercial obligations according to the agreed terms and conditions and deadlines.

The procurement of financial resources is managed by the Finance and Control Department to optimise the use of available resources. In particular, the centralised management of financial flows makes it possible to allocate the available funds according to needs. The competent Department carefully monitors compliance with the financial covenants regulating the Bond issued in 2017 and other medium and long-term loans on a regular basis. At 31 December 2021, all the covenants expressed in the form of a) Equity/EBITDA, b) Net financial position/EBITDA, c) EBITDA/Financial costs had been complied with.

The current and future financial position and the availability of appropriate bank credit facilities are monitored on an ongoing basis; no critical issues are reported in relation to covering short-term financial commitments.

In this regard, it should be noted that the profit margins expected for the next financial years as they can be inferred from the economic and financial plan for the 2021-2030 period, which was approved by Alia's Board of Directors on 25 May 2021, and updated for 2022 in the 2022 Budget, which was approved by the Parent Company's Board of Directors on 29 December 2021, cash and cash equivalents outstanding as at 31 December 2021, in addition to those acquired in early 2022 as a result of the subscription of the bond issue of Euro 90

million, and the available bank lines of credit, confirm the Company's ability to discharge the obligations they had undertaken in the short-term and to continue to operate as a going concern in the foreseeable future.

Furthermore, it should be noted that the Company held total revocable bank loans for Euro 62,400 thousand as at 31 December 2021, which had been used for an amount of Euro 36,950 thousand.

Should a temporary decrease occur in available funds due, to a lengthening of the time required to collect fees from customers, the management will put in place the levers available in order to safeguard the Company's financial structure and the commitments undertaken (including compliance with the financial parameters set out in the loan agreements in place), including the rescheduling of non-strategic investments.

Precisely with reference to investments, it should be noted that talks are currently underway with the banks with which the Parent Company has subscribed the new bond issue, which are aimed at completing the subscription of an additional line of financing (capex line); the latter has been approved for a maximum amount of Euro 145 million, aimed precisely at supporting the Group's infrastructure development, as well as refinancing part of the existing debt, including almost all the bond outstanding as at 31 December 2021. Consequently, there are no problems for the 2021 financial year in relation to the measurement of the financial parameters envisaged by the bond issue subscribed in 2017.

Furthermore, the most suitable forms of financing to meet Alia's requirements and the best market conditions are sought through the relationships the Company maintains with the major Italian Banks.

The liquidity risk for Alia S.p.A. is therefore strongly mitigated by monitoring carried out by the Finance and Control Department on an ongoing basis.

Below are the maturities of payables with regard to liquidity risk:

Description	Within 12 months	Between 1 and 5 years	Beyond 5 years	Total
Financial liabilities (including financial liabilities for rights of use)	55,535,285	42,508,933	221,178	98,265,396
Trade payables	88,926,460	4,233,333		93,279,793
Other payables	15,460,240	1,568,929	3,203,595	20,112,764
Total	159,921,985	48,311,195	3,424,773	211,657,953

Furthermore, reference should be made to the statement of Net Financial Position reported in note 20.

The Covid-19 emergency, together with the possible complex macroeconomic scenarios, following the outbreak of the Russian-Ukrainian conflict, have led to a difficult economic context for the resources of the Municipal Administrations, with a reduction in their revenue from local taxation. This could have an impact on the Company's liquidity against an increase in the average collection time for fees, and therefore generate a greater need to draw on the credit lines currently in place or, if necessary, to resort to the "guaranteed liquidity" provided by government measures to overcome the critical issues of this difficult period.

In any case, it is believed that the Company's credit rating may in any case allow the use of all such credit lines, in every possible form, as may be necessary to ensure adequate financial coverage of cash requirements, at least in the short-term period.

b) Exchange rate risk

Alia S.p.A. is not exposed to exchange rate risks since the Company operates at a national level.

c) Interest rate risk

The interest rate risk to which the Company is exposed mainly originates from borrowings from banks. In light of the current trend in interest rates, the Company's risk management policy does not provide for the use of derivative contracts to hedge interest rate risks.

2. CREDIT RISK

Alia S.p.A.'s credit risk is substantially linked to the amount of trade receivables due from companies and private individuals who make use of waste disposal services under private law contracts and to unsettled items arising from the former TIA tariff management which accrued directly to general users, as well as to the amount receivable claimed from the Municipal Authorities in relation to the municipal waste management service following the adoption of the taxation scheme from 2012/2013.

In conducting its business, Alia is exposed to the risk that the debts may not be honoured at maturity, with consequent increase in their ageing, or insolvency in the case of debts which are involved in insolvency proceedings or which are in any case uncollectible.

The credit management policy and the credit rating assessment tools, as well as monitoring and recovery, are differentiated according to the different types of credit mentioned above.

The terms of payment generally applied to customers are those prescribed by the legislation or regulations in force or are in line with market standards; in case of non-payment, default interest will accrue at the rate set out in the contracts.

Accruals to the provision for bad debts precisely reflect the actual credit risks.

The Company generates most of its turnover from municipal governments, which, as described above, are being affected by the economic crisis due to the Covid-19 emergency. However, it is believed that this situation does not really jeopardise the solvency of the municipal governments but rather the deferral of the collection flows of the fees due to the Company over time.

Consequently, no significant effects on the Group's credit risk had been reported at the reporting date of these financial statements, although continuing monitoring activities on this issue on an ongoing basis.

3. EQUITY RISK

Equity risk is essentially linked to the recoverability of the value of the investments made in investees; this risk is not significant as the Company does not hold equity securities consisting of capitals subject to high variability and available for sale. All the investments held in subsidiaries and associates relate to companies that are not listed on the stock exchange and consist of long-term investments that are functional to the company business; the tests as to whether there is evidence of permanent impairment losses are monitored on the basis of the development plans and prospects of the companies and of available information: they are managed within the scope of the Group's strategy in order to enhance and support any investment made. Permanent impairment losses (if any) are adequately reported in the financial statements.

4. OPERATIONAL RISKS

This category includes all the risks which, in addition to those already highlighted in the previous paragraphs, can impact on the achievement of the objectives, in relation to the effectiveness and efficiency of company operations, performance levels, profitability and protecting resources from any loss.

The risk management process requires that the activities performed in each operational area are analysed and the main risk factors associated with achieving objectives are identified. Following their identification, risks are assessed qualitatively and quantitatively (in terms of intensity and probability of occurrence), thus allowing the most significant to be detected and selected and mitigation plans to be designed accordingly.

For more information on the issues relating to credit risk and liquidity risk, reference should be made to the report on operations.

Guarantees and commitments

The guarantees given are shown below:

1) surety guarantee for the final deposit in favour of the Toscana Centro Area Authority for an initial value of Euro 15,284 thousand issued by Reale Mutua Assicurazioni on 1 September 2020 for the period from 1 September 2020 to 1 September 2023;

2) bank guarantees as shown in the table below:

Bank	Type of Guarantee	Nominal Guarantee Amount (amounts in thousands of Euros) 2021
Intesa San Paolo	Surety in favour of the Municipality of Montespertoli for mitigation and restoration projects for the Casa Sartori Landfill	150
Intesa San Paolo	Surety on bank loans of Programma Ambiente S.p.A.	2,047

3) sureties of Euro 71,210 thousand to cover environmental risks related to landfills and plants under management, as requested by Municipalities, the Tuscany Regional Government, the Metropolitan City of Florence, as well as those issued to the Ministry of the Environment for registration in the Registry of Environmental Operators.

The Company has taken out policies against these sureties with leading insurance companies.

Finally, a first mortgage was registered on the Faltona composting plant (Municipal district of Borgo San Lorenzo) in favour of Monte dei Paschi Capital Service S.p.A. for an amount of Euro 17,700 thousand.

Main pending litigation

The information relating to the main pending litigation and related provision set aside in the accounts are reported below:

INPS litigation for remuneration differences for employees under fixed-term contracts

The third level of judgment is underway following the objections raised by INPS (Italian Social Security Institute) against the appeal ruling no. 134 of 21 February 2019. An amount of Euro 120,319 was set aside as provision for risks.

INPS/INCA services litigation

This dispute (formerly Quadrifoglio) with INPS (Italian Social Security Institute) for irregularities in the payment of contributions (INCA dispute) and as to a claim of Euro 695,000 for the secondary liability of Quadrifoglio (now Alia) (subsidiary liability) in its capacity as contracting authority. The proceedings were then concluded with a final judgment against Quadrifoglio. However, to date, INPS has not yet taken steps to claim the sums and, therefore, it is considered necessary to set aside a provision each year on a prudential basis and until the debt becomes statute barred. An amount of Euro 695,000 was set aside as provision for risks.

VAT on TIA tariff

During 2021, the provision was not reduced. However, it is confirmed that a provision has been set aside, on a prudential basis, for Euro 15,600 for the residual disputes pending with some users for the refund of VAT on the TIA tariff, in the light of the recent case law guidelines.

Litigation for lease rentals (former Publiambiente)

This dispute concerns the payment of lease rentals under an agreement for office use of the premises of former Publiambiente in Pistoia. During the term of the contract Publiambiente suspended the payment of the rental due to the uncertainty of the situation of the assignee (the original lessor or two financial companies subsequently involved in the proceedings). The lessor has obtained an order for payment of Euro 50,325 for rentals from October 2013 to December 2014 invoiced by the lessor. To date, and until an assessment is conducted on the assignee, the proceedings are still in progress.

The property was released at the end of 2018. Requests for payment have also been submitted for rentals payable after the date of issue of the order for payment, i.e., after 2014. Since the release has not been formalized, there is a risk of claims for rentals even beyond 31 December 2018, until the natural expiry of the lease. During 2021 negotiations were started, which were aimed at settling the dispute out of court, with a possible draft agreement submitted to Alia's Board of Directors at the meeting held on 23 November 2021. In light of the negotiations underway, we believe that we can confirm the allocation to the provision for risks to cover a total of Euro 250,000.

Non-validated Waste Identification Forms

These proceedings were initiated by Alia, asking the Tuscany Regional Government - Environment and Energy Department to annul the reports issued by the latter for the use of non-validated Waste Identification Forms with a request for hearing under Article 18 of Law 689/1981. Since the proceedings are still ongoing, it is considered appropriate to confirm the provision of Euro 250,000.

Provincial Police fines

Three reports have been issued which concern administrative offences relating to the transport of non-hazardous waste accompanied by forms with incomplete or inaccurate data relating to the place of production or detention of waste for a total fine of Euro 26,887.

Labour litigation

- Claim for a higher rank submitted by an employee from formerly AER, who has now joined Alia's workforce. The proceedings, which were brought in 2019, are still in progress and it is therefore appropriate to maintain a provision of Euro 3,900.
- Appeal against dismissal and request for reinstatement: the proceedings, which were brought in 2020, are still in progress and it is therefore appropriate to set aside a provision of Euro 140,000.
- In 2021 too, the Company confirmed, in consideration of the numerous out-of-court claims Alia received from the staff working for a contractor during 2020, the provision of Euro 100,000, set aside on a prudential basis, given the joint and several liability obligation between Customers and contractors under Article 1676 of the Italian Civil Code and Article 29 of Legislative Decree 276/2003.

Breach of contract

The proceedings with a user who claims compensation for damage for the failure to perform the door-to-door service on a private road, which were reported in 2018, are still ongoing. It is then confirmed that the sum of Euro 1,900 has been set aside.

Damage compensation for car deposit

Litigation arising from the merger of Essegemme into ASM and of the latter into Alia, which was reported in 2018, is still ongoing. A user of a parking area operated by Essegemme claims his car suffered damages at the Serraglio car park. It is then confirmed that the sum of Euro 6,028 has been set aside.

Compensation for damage due to termination of works contracts

During 2020 a contractor brought a legal action, raising objections against the termination of all works contracts Alia had ordered against it. The provision set aside for these proceedings amounts to Euro 345,000, equal to the sum requested by the company as compensation for damage.

Attribution of category and cadastral income for former Corliano landfill (Cerreto Guidi)

During 2020 the Revenue and Collection Agency served Alia with an appeal filed with the Supreme Court against the Tuscany Regional Tax Board's judgment concerning the objections raised against the category and cadastral income attributed by the tax authority to the landfill which had been previously operated by former company Publiambiente (now, Alia). It was deemed necessary to set aside a provision of Euro 3,960, equal to the sums that Alia might be required to pay if the appeal is granted.

Public Prosecutor's Office investigation into the Company's plants

The investigations are still in progress, which were started in May 2016, by the Public Prosecutor's Office of Florence into some of the plants used by Alia and substantially took into account many of the activities carried out (from the production of soil improvers to biogas, from waste management to the operation of a site undergoing reclamation) with a consequent variety of offences alleged to have been committed with separate acts (but all falling within the same proceedings). The legal counsels responsible for the defendants' defence, notwithstanding the uncertainty of the outcome, believe that, in the case of referral for trial, they are able to assess the probability of success for the more substantial findings and to minimise (by voluntary payments that settle the fines and due to the fact that the limitation period has passed) the formal or minor findings.

On 27 May 2021, during the investigation, Alia Servizi Ambientali S.p.A. was served with a preventive seizure order involving some areas located in the area of one of the plants involved, in order to prevent the commission of other crimes. By virtue of the aforesaid measure, requirements have been imposed on the Manager, which may continue to carry out recovery operations in the seized areas subject to providing the Arpat department of Florence with a weekly schedule regarding the waste management activities in progress.

At the same time as the adoption of the actual measure, a prohibitory precautionary measure was taken against some top managers of the companies incorporated into Alia and Alia itself, who were involved in the investigation. On 10 August 2021, the Court of Review, which had been appealed to by the parties concerned, revoked the precautionary measures that had been previously issued against all of them.

On 23 March 2022 27 reports of administrative offences were served at the Company's registered office, which concerned various senior management positions and involved Alia as joint obligor in relation to alleged violations ascertained during the preliminary investigations referred to in criminal proceedings no. RGNR (General Register of Notices of Offences) 1987/2016, which are in the process of being concluded. The charges relate to the breach of Article 193, paragraph 1, of the Consolidated Environmental Act: transport of non-hazardous waste with a waste identification form providing inaccurate data contested for 50 forms; transport of non-hazardous waste without a form; waste loading and unloading register, including hazardous waste, kept in an incomplete manner. The total amount of the contested penalties (if the Company should pay them immediately) is (in applying the criterion set out in Article 16, paragraph 1, of Law no. 689/1981: one third of the maximum edict) approximately Euro 3.1 million. Alia has started technical and legal investigations aimed at establishing whether it is in the position to resist the charges; at present, the directors have deemed it appropriate, on the basis of any available information and the evaluations carried out, including with the support of third-party legal advisors appointed by the Parent Company, to set aside a provision for risks equal to the total amount of the charges known to date, without prejudice to the evaluation in progress relating to the submission of defence documents to challenge the alleged violations in question within a time limit of 30 days.

At present, no liability has been brought against Alia pursuant to Legislative Decree 231/2001.

In addition, a provision of Euro 115,551 was set aside to cover the expenses connected with the proceedings, given the obligation to cover legal fees for its managers and employees involved in proceedings due to the work performed.

Q.tHermo

For the construction and operation of the waste-to-energy plant, Q.tHermo submitted a request for a single authorization to the Provincial Government of Florence in 2013, which required the completion of the environmental compatibility procedure ("EIA", Environmental Impact Assessment) and of that aimed at the release of the Integrated Environmental Authorization ("SEA", Single Environmental Authorisation).

Following an appeal against the measures issued in 2014 and 2015, the Tuscany Regional Administrative Court, by judgment no. 1602/2016, declared that the EIA measure was lawful and annulled the SEA. The Regional Administrative Court's decision was appealed against by Q.tHermo before the Council of State. The latter, by judgment no. 3109/2018, reaffirmed, albeit partially, the unlawfulness of the SEA decree. By judgment no. 2165/2020, the Council of State confirmed judgment no. 3109/2018, rejecting the appeal for revocation submitted by Q.tHermo.

At the same time as the appeal for revocation was pending, Q.tHermo asked the Regional Government to restart the SEA procedure in the annulled part only. Following the Tuscany Regional Government's rejection of the request, Q.tHermo filed an appeal with the Regional Administrative Court by deed RG (General Register) no. 607/2019. The public hearing is scheduled on 9 October 2022.

Again in 2019, Q.Thermo challenged, before the Regional Administrative Court, the acts of the Tuscany Regional Government aimed at including alternative solutions to the Case Passerini waste-to-energy plant into the sector planning. Against the aforementioned measures Q.tHermo filed the appeal RG (General Register) no. 1292/2019. The public hearing is scheduled on 9 October 2022. In the meantime, Q.Thermo was incorporated into Alia on 13 October 2021.

Fatal accident in Maciste

At the end of 2018 the first-instance criminal sentence was filed, which ordered Alia, jointly and severally with accused persons, to pay a total amount of Euro 300,000.00 in favour of Mr Bennardo's heirs. During the course of the year, despite initial resistance, Generali compensated for the damage in full, releasing Alia from any civil liability both to the heirs and to INAIL (Italian Institute for Insurance against Accidents at Work). Since the criminal proceedings are continuing, given that the three defendants have lodged an appeal before the Florence Court of Appeal against the final judgment of the first-instance proceedings no. 1140/2018, with respect to which we are waiting for the scheduling of the hearing for the discussion of the appeal, it is considered, at present, that the provision should be maintained unchanged, for an amount of Euro 273,482, from which to sustain such costs for the appellate proceedings in the event that Alia should be required to pay them.

The amounts set aside as provisions for risks in relation to the disputes described above have been regarded as adequate to cover the related contingent liabilities, including on the basis of the evaluations made by the third-party legal counsels appointed by the Company.

Finally, it should be noted that, in relation to the criminal proceedings that are still in progress, whose objections mainly concern the management and storage of waste, the Company has established, including with the support of its legal counsels, that there was no risk of disqualification sanctions that could affect its business activity at the reporting date, given the present state of the various procedures and in the light of the in-house processes implemented and the control measures put in place. In any event, adequate provisions for risks and charges have been set aside in order to cover costs for these proceedings and the administrative sanctions estimated to date.

Significant events after the reporting period

24 January 2022: the Letter of Intent was signed with IES (SNAM Group) for the construction of the Biodigester in Peccioli. The LOI with IES Biogas was signed by the Executive Chairman of Al.Be. S.r.l. in relation to the design and construction of the anaerobic bio-digestion, composting and biomethane production plant to be built in Legoli, Peccioli. The documents include the schedule of works and the consequent cold and hot start, with the first delivery of waste expected in summer 2023.

23 February 2022: Alia successfully completed an unsecured and unrated non-convertible senior bond issue of Euro 90 million intended for subscription by institutional investors. The bond issue - with a term of 6 years (until 23 February 2028) - (i) is listed on the regulated market of the Dublin Stock Exchange and (ii) bears a variable interest rate equal to 6-month EURIBOR + spread of 260bps. The proceeds will be used to finance the 2021-2030 Business Plan, which was approved by shareholders on 29 June 2021 and to refinance part of the existing debt. The transaction allows the rationalisation and optimisation of the Company's financial structure, and demonstrates Alia's ability to finance its activities on the capital market and the investors' interest in supporting the business plan. Intesa Sanpaolo - Imi Corporate & Investment Banking Division and UniCredit Bank have acted as placement agents for the issue. The law firm Bonelli Erede with Lombardi has acted as legal advisor, while the law firm Chiomenti has acted as legal advisor to the investors. The transaction involved Banca Finanziaria Internazionale as paying agent.

28 February 2022: as resolved by the Board of Directors on 25 February 2022, Alia disbursed a non-interest-bearing shareholder loan in the amount of Euro 3.0 million to associate Al.Be. S.r.l., aimed at financing the Company's requirements for awarding the electromechanical works relating to the construction of the Municipal Solid Waste recovery plant with anaerobic digestion, composting and biomethane production process to be built in Legoli, in the municipal district of Peccioli (province of Pisa).

February 2022: in February 2022, geopolitical tensions between Russia and Ukraine, which have persisted for several years, escalated into a war conflict. However, there was no threat of invasion as at 31 December 2021, and, therefore, the escalation of the conflict between Russia and Ukraine is regarded as a non-adjusting event for the financial statements at 31 December 2021. The consequences of the conflict, which is still too early to estimate, will be linked to several factors, including geographical extension, duration of sanctions and closures. At present, Alia does not seem to be affected by the dramatic developments in Ukraine. However, it cannot be excluded that a prolonged duration of the conflict and its possible geographical extension may lead to indirect effects such as higher operating costs (energy, fuel, etc.), which are not currently expected to have a significant impact on profit margins. The Company's management is carefully monitoring developments in the above scenario in order to understand any possible further political, economic or any other implication that might have an impact on the Company's business.

3 March 2022: the administrative court granted the request submitted by Programma Ambiente Apuane S.p.A., suspending the regional act "limited to the performance of ordinary management activities necessary to keep the landfill in operation", scheduling a public hearing on 4 May 2022 to discuss the merits.

February - March 2022: in response to the notices relating to investments 1.1 and 1.2 of the M2C1 Mission (Ministerial Decrees nos. 396 and 397 of 28 September 2021) Alia presented the following projects:

- investment 1.1 - Ministerial Decree 396/2021, 9 projects relating to new collection methods for a total actual amount of Euro 16.1 million and an eligible amount of Euro 7.9 million; 12 projects for the construction of new Collection Sites for a total actual amount of Euro 10.5 million and an eligible amount of Euro 6.1 million; for Line B 1, the project for the conversion of the Dano MBT plant into a hub for the exploitation of paper and cardboard for a total actual amount of Euro 12.5 million and an eligible amount of Euro 10.6 million;
- investment 1.2 - Ministerial Decree 397/2021, a project for the construction of a plant for the reuse, recovery and exploitation of WEEE in the San Donnino area for a total actual amount of Euro 19 million and an eligible amount of Euro 3.1 million, as well as a project for the construction of a plant for the treatment of textile waste deriving from post- and pre-consumption in the Municipal district of Prato for a total actual amount of Euro 18 million and an eligible amount of Euro 2.1 million.

23 March 2022: 27 reports of administrative offences were served at the Company's registered office, which concerned various senior management positions and involved Alia as joint obligor in relation to alleged violations ascertained during the preliminary investigations referred to in criminal proceedings no. RGNR (General Register of Notices of Offences) 1987/2016, which are in the process of being concluded. The charges

relate to the breach of Article 193, paragraph 1, of the Consolidated Environmental Act: transport of non-hazardous waste with a waste identification form providing inaccurate data contested for 50 forms; transport of non-hazardous waste without a form; waste loading and unloading register, including hazardous waste, kept in an incomplete manner. The total amount of the contested penalties is Euro 3,069,000. The service of additional notices on objections and sanctions is not excluded.

Information required by Article 1, paragraph 125, of Law 124 of 4 August 2017

By referring to the information reported in the National State Aid Register (*Registro Nazionale Aiuti di Stato*) of the Ministry of Economic Development, it is noted that the company received the following grants from public entities or bodies during the year under Law 124/2017:

ENTITY	GRANT	COLLECTION DATE	AMOUNTED COLLECTED
PROVINCIAL GOVERNMENT OF PISTOIA	GRANTS FOR WASTE REDUCTION - FORMER PUBLIAMBIENTE	24/02/2021	10,250.00 €
PROVINCIAL GOVERNMENT OF PISTOIA	GRANTS FOR WASTE REDUCTION - FORMER PUBLIAMBIENTE	03/03/2021	9,554.68 €
GESTORE SERVIZI ENERGETICI SPA	INCENTIVE RATE - PV AGREEMENT	01/02/2021	11,963.50 €
GESTORE SERVIZI ENERGETICI SPA	GRIN (Incentive Payment Management) AGREEMENT_000479	26/02/2021	23,944.19 €
GESTORE SERVIZI ENERGETICI SPA	INCENTIVE RATE - PV AGREEMENT	01/03/2021	14,987.27 €
GESTORE SERVIZI ENERGETICI SPA	INCENTIVE RATE - PV AGREEMENT	31/05/2021	12,033.30 €
GESTORE SERVIZI ENERGETICI SPA	INCENTIVE RATE - PV AGREEMENT	30/06/2021	6,975.33 €
GESTORE SERVIZI ENERGETICI SPA	INCENTIVE RATE - PV AGREEMENT	02/08/2021	7,608.85 €
GESTORE SERVIZI ENERGETICI SPA	INCENTIVE RATE - PV AGREEMENT	31/08/2021	11,660.19 €
GESTORE SERVIZI ENERGETICI SPA	INCENTIVE RATE - PV AGREEMENT	30/09/2021	11,600.56 €
GESTORE SERVIZI ENERGETICI SPA	INCENTIVE RATE - PV AGREEMENT	02/11/2021	11,600.56 €
GESTORE SERVIZI ENERGETICI SPA	INCENTIVE RATE - PV AGREEMENT	30/11/2021	11,600.56 €
GESTORE SERVIZI ENERGETICI SPA	INCENTIVE RATE - PV AGREEMENT	31/12/2021	516.79 €
GESTORE SERVIZI ENERGETICI SPA	INCENTIVE RATE - PV AGREEMENT	31/03/2021	12,033.30 €
GESTORE SERVIZI ENERGETICI SPA	INCENTIVE RATE - PV AGREEMENT	30/04/2021	12,033.30 €
GESTORE SERVIZI ENERGETICI SPA	GRIN (Incentive Payment Management) AGREEMENT_000479	29/01/2021	16,415.58 €
GESTORE SERVIZI ENERGETICI SPA	GRIN (Incentive Payment Management) AGREEMENT_000479	31/03/2021	26,488.60 €
GESTORE SERVIZI ENERGETICI SPA	GRIN (Incentive Payment Management) AGREEMENT_000479	30/04/2021	24,181.42 €
GESTORE SERVIZI ENERGETICI SPA	GRIN (Incentive Payment Management) AGREEMENT_000479	31/05/2021	26,429.66 €
GESTORE SERVIZI ENERGETICI SPA	GRIN (Incentive Payment Management) AGREEMENT_000479	30/06/2021	24,567.71 €
GESTORE SERVIZI ENERGETICI SPA	GRIN (Incentive Payment Management) AGREEMENT_000479	30/07/2021	19,951.56 €
GESTORE SERVIZI ENERGETICI SPA	GRIN (Incentive Payment Management) AGREEMENT_000479	29/10/2021	53,819.03 €
GESTORE SERVIZI ENERGETICI SPA	GRIN (Incentive Payment Management) AGREEMENT_000479	30/11/2021	12,143.51 €
GESTORE SERVIZI ENERGETICI SPA	GRIN (Incentive Payment Management) AGREEMENT_000479	31/12/2021	17,853.31 €

ATO TOSCANA	DtD GRANT - FLORENTINE AREA 2nd Advance 2019	22/09/2021	800,000.00 €
TOTAL			1,190,212.76 €

Allocation of the profit for the year

Dear Shareholders, we invite you to approve your Company's financial statements at 31 December 2021 and to allocate the net profit for the year equal to Euro 8,475,423 as follows:

- 5% corresponding to Euro 423,771 to legal reserve;
- Euro 8,051,652 to extraordinary reserve.

Authorisation for publication

This document was approved by the Alia Servizi Ambientali S.p.A's Board of Directors meeting held on 29 March 2022 and was published on 14 April 2022 upon authorisation by the Chairman and Chief Executive Officer.

For the Board of Directors
The Chairman
Nicola Ciolini

The Chief Executive Officer
Alberto Irace

Certification of the Separate Financial Statements in accordance with Article 81-ter of Consob regulation no.11971 of 14 May 1999, as amended and supplemented

1. The undersigned, Alberto Irace, in his capacity as Chief Executive Officer, and Francesco Natali, in his capacity as Financial Reporting Manager, of Alia Servizi Ambientali S.p.A. hereby certify, in also taking account of the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998:

- the adequacy in relation to the characteristics of the business (while also taking account of any possible change that occurred during the financial year) and
- the actual application of the administrative and accounting procedures for the preparation of the separate financial statements at 31 December 2021.

2. No significant issues have been reported in this regard.

3. It is also certified that the separate financial statements:

- a) have been prepared in compliance with the applicable International Accounting Standards recognised by the European Union in accordance with Regulation (EC) No. 1606/2002 of the European Parliament of 19 July 2002;
- b) correspond to the results stated in the accounting books and records;
- c) are suitable to provide a true and fair view of the issuer's financial position, results of operations and cash flows, together with the description of the main risks and uncertainties to which they are exposed.

Florence, 29 March 2022

Chief Executive Officer

(Signed)

.....

Financial Reporting Manager

(Signed)

.....



Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

Alia Servizi Ambientali SpA

Financial statements as of 31 December 2021



Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of
Alia Servizi Ambientali SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Alia Servizi Ambientali SpA (the Company), which comprise the statement of financial position as of 31 December 2021, the income statement, statement of comprehensive income, statement of changes in equity, 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 of 31 December 2021, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No.38/05.

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 this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PricewaterhouseCoopers SpA

Sede legale: **Milano** 20145 Piazza Tre Torri 2 Tel. 02 77851 Fax 02 7785240 Capitale Sociale Euro 6.890.000,00 i.v. C.F. e P.IVA e Reg. Imprese Milano Monza Brianza Lodi 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 071 2132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 080 5640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035 229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 051 6186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 030 3697501 - **Catania** 95129 Corso Italia 302 Tel. 095 7532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 055 2482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 010 29041 - **Napoli** 80121 Via dei Mille 16 Tel. 081 36181 - **Padova** 35138 Via Vicenza 4 Tel. 049 873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091 349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521 275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 085 4545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06 570251 - **Torino** 10122 Corso Palestro 10 Tel. 011 556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461 237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422 696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 040 3480781 - **Udine** 33100 Via Poscolle 43 Tel. 0432 25789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332 285039 - **Verona** 37135 Via Francia 21/C Tel. 045 8263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444 393311



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.

Key Audit Matters

Auditing procedures performed in response to key audit matters

Provisions for post-closure operation of landfills

Notes to the financial statements as of 31 December 2021: note 14 “Provisions for risks and charges”

The value of provisions for post-closure operation of company-owned landfills recognised within the liabilities of the statement of financial position of the financial statements at 31 December 2021 amounted to Euro 24.6 million, which represented 5.7% of the Company’s liabilities.

Such amount was determined by the directors on the basis of the applicable accounting standards, in particular in accordance with “IAS 37 - Provisions, contingent liabilities and contingent assets” adopted by the European Union and with the current provisions of law (Legislative Decree 36/2003) supported by external independent professionals for estimating the expected cash flows related to such provision.

Given the significance of the amounts under analysis and the use of estimates made by management to verify the compliance with the requirements under “IAS 37 - Provisions, contingent liabilities and contingent assets” adopted by the European Union, we paid special attention to reviewing the liabilities at issue.

We carried out an understanding and evaluation of the procedure adopted by the Company for the determination of the accruals to the provisions for post-closure operation of landfills.

We verified that the accrual was made in accordance with the current provisions of law, in particular in compliance with Legislative Decree 36/2003.

Moreover, we obtained and analysed, through discussions with the Company’s personnel, the external appraisal reports used by management to determine the above-mentioned provisions and therefore we verified that the data contained in the reports had been adequately used for the determination of the accrual through the discounting process under “IAS 37 - Provisions, contingent liabilities and contingent assets” adopted by the European Union.

We also verified the reasonableness and adequacy of the discount rate used by the directors to calculate the amount of the provision recognised in the financial statements.

Finally, we verified the mathematical accuracy of the calculation and assessed the adequacy of the disclosures in the notes to the financial statements.



Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by 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, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we 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 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 evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the 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 modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- We 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 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 identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other 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 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 described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 16 February 2017 and 20 December 2017 respectively, the shareholders of Alia Servizi Ambientali SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2017 to 31 December 2025.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.



Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Alia Servizi Ambientali SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Alia Servizi Ambientali SpA as of 31 December 2021, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of Alia Servizi Ambientali SpA as of 31 December 2021 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Alia Servizi Ambientali SpA as of 31 December 2021 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Florence, 14 April 2022

PricewaterhouseCoopers SpA

Signed by

Luigi Necci
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.