

**Consolidated financial
statements of the CAP
Group
as at 31st December
2021**

for Shareholders' meeting

Table of Contents

Management Report.....	4
Financial Statements.....	83
Statement of Financial Position.....	85
Statement of Comprehensive Income.....	86
Cash Flow Statement.....	87
Changes in shareholders' equity.....	88
Explanatory notes to the financial statements.....	89
General information.....	89
Summary of Accounting Standards.....	89
Financial risk management.....	100
Going concern.....	102
Estimates and assumptions.....	102
Disclosure by operating segments.....	105
Notes to the Consolidated Statement of Financial Position.....	105
Notes to the Statement of comprehensive income.....	124
Related party transactions.....	132
Contractual commitments, Guarantees and Concessions.....	133
Fees to directors and statutory auditors.....	134
Fees to the Independent auditors.....	134
Transparency requirements for those who receive public funds.....	134
Events after the reporting period.....	135
Report of the board of statutory auditors.....	136
Report of the Independent auditors.....	140

Dear Shareholders,

This report, drawn up in accordance with Article 40 of Italian Legislative Decree No. 127/1991, refers to the CAP Group, whose consolidating company is CAP Holding S.p.A. with registered offices in Via Rimini 38, Milan, Italy.

On a consistent basis with the strategic and binding guidelines decided by the Shareholders' meeting held on 18th May 2018 – this report deals with the activities of the CAP Group carried out in 2021 for the three areas of intervention identified, in compliance with the VISION indicated by the member municipalities during the meeting held on 26th June 2015, and in particular:

Environment;

Customers;

Network.

At the same time, it integrates the objectives of the Sustainability Plan that has become the reference point for the Group's strategies with its three pillars:

- Sensitive to people's needs, to increase the well-being and trust of increasingly aware and demanding communities;
- Resilient in assets, governance and management to protect an essential asset for life;
- Innovators in the market, anticipating the rules and enhancing our ability to network.

The Parent company expressly accepted the ESG criteria and Sustainable Development Goals in Article 1 of its articles of association through a special amendment resolved by the extraordinary shareholders' meeting of 27th May 2021.¹

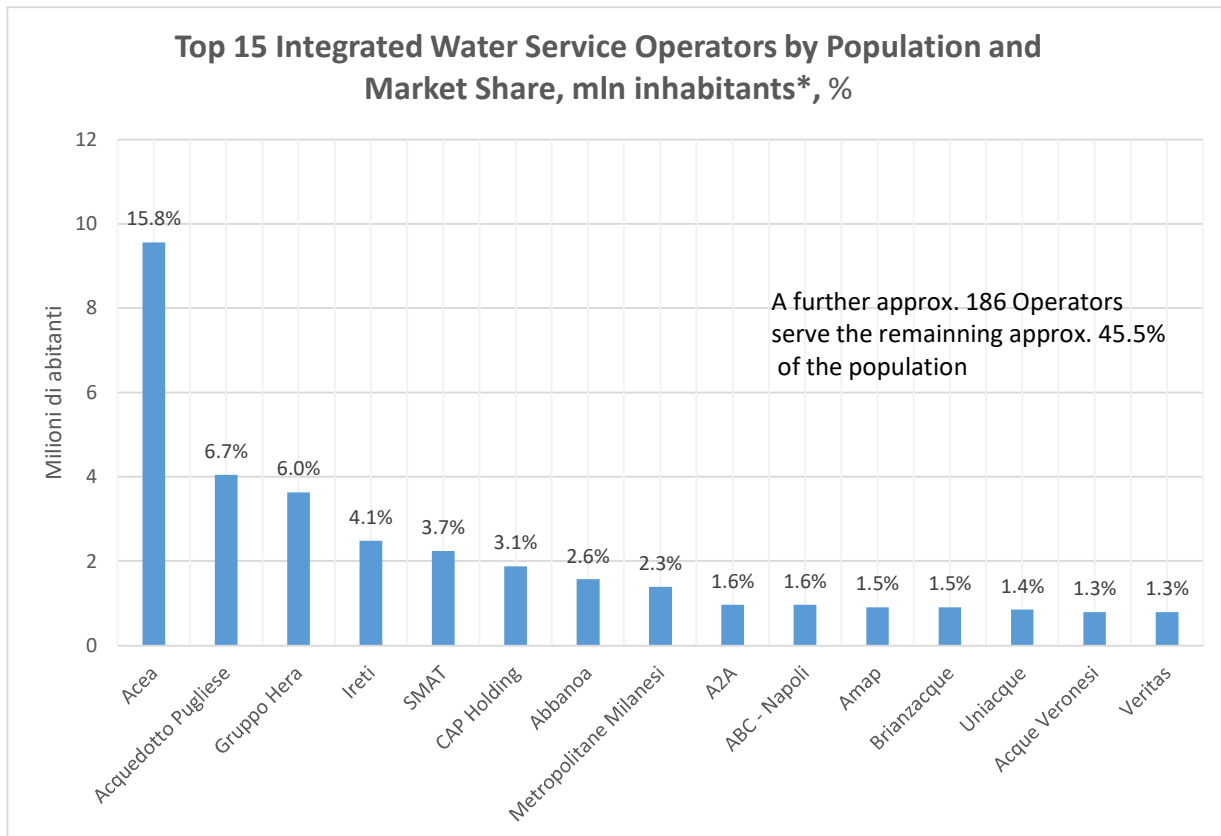
The Plan is a real guide in dealing effectively with the social, economic and environmental challenges of the coming years. In defining itself as a "Sensitive", "Resilient" and "Innovative" company, the CAP Group has placed at the heart of its business plan a true green deal based on dialogue and stakeholder participation, digitalisation and the circular economy.

Group presentation

The CAP Group is one of the leading Italian operators (in terms of inhabitants served and cubic meters raised) among the "mono-utility" operators (i.e. operators which do not carry out other significant industrial activities) operating in the Integrated Water Service, with a customer base as at 31st December 2021 of around 2.4 million resident inhabitants served for wastewater treatment, about 1.9 million inhabitants for the aqueduct and sewerage.

The Group therefore sits among the most important Italian players, as can be seen from the table below:

¹ Article 1, paragraph 1, last sentence, reads: *"In carrying out its activities, the Company is inspired, also through its investee companies, by the Environmental, Social and Governance (ESG) criteria and by the Sustainable Development Goals (SDGs) approved by the UN General Assembly, and promotes the development of the circular economy, initiatives for environmental sustainability and energy transition and efficiency, as well as innovation and research for their achievement"*.



The CAP Group includes the Parent Company, CAP Holding S.p.A., and the following companies:

Company, Headquarters, Share Capital:

- AMIACQUE S.r.l., Milan, total share capital of € 23,667,606.16 owned for € 23,667,606.16, equal to 100.00% as at 31st December 2021 (unchanged compared to 31st December 2020), subject to management and co-ordination activities;
- Rocca Brivio Sforza S.r.l., San Giuliano Milanese, in liquidation as from 21st April 2015, total share capital € 53,100.00, owned for € 27,100.12, as at 31st December 2021 (shares equal to 51.04%, equal to the equity investment held as at 31st December 2020 and unchanged to date).²

CAP Holding S.p.A. also holds equity investments in the following company:

- PAVIA Acque S.c.a.r.l. with headquarters in Pavia, total share capital € 15,048,128, owned for € 1,519,861, equal to 10.1%, as at 31st December 2021 (equal to that held as at 31st December 2020 and unchanged to date). Pursuant to Article 2359 of the Italian Civil Code, the company is not related to CAP Holding S.p.A.

The company operates in the integrated water service management sector.

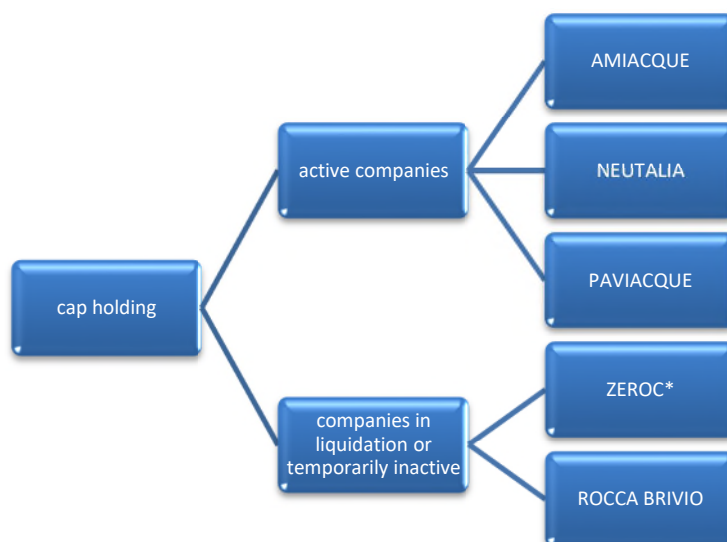
² On 10th April 2015, the shareholders' meeting of Rocca Brivio Sforza S.r.l. resolved to dissolve the company in advance and put it in liquidation. The company basically owns a "monumental complex" property. Following the so far unsuccessful outcome of granting the use of the building to third parties, assessments are currently being carried out by the shareholders for the enhancement of the property. Except where arising from the shareholding, relations with the Cap Group are in any case insignificant.

- ZERO C S.p.A. (formerly CORE), with registered office in Sesto San Giovanni (MI), share capital of € 2,000,000.00 fully paid up, owned for € 1,600,000, equal to 80% as at 31st December 2021. The equity investments were acquired during 2021. 20% of the capital is owned by the municipalities of Sesto San Giovanni (MI), Cologno Monzese (MI), Cormano (MI), Pioltello (MI), Segrate (MI) and Cinisello Balsamo (MI). The company's main corporate purpose is waste management.
- NEUTALIA S.r.l., with registered office in Busto Arsizio (VA) enrolled in the Varese Companies' Register under E&A Index No. VA-383041, tax code and VAT no. 03842010120, with share capital fully paid up equal to € 500,000 owned for € 165,000, equal to 33% as at 31st December 2021. The shares were acquired during 2021. The remaining capital is distributed as follows: € 165,000.00 to AGESP S.p.A. of Busto Arsizio (VA), € 165,000 to Alto Milanese Gestioni Avanzate S.P.A. (also known as Amga S. p.A.) of Legnano (MI), € 5,000 to AEMME LINEA AMBIENTE S.R.L. (also ALA SRL) of Magenta (MI) (the latter, in turn, 72% controlled by Amga S.p.A.). The company operates in the sector of circular economy management of municipal solid waste and its differentiated fractions, hazardous municipal waste, hazardous and non-hazardous special waste and all waste in general (including waste from plants connected to the integrated water service).

Only AMIACQUE S.r.l. has been consolidated line-by-line with CAP Holding S.p.A., it being maintained that:

- with regard to Rocca Brivio S.r.l. in liquidation (whose corporate purpose involves the "safeguarding and enhancement of the historic monumental complex of Rocca Brivio"), in accordance with IFRS 10, there is no effective control by Cap Holding S.p.A. due to the lack of material rights that assign the power to manage the significant activities of the investee company in such a way as to influence its returns. With regard to the presentation of the Statement of financial position and Income Statement figures of the subsidiary company as at 31st December 2021, please see the Explanatory notes included in the financial statements.
- with regard to the company ZERO C S.p.A., the local authority shareholders jointly exercise control over the company similar to that exercised over their own services and a decisive influence on the Company's strategic objectives and significant decisions. In this sense, despite the majority shareholding held by CAP Holding S.p.A., ZERO C S.p.A. is not controlled by the latter.
- The company NEUTALIA S.r.l. is under the joint control of its shareholders (essentially as a joint venture) and is recognised in the financial statements of CAP Holding S.p.A. using the equity method (para. 10 of IAS 28), as permitted by IAS 31, para. 38.

The diagram shows the current "corporate" equity investments of the Group in companies as at 31st December 2021:



(*) pending completion of plant work.

CAP Holding S.p.A. also participates in the network agreement "Water Alliance – Acque di Lombardia", with legal subjectivity pursuant to and for the purposes of Article 3, sections 4-ter et seq. of Italian Decree Law No. 5 dated 10th February 2009, converted into Italian Law No. 33 dated 9th April 2009 as amended and supplemented, enrolled in the Milan Companies' Register under No. 2115513 on 24th February 2017, VAT no. 11150310966, Tax Code 97773550153, with headquarters in Milan, total share capital of € 805,259.09 fully paid up, owned for € 166,771.68, equal to 20.7% as at 31st December 2021.

Cap Holding S.p.A. is also the sole member of the CAP Foundation (previously Lida Foundation), with headquarters in Assago (Milan) established on 31st July 2007, pursuant to Article 14 et seq. of the Italian Civil Code (payment by way of endowment fund of € 1,000,000 by the founder former T.A.S.M. S.p.A., merged in 2013 by CAP Holding S.p.A.). In the summer of 2018, the Foundation assumed its current name.

The Foundation has a temporary sole director without any financial remuneration. The Foundation's balance sheet as at 31st December 2021 shows residual cash and cash equivalents of approximately € 9 thousand. In February 2022, the CAP Group made a donation of € 230,000 to the Foundation.

Having completed the project financed by Fondazione Cariplo, which has paid off the last tranche of the loan, it should be noted that CAP Foundation has submitted to the Board of Directors of CAP Holding, a founding partner, a development project for the years 2022-2023 that envisages a number of educational activities in schools and cultural activities also related to the new headquarters.

On 12nd June 2020 (Volume no. 18396 File no. 10835 Notary Public Enrico Maria Sironi), a network contract was signed between the CAP Group and Alfa S.r.l., the operator of the Integrated Water Service in the Province of Varese, which, starting from the assumption of the significant interrelationships between the respective territories managed in terms of sewerage/cleaning and aqueducts, has as its strategic objective the synergic integration of their organisational systems in order to make the management of the water service in their areas more efficient, including through economies of scale or the sharing of certain structures or resources.

On 14th February 2022, an addendum to the network agreement was signed with Alfa S.r.l. for the construction and management of an infrastructure network of sludge bio-drying plants to support the purification service in the Province of Varese (INTERBIODRY BASIN SYSTEM).

Role of the Operator

The CAP Group proposed itself as the promoter of collaboration with various in house companies in Lombardy, creating a network of companies (called "Water Alliance - Acque di Lombardia") which aims to improve the performance and the services provided to the user and to defend the role of the public management of water resource.

The companies involved (by means of deed dated 4th November 2015) are BrianzAcque S.r.l., Lario Reti Holding S.p.A., Padania Acque S.p.A. of Cremona, Pavia Acque s.c.a.r.l., S.Ec.Am S.p.A. of Sondrio, Società Acqua Lodigiana (SAL) S.r.l. of Lodi, Uniacque S.p.A.



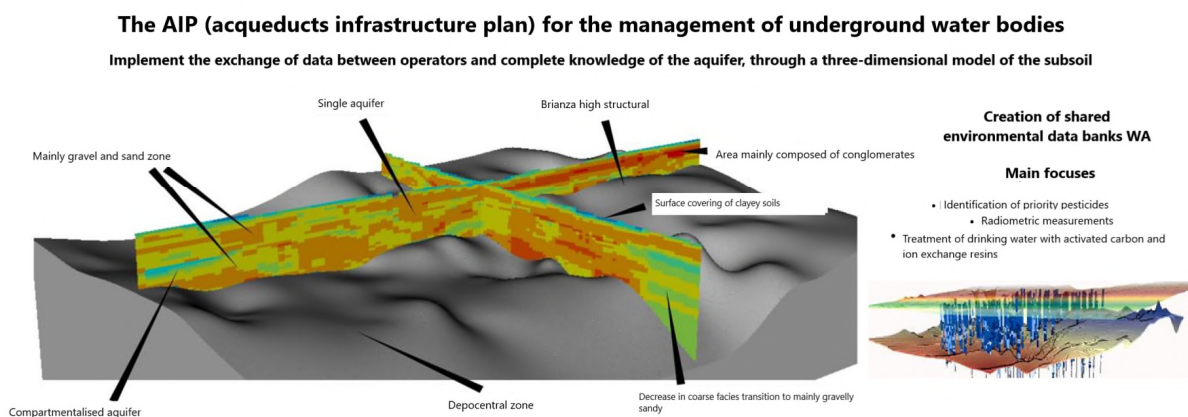
Water Alliance
Acque di Lombardia

of Bergamo, companies that, together with the CAP Group, guarantee the water services for around 5.5 million inhabitants, equal to over 50% of the population resident in Lombardy, each year disbursing more than 500 million cubic metres of water, with over 27 thousand km of water mains and 2,758 wells.

In order to give greater operating autonomy to the network agreement, by means of deed dated 20th January 2017, volume no. 22.444, file no. 6.780 of the Notary Public Ninci of Milan, the CAP Group entered into, together with the afore-mentioned other 7 Lombard public companies of the IWS, the “Representation pact for the promotion and development of the public management of the Water Alliance - acque di Lombardia integrated water service”, creating a network-party. Contributions of endowment capital to the “Network” were made during 2017 and continued in 2018, 2019 and 2020. Similarly to that which has happened in Piedmont, the network agreement has become an instrument for stimulating economic efficiency (e.g., calls for tenders for the purchase of energy and consumables), creating organised synergies (inter-company network offices), aligning operating instruments (Aqueduct Infrastructural Plan), etc. At the beginning of 2020, 5 new companies joined the Network: Acque Bresciane S.r.l., Alfa S.r.l., Como Acqua S.r.l., MM S.p.A., Tea S.p.A.

In the last two years, the Network has been involved in a number of projects aimed at strengthening the quality of the integrated water service of the companies involved. The main ones include the laboratory network, which aims to progressively specialise each laboratory in the analysis of emerging micropollutants; the single office for geology (GSSWA), created to deepen geological knowledge of the subsoil and develop an innovative water management system; and finally the Webgis - Acque di Lombardia, a digital system created by combining GIS (Geographic Information System) and the possibilities offered by the web to map the structures of the integrated water service in real time.

By a deed signed on 7th June 2021 (volume 411912 / file No. 94359 Notary Public Pietro Sormani), the parties to the original network contract, as well as those who joined it subsequently, entered into a new network contract by which, in continuity with the previous one, they intended to amend and supplement the object and the Network Programme and the governance system in order to give the Network of Enterprises the form of a contractual joint venture also pursuant to Article 6 paragraph 1 letter b) of Italian Legislative Decree no. 50/2016;



In 2016, downstream of the aforesaid network agreement, the CAP Group entered into individual “memoranda of understandings” with the companies Brianzacque S.r.l., Metropolitana Milanese S.p.A. and Lario Reti Holding S.p.A. (on 22nd January 2016, 5th February 2016 and 4th May 2016, respectively) for handling and sharing data relating to the underground water resource (known as PIA project). The protocols with Brianzacque s.r.l. and Lario Reti Holding S.p.A. were replaced with the "Convention for the implementation of the "Aqueducts Infrastructure Plan" between the providers of the integrated water service and the Water Alliance Acque di Lombardia business network", signed in 2019 and expiring in 2021.

The following deeds were also entered into with Brianzacque S.r.l.:

- Network agreement entered into on 8th July 2016 for Information Technology services until 30th June 2021; this agreement, in alignment with the agreement for the use and utilisation of the GIS water system in Lombardy, was renewed in 2019, in advance of its natural expiry date, defining the new expiry date on 1st November 2024;
- Network agreement entered into on 8th July 2016 for Industrial Users Management services until 30th June 2021; strategic collaboration agreement as from 1st January 2022 between integrated water service providers on the management of industrial users with the aim of identifying a systematic coordination between their respective Industrial User Management Offices in relation to the best management of environmental aspects in the purification basins affected by the inter-area territories and to promote mutual aid for the control of the territory in cases of emergency or need.
- On 20th September 2020, a network contract on Information Technology was signed between CAP Holding Spa, Alfa S.r.l., Lario Reti Holding Spa and Brianzacque S.r.l., in addition to the above-mentioned contract on relations between CAP and Brianzacque S.r.l.

In conclusion, the CAP Group participates in the Italian sector association Utilitalia with headquarters in Rome, as well as the international association Aqua Publica Europea (APE) with headquarters in Brussels (Belgium).

The purpose of the latter includes that of bringing the voice of the public water operators within the decision-making policy of the EU and furthering their interests and prospects.

In December 2020, the CAP Group also joined Assolombarda (an association of companies operating in the Metropolitan City of Milan and the provinces of Lodi, Monza and Brianza, Pavia).

Sustainability and ESG policy

Sensitive, resilient and innovative, the pillars of the CAP Group's sustainability strategy, are the values that have inspired the company to act in 2021. The CAP Group continued to comply with the latest ESG regulatory frameworks. After integrating the inventory of ESG risks into the company's ERM in 2020, the recognition of climate change risks according to the standard set by the TCFD was started in 2021, and the extension of the scope of the Co2 inventory to SCOPE 3, as provided for by the TCFD regulatory framework itself, was continued. At the same time, with the entry into force of Regulation (EU) 2020/852, which defines a taxonomy of environmentally sustainable activities, CAP Holding started a recognition process aimed at complying with the reporting requirements for the alignment of revenues, costs and capital expenditures with reference to the first two taxonomic objectives contained in the non-financial statement. Finally, CAP Holding revised its materiality analysis by involving a large panel of stakeholders. The new materiality matrix was approved on 16th December 2021. Comparison with the previous materiality analysis confirmed a number of major issues affecting the company's core business: tap water quality, occupational health and safety, and quality and quantity of purified water. In summary, stakeholders renew the indication previously given to the company: to successfully fulfil its mission. However, there are also some notable aspects that emerge, indicating that the past years and the pandemic have reoriented priorities and perceptions.

It is clear that the company and stakeholders are more sensitive to digital issues (cybersecurity, digitalisation and innovation of processes and services); issues that in the past had marked a kind of distance between corporate and stakeholder priorities.

Attention to all the issues that have a more direct connection with climate change dynamics (emission reduction and climate change management, protection of ecosystems, responsible waste management) is also growing, and not by a small margin: a sign that the turn towards a green economy has also taken place among users and actors involved in the integrated water service. 2021 was also the year of consolidation and

extension of the computerised management of relevant ESG data. In particular, the RNF 365 software has become the reference platform for reporting and permanent archiving of DNF, sustainability plan and stakeholder engagement information.

Operating Performance in 2021

After a 2020 in which the Italian economy experienced a contraction of exceptional magnitude due to the economic effects of the containment measures related to the Covid-19 health emergency, which depressed domestic demand above all, to the point of a -8.9% fall in GDP, the reference trend saw a 2021 undergoing a decisive rebound, with an estimated increase of 6.5% compared to 2020, even though the consequences of the health emergency had not been completely reabsorbed.

The progress of the vaccination campaign increased the mobility of people and boosted domestic demand. However, even 2021, despite the rebound in GDP, was characterised by some uncertainties related to the progress of vaccination campaigns and the spread of new virus variants. And at the same time, tensions emerged in the market for the supply of raw materials and especially energy.

Energy prices, after plummeting in 2020, have shown extremely rapid and pronounced growth since late spring 2021, driven by rising gas prices and CO₂ emission permit prices. In particular, the increase in the price of gas largely imported from abroad is linked not only to increased Chinese demand, but also to the political tensions between Russia (the main exporter to the EU) and Ukraine, which escalated into armed conflict on 24th February 2022. This seems to lead to a downward revision of Italy's expected GDP growth for 2022.³

In the continuation of the emergency caused by the pandemic event, the CAP Group adopted and in part is still adopting in 2022 measures strongly oriented towards ensuring business continuity and the availability of essential services in safe conditions, maintaining a high level of attention to compliance with its own measures for the prevention and containment of the epidemic, in line with the indications and regulations adopted by the competent authorities.

In 2021, as in 2020, there was no interruption of essential activities. On the contrary, despite the application of still stringent "security" measures, both operational and investment activity, as detailed below, was still high and relatively unaffected by the epidemic.

Among the emergency measures taken, both guaranteeing company activity and mitigation on stakeholders closer to the company:

- 1) The CAP Group immediately adopted measures to mitigate risks relating to safety at work including: the securing of construction sites and the closing of non-essential ones; to the reorganisation of the company's spaces to ensure safety distances and intensive measures to sanitise the premises; to the activation of the emergency health procedure and minimum services; to the establishment and activation of the Trade Union-Company Health and Safety Committee; to maximising the use of smart working (up to 87% of the workforce that can perform their duties in smart working mode, compared to a pre-crisis percentage of 33%); to the immediate strengthening of IT support services remotely; to the establishment and activation of the Committee for the implementation of the Protocol, which was agreed on 24th April 2020:
 - Organisational measures (smart working, on-line meetings, travel restrictions, curtaining common areas, staggering entry and exit, spacing out workstations);
 - Technical measures (intensified cleaning, sanitisation, room ventilation, supplementary notes for specific activities, vehicle guidelines);

³ Press release of the Council of Ministers no. 71 of 6th April 2022: +2.9% from an initial + 4.7%.

- Prevention and protection measures (hand sanitisation, use of the mask, interpersonal distancing, entry temperature measurement, serological screening campaign, management of symptoms and suspected cases, management of close contacts in both family and work environments);
 - Contact tracing measures (use of molecular swabs in case of suspected potential concentration of cases and/or for individuals not covered by ATS, use of Immuni App on company mobile phones);
 - Remodelling Supplier Activity (minimising contacts, defining rules of engagement).
- 2) The CAP Group also implemented measures to ensure continuity in the provision of essential services, including through: reprogramming maintenance and user interventions; the reorganisation of operations and minimum services; team restrictions; analysis and monitoring of critical and essential processes; strategic supply chain planning; monitoring and redefinition of technical/commercial quality indicators; ensuring that timely payments are made to suppliers, also in order to guarantee regular injection of liquidity in the CAP Group's supply chain;
 - 3) The CAP Group submitted an application for accessing the measures that Italian Decree Law 18/2020 provides for employers who suspend or reduce their work due to the Coronavirus for the granting of ordinary redundancy payments, although in 2020 the working days with this reason have been quite limited for the CAP Group;
 - 4) the CAP GROUP decided to postpone from 1st March 2020 until 31st May 2020 all payment deadlines for bills sent to customers and not to issue new bills for non-domestic users for the same period, taking into account the restrictive measures and closure of many businesses adopted by the Government; at the moment, the analysis of the trend of the collections of the bills issued with expiry date in 2020 shows a change in the cash flows of the operating management that were reduced in the period from March to May and recovered in the following period and, compared to the bills issued with expiry date in 2019, there is a reduction of 0.9% of the collections found within 90 days after the payment deadline.

We also anticipate an argument that will be explained in more detail below, namely that the sector in which the CAP Group operates is one with regulated revenues and less exposed than others to the "economic" risk of possible fluctuations in demand. Moreover, it is a sector in which the tariff is an element, albeit partial, of elasticity with respect to costs that are only partly under the "control" of the service provider (known as exogenous costs). Energy is one of these costs.

The operating performance is illustrated in relation to the scenario of the activity sector, i.e., the integrated water service, in which the CAP Group has operated. Therefore, the following sections provide a number of comments on the sector and in particular on the related innovations.

Overall scenario of the Water Sector.

The integrated water service is a typical case of natural monopoly. The physical infrastructure of the service, the points of raw material withdrawal (springs, wells, etc.) and the points of their final release (discharge of treated water in watercourses, etc.) are closely and strongly linked to the territory, its urban planning, the environment and local communities. This leads to the conviction that the service infrastructure is not "duplicable" except at costs that would be perceived as socially unacceptable (for the use of land and environment as well as for economic aspects).

Consequently, this natural monopoly is also "legally" recognised. Through the laws, rules and regulations and the contract of assignment, which - in substance - give - for a defined space and time - the exclusivity of the service to a single operator (the "sole" Operator).

Another characteristic of this sector is that it is typically capital intensive: the size and long duration of the infrastructure necessary to ensure the service on an "optimal" scale (generally coinciding, as required by Italian law, with the administrative territory of the Italian provinces) requires a high concentration of Capex in the asset structure of the Operator (in the form of own assets and/or improvements to third party assets) and their permanence in that asset structure for a long period of time.

General overview – the Consolidation Act on publicly owned companies

The water service, like the other public services, was affected in 2016 by the enforcement of Italian Legislative Decree No. 175 dated 19th August 2016 "Consolidation Act on publicly owned companies" (TUSP - published in the Italian Official Gazette No. 210 dated 8th September 2016). By means of Italian Legislative Decree no. 100 dated 26th June 2017, and with Italian Law no. 145⁴ dated 30th December 2018, the TUSP then underwent an initial series of amendments.

Italian Legislative Decree No. 175/2016 introduced in the legal system limitations on the use, by the local bodies, of the instrument of the investee company, especially when the latter is the beneficiary of exclusive rights (known as in-house assignments), including the water service, with the exception of "listed" companies and companies which issue financial instruments on regulated markets.

The logic according to which companies subject to supervision from the Authorities that regulate trading and exchanges "on the market", are by their very nature subjected to more restraints than other companies (and therefore less obliged to observe the more typical legislative restrictions of the "public circle"), is a principle which has underlaid numerous rules and regulations over the years.

In this regard, it is recalled that – as per the resolution of the Strategic Policy Committee dated 10th June 2016, the Company undertook action in 2016 so as to acquire, also with a view to diversification, financial instruments on regulated markets in order to meet its financial needs for supporting the consistent amount of investments envisaged in the Business Plan of the CAP Group, while maintaining the entirely public nature of the company.

The Strategic Policy Committee, in the meeting held on 7th October 2016, consequently resolved do authorise the Board of Directors to inform the Court of Auditors of the adoption by the Company of acts aimed at the issue of financial instruments, other than shares, listed on organised markets, as per Article 26.5 of Italian Legislative Decree No. 175/2016. The afore-mentioned communication was sent to the Court of Auditors with a notice dated 21st November 2016.

Further following up the above, the resolution of the extraordinary shareholders' meeting of the Parent Company held on 1st June 2017, authorised the issue of a non-convertible Bond to be issued by the Company by 31st December 2017, for a maximum principal of € 40,000,000.00 with the possibility of admission to trading on the regulated market of an EU country.

The loan (ISIN: XS1656754873), to be used to fund investments of the integrated water service, was issued, subscribed and admitted to listing on 2nd August 2017 at the Main Securities Market of the Irish Stock Exchange (ISE Dublin). Please note that the said transaction was completed within 12 months of the entry into force of Italian Legislative Decree 175/2016 (see paragraph 5, article 26, of the aforementioned decree).

4 State Budget for the financial year 2019, paragraphs 721 to 724 of Article 1.

Following the said issue, since 2nd August 2017 CAP Holding S.p.A. has been qualified as a public interest entity, pursuant to Article 16 of Italian Legislative Decree no. 39 of 27th January 2010⁵ and has been therefore subject, inter alia, to specific supervisory obligations regarding the financial reporting process, the effectiveness of the internal control and auditing systems and risk management. Since the bonds are not convertible, their issue does not in any way alter the nature of public owned company of the Group.

Pursuant to Article 19 of Italian Legislative Decree No. 39/2010, the functions of the internal control and audit committee for CAP Holding S.p.A., which adopts the traditional administration system, are carried out by the Board of Statutory Auditors.

Italian Legislative Decree No. 175/2016 also requires, in Article 24, that by 30th September 2017 each General Government Body must carry out, by means of a justified measure, the recognition of all the equity investments held at the date of enforcement of said decree, identifying those to be disposed of. This also applies to the General Government Bodies that are shareholders of CAP Holding S.p.A.

No General Government Body that is a shareholder of CAP Holding S.p.A. decided for “disposal”, with the exception of the municipal authorities of Nova Milanese (MB) and Vedano al Lambro (MB), which hold 1,763,547 and 256,279 shares, respectively, and the only municipal authorities in the Monza area to be affected by Minor interconnections.

The two shareholders of CAP Holding S.p.A. resolved to “proceed with the disposal of the equity investment in CAP Holding S.p.A.” since, in their opinion, it is a company with the same or similar corporate purpose to other bodies invested in by the Body (the reference is to the company Brianzacque S.r.l.).

With regard to the role played by the CAP Group in favour of the Monza-based complex, please see the following section.

Deeming the decision of the two municipal authorities not to be consistent with the inter-area management model, CAP Holding S.p.A. appealed, with deed dated 30th November 2017, to the Lombardy Administrative Court requiring said decision to be cancelled. The equity investments of the two municipal authorities have not yet been disposed of and therefore, as per Article 24 of Italian Legislative Decree No. 175/2016, the two municipalities are still shareholders of CAP at the time we draft this report.

Both the EGA (Ente di Governo d'Ambito) of the Metropolitan City of Milan and that of Monza and Brianza decided to appeal against the decision of the two municipal authorities.

On 29th January 2019, CAP Holding S.p.A. notified the Municipality of Vedano al Lambro and the Municipality of Nova Milanese of an appeal on additional grounds challenging the resolutions of the City Council (number 47 of 29th November 2018 and number 73 of 21st December 2018, respectively) of the aforementioned Municipalities, which upon the periodic review of shareholdings, confirmed the decisions taken in the extraordinary review.

With judgement no. 1212/2021 of 19th May 2021, the Lombardy Administrative Court cancelled all the deeds challenged by CAP Holding S.p.A. against the Municipality of Vedano al Lambro insofar as they did not include the maintenance of the equity investment in CAP Holding S.p.A. in the review of the corporate equity investments.

⁵ On this point, we observe that according to the guidelines of the Ministry of Economy and Finance, Rome, 22nd June 2018 TREASURY DEPARTMENT VIII MONITORING STRUCTURE AND CONTROL OF PUBLIC INVESTMENTS: “the notion of regulated market accepted in the TUSP, in Article 2, letter p) is to be considered coincident with that defined by the TUF” (Italian Legislative Decree No. 58 of February 24, 1998, Article 1, letter w-ter).

The Municipality of Vedano al Lambro appealed against the judgement of the Lombardy Administrative Court no. 1212/2021 notified on 13rd October 2021, G.R. No. 9158/2021.

With judgement no. 1211/2021 of 19th May 2021, the Lombardy Administrative Court cancelled all the deeds challenged by CAP Holding S.p.A. against the Municipality of Nova Milanese insofar as they did not include the maintenance of the equity investment in CAP Holding S.p.A. in the review of the corporate equity investments.

The Municipality of Nova Milanese filed an appeal notified on 16th December 2021 against the judgement of the Lombardy Administrative Court No. 1211/2021.

The Municipalities of Vedano al Lambro and Nova Milanese are therefore shareholders of CAP at the time we draft this report.

By deed served on 24th February 2020, CAP Holding filed an appeal before the Lombardy Administrative Court to challenge resolution no. 39 of the City Council of Cabiato on 22nd November 2019, published on 13rd December 2019 and communicated to CAP Holding S.p.A. on 23rd January 2020 in the part in which the disposal of the equity investment in the company CAP Holding S.p.A. is arranged through the sale of the shares for a consideration since it is a company the purpose of which is the same or similar to that of other bodies in which the Entity has an interest.

A subsequent appeal on additional grounds was also filed against resolution no. 21 of 19th June 2020 concerning the start of the procedure for the sale of the shareholding and the related call for tenders published on 19th June 2020. The hearing was held on 13rd January 2021.

In a letter dated 19th October 2020, the municipality informed CAP Holding S.p.A. that it had "withdrawn" and consequently requested the liquidation/payment of its shareholding (1,554,528 shares). CAP Holding S.p.A. contested and rejected to all legal effects this declaration of withdrawal in a note dated 6th November 2020.

With judgement no. 1213/2021 of 19th May 2021, the Lombardy Administrative Court cancelled all the deeds challenged by CAP Holding S.p.A. against the Municipality of Cabiato insofar as they did not include the maintenance of the equity investment in CAP Holding S.p.A. in the review of the corporate equity investments.

On 9th September 2021, the Municipality of Cabiato appealed against the aforementioned first instance judgement, in accordance with the summary procedure pursuant to Article 119 of the c.p.a. The appeal was filed on 1st October 2021.

CAP Holding S.p.A. and the Area Office of the Metropolitan City of Milan appeared in the appeal proceedings on 15th October 2021. Following the waiver of the appellant's request for suspension, a hearing is currently scheduled for 12nd May 2022.

The Municipality of Cabiato is also a shareholder of CAP Holding S.p.A. at the time we draft this report.

Italian regulations

The water service is a sector in which assets and relations of strategic importance for the national interest are relevant⁶.

The water service is organised on a territorial basis. Paragraph 1 of article. 147 of Italian Legislative Decree 152/06 requires that the ATOs (Ambito Territoriale Ottimale) are defined by the regional authorities. All regions, including Lombardy, have delimited their ATO⁷. Each ATO is managed by an EGA, which is also the body granting the service. Further on, comments are provided on the reference territory of the CAP Group.

Incidentally, given the possible relevance in terms of "regulatory risk", it should be added that the rules on spatial planning and organisation of the integrated water service, as in the past, may be subject to specific regulatory changes.

First of all, this refers to the fact that two different bills are being examined (A.C.52, first signatory the MP F. Daga, and A.C. 773, first signatory the MP F. Braga, The two bills are still (as from 2018) being examined by the Environment Committee of the Chamber and are aimed at intervening, in different ways, on the governance and public management of the integral water cycle.

But we refer above all to the fact that at its meeting on 4 November, the Council of Ministers approved the draft law "2021 Annual law for the market and competition", which intervenes in several areas, including energy, transport, waste, business start-up and market supervision, currently being examined by the Senate's Standing Committee (Industry, Commerce, Tourism) (S.2469) as from 12th January 2022.

The draft law also aims to redefine the regulation of local public services, aiming to render residual the direct "in-house" assignments (through which CAP Holding S.p.A. currently operates) to take advantage of which Entities will have to justify the reasons for not resorting to the market. Moreover, the rule also envisages a review of the already finalised assignments under the new rules, which may also make it more complex to operate in new and complementary markets.

The draft law also intervenes, by envisaging amendments to Italian Legislative Decree No. 175 of 2016, in the matter of the establishment of new public companies and/or the acquisition of direct or indirect shareholdings, envisaging that the resolutions must also be submitted to the Court of Auditors for examination, which in 60 days must give its opinion in the Joint Sections on the "financial sustainability" of the operation and on its "compatibility with the principles of efficiency, effectiveness and cost-effectiveness of administrative action".

The CAP Group closely monitors regulatory developments and participates in association meetings to discuss with the relevant bodies in the interests of the company.

⁶ The Prime Ministerial Decree 179/2020 (in Official Gazette 322 of 30th December 2020) came into force on 14th January 2021. It identifies in detail the economic activities and assets subject to the regulation of special powers under Article 2 of Italian Legislative Decree 21/2012 (known as "golden power decree"). The decree, moving within the sectors referred to in Article 4, paragraph 1, of EU regulation 2019/452 (which identifies the critical assets in relation to which a Member State can evaluate the potential impacts of a foreign investment on national security), has included also the water sector, in the presence of certain conditions, among which: critical infrastructures of the aqueduct, sewerage and wastewater treatment, economic activities of strategic importance carried out in the sector by enterprises that realise an annual net turnover not less than € 300 million and an annual average number of employees not less than two hundred and fifty units. In particular cases, the special powers referred to in Article 2 of Italian Decree Law 21/2012 may be involved. The Italian Decree Law of 21st March 2022 "Urgent measures to counter the economic and humanitarian effects of the Ukrainian crisis", which in Article 25 redefines public powers in the sectors referred to in Article 2 of Italian Decree Law 21/2012, which also include the water sector, was then published in the Official Gazette of the Italian Republic on 21st March 2022.

⁷ ARERA: 14th report pursuant to Article 172, paragraph 3-bis, of Italian Legislative Decree No. 152 of 3rd April 2006, containing "environmental regulations", no. 39/2022/I/IDR, 1st February 2022, page 5

The water sector is highly regulated, especially by the measures of the sector Authority, the ARERA (Italian Regulatory Authority for Energy, Networks and Environment) by virtue of the powers granted by means of Italian Decree Law No. 201/11, converted into Italian Law No. 214/11, also with regard to water services.

The year 2021 had the following major changes in terms of regulations:

- simplification of the procedures for the automatic recognition of social bonuses for economic hardship for the electricity, gas and water network sectors (Resolution No. 63/2021/R/com of 23rd February 2021);
- adoption of methods for the update every two years (2022-2023) of the tariff arrangements for the integrated water service (resolution 639/2021/R/idr of 30th December 2021);
- Integration of the regulations on the measure of the integrated water service (TIMSII) approved by Resolution no. 609/2021/R/idr.

The main "cornerstones" of sector regulation are set below:

About the technical aspect of the service.

ARERA's resolution no. 917/2017/R/idr of 27th December 2017 remains on the technical aspects of reference (minimum levels and technical quality objectives in the integrated water service, through the introduction of: i) specific standards to be guaranteed in the performance provided to the individual user, ii) general standards describing the technical conditions of service provision iii) prerequisites representing the necessary conditions for admission to the incentive mechanism associated with general standards.

About the commercial aspects of the service.

For the commercial aspects, the reference regulations are mainly represented by the "Regulation of the contract quality of the integrated water service i.e. of each service forming it (RQSII)", adopted by resolution of ARERA of 23rd December 2015 no. 655/2015/R/idr as amended and supplemented (resolutions 217/2016/R/idr, 897/2017/R/idr, 227/2018/R/idr, 311/2019/R/idr, 547/2019/R/idr and 610/2021/R/idr).

The methods for defining the tariff structure to be applied to water service users are identified by ARERA Resolution no. 665/2017/R of 28th September 2017.

ARERA also regulated aspects concerning delays in payment with resolution 311/2019/R/IDR (Regulation of delays in payment in the integrated water service - REMSI) as amended and supplemented by resolutions 547/2019/R/IDR, 221/2020/R/IDR, 63/2021/R/COM and 610/2021/R/IDR.

About the tariff aspect of the service.

The tasks of ARERA also include the approval of the tariff methodology. The Method introduced by ARERA (called Transitory Method for 2012-2013, MTI-1 for 2014-2015 and MTI-2 for 2016-2019, MTI-3 for 2020-2023)⁸ is based on the principle of the Full Cost Recovering and is constructed first and foremost on the determination of two essential parameters: the Restriction Acknowledged to the Revenues of the Operator (VRG) and the invested regulatory capital (RAB).

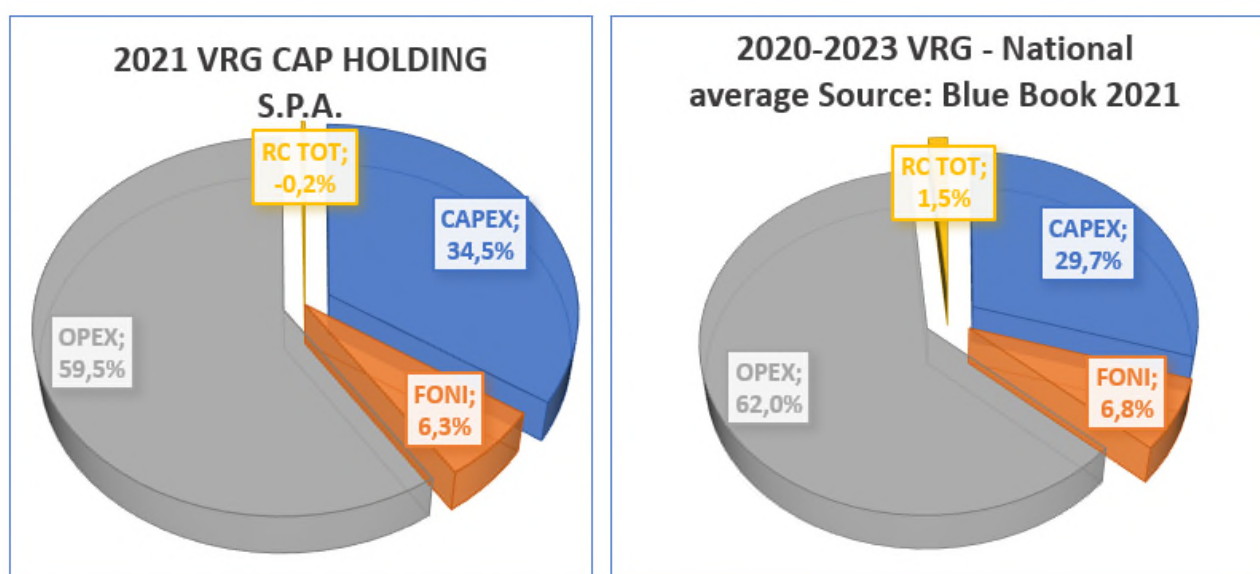
The Method applied to 2021 (MTI-3) was adopted by the ARERA by means of resolution no. 580/2019/R/IDR of 27th December 2019 and covers the period 2020-2023 (with a two-year tariff review for the years 2022-2023).

⁸ ARERA resolution no. 580/2019/R/IDR of 27th December 2019 concluded the process of defining the new tariff method for the third regulatory period (MTI-3).

In 2021, ARERA started the procedure for defining the rules for the update every two years 2022-23 of the tariff (Resolution of 13rd July 2021 306/2021/R/idr) and the adoption of methods for the update every two years (2022-2023) of the tariff arrangements for the integrated water service (resolution 639/2021/R/idr of 30th December 2021). In particular, see some comments below about the latter.

Like the previous ones (and the subsequent MTI-3, approved by Resolution no. 580/2019/R/Idr of 27th December 2019) it is based on the principle of the Full Cost Recovering and is constructed first and foremost on the determination of two essential parameters: the Restriction Acknowledged to the Revenues of the Operator (VRG) and the invested regulatory capital (RAB).

Without prejudice to the matters that will be illustrated subsequently, it is possible, via the underlying diagrams, to see the structuring of the tariff for the CAP Group in comparison with the other operators:



* The VRG of the wholesale operators of ATO MB aqueduct and wastewater treatment were also considered in the calculation of the 2020 VRG of CAP Holding. The CAPEX and OPEX components also include the shares of ERC Capex and ERC Opex.

From the comparison, it is easy to highlight a minor impact of the operating costs (OPEX) and a high incidence of the tariff component intended for the investments (Capex).

As a key also for the rest of this report, especially when “revenues” are mentioned, it should be specified that the tariff Methods in question are based on the criteria of the prior allocation to each operator of an overall tariff fee (VRG) calculated on the basis of operating costs (opex) and capital costs (capex) permitted by the Tariff Method, eliminating the (previous) dependence of the revenues of the Operator on the trend of the water volumes (Cm) disbursed. This is technically guaranteed by a <<tariff adjustment>> mechanism that in the VRG of the second subsequent year recovers the differences between the acknowledged fee (VRG) and that invoiced at the time of application of the unit tariffs to the disbursed volumes.

The recognised opex are separated into endogenous (i.e. those that would also depend on entrepreneurial choices made by the Operator, and therefore “possible to make efficient”) and exogenous costs that can be up-dated (and in some cases that can be adjusted ex post), mainly relating to the purchase costs of raw materials, electricity and fees.

Concerning the updating of the exogenous cost of electricity, resolution 639/2021/R/idr of 30th December 2021 envisaged the possibility of anticipating already in 2022 and 2023, temporarily and under various

conditions, part of the expected increase in the cost of electricity (up to 25% of the recognised costs in the years 2022-2023) based on the 2020-2021 costs that are characterising the energy market. The resolution was temporarily suspended.⁹

The CAP Group intends to submit a motivated request to the ATO Authority to take advantage of this possibility.

In addition to opex and capex, there is a further component to cover environmental and resource costs (ERC). This component is in turn broken down into ERC capex and ERC opex. In fact, it is a reclassification of the share of capital and operating costs related to specific environmentally relevant activities, including, for example, wastewater treatment, water supply and drinking water.

The Tariff Method, against which some consumer associations already appealed, was the subject matter of a ruling by the State Council, with judgement No. 2841/2017. That judge, deducing with regard to the compatibility of the tariff components relating to the coverage of the financial charges introduced by the MTT, by means of Article 154 of Italian Legislative Decree No. 152/2006, as emerging from the outcome of the afore-mentioned referendum, clarified that *"the tariff method adopted by the AEEGSI in resolution No. 585/2012 appears to be in line with the referendum and with the principle of the full cost recovery (including the costs of the capital, equity and debt), in itself fully compatible with the outcome of the referendum [...]."*

The appeal filed by CAP Holding S.p.A. to obtain the annulment of ARERA resolution no. 436/2018/R/IDR of 2nd August 2018, concerning the "approval of the updating of the tariff arrangements for the integrated water service for the years 2018 and 2019, proposed by the Area Office of the Metropolitan City of Milan", is still pending, appeal due to the incorrect application by ARERA of a tariff component due to the Operator.

By appeal notified on 25th February 2020, the CAP Group challenged resolution no. 480/2019/R/IDR of 27th December 2019 of the Italian Regulatory Authority for Energy, Networks and Environment concerning "approval of the water tariff method for the third regulatory period MTI-3" in the part in which it regulates the New Investment Fund (known as FoNI), considering, in particular, that it is unlawful, in the wording of the method, to reduce, at the tariff level and at the level of the residual value due to the outgoing operator in the event of take-over, the tax burden on that component.

By means of an appeal on additional grounds, notified on 28th February 2022, CAP Holding S.p.A also challenged the resolution of the Italian Regulatory Authority for Electricity, Networks and the Environment no. 639/2021/R/IDR of 30th December 2021, concerning the *"Methods for the update every two years (2022-2023) of the updating of the tariff arrangements for the integrated water service"*. The ground of appeal is aimed at contesting, also in this case, the manner in which the MTI-3 regulates the New Investment Fund (known as FoNI, Fondo Nuovi Investimenti).

Regional regulations

At regional level, the reference regulations comprise regional law No. 26 dated 12th December 2003 as amended and supplemented (Regulation of local services of general economic interest. Standards regarding waste management, energy, use of the subsoil and water resources).

⁹ The resolution was then suspended by a number of orders by the Regional Administrative Court for Lombardy, Milan (Section One), in the face of an appeal by a number of operators. The rulings ordered ARERA, among other things, to review it within 60 days. Following these rulings, ARERA approved and published Resolution 139/2022/R/idr. In the latter, a proceeding was reopened to redefine ARERA's intervention, which is expected to be concluded by 24th May 2022, and it is envisaged that, on a transitional and provisional basis, without prejudice to any subsequent recoveries with effect from 1st January 2022, the entities responsible for preparing tariffs will continue to apply the rules introduced by Resolution 639/2021/R/IDR for the purposes of updating the cost of electricity.

The Lombardy Region issued Regional Regulation No. 7 dated 23rd November 2017, containing “Criteria and methods for the observance of the principle of the hydraulic and hydrologic invariance pursuant to Article 58 bis of Italian Regional Law No. 12 dated 11st March 2005 (Law for the governance of the area)”, published in the Supplement of the Official Bulletin of the Lombardy Region No. 48 dated 27th November 2017.

The regulation deals with the handling of uncontaminated rainwater, for the purpose of decreasing the discharge to the urban drainage networks and from these towards the waterways already under critical conditions, thus reducing the effect of the urban sewage on the high-water flows of said waterways and defines:

- the territorial areas of application, differentiated in relation to the level of hydraulic criticality of the catchment areas of the receiving waterways;
- the admissible flow limits to the discharge in the receiving body;
- the flow calculation methods;
- the minimum requirements to be adopted in the planning stage for new measures or renovations.

The Regulation was supplemented in 2018, introducing a transitional period of non-application for certain types of interventions, and in April 2019, following technical observations and requests for clarification. The latest amendments are in force since 25th April 2019.

With regard to White Water, it is useful to point out that, during 2020, as indicated by the ATO note prot. 1641 of 10/02/2020 in response to the note of CAP Holding S.p.A. prot. no. 1771 of 29th January 2020, the new management area of sewerage network maintenance was defined, which would include white water infrastructures from 2021.

The completion of the recognition activities was acknowledged, aimed at defining the consistency of the infrastructures and facilities dedicated to the handling of the scour rainwater, and an extensive activity was carried out to ascertain the state of affairs and the maintenance/investment requirements, performed jointly with the Municipalities, as well as the checking of the location of the infrastructures/facilities that must fall within the agglomerations pursuant to Article 74 of Italian Legislative Decree 152/06 and as amended and supplemented - identified by the ATO office by resolution of the Conference of Municipalities no. 2 of 11st June 2018 - given that they represent the boundary of the public sewerage, collection and purification services.

The state of the art concerning the approval of the Simplified Hydraulic Invariance Documents envisaged by Regional Regulation no. 7/2017 of 23rd November 2017 is reported below.

CAP and the Region considered it in the interest of the parties to collaborate in order to support the Municipalities in the fulfilment of the obligations placed on them, in particular for the preparation of the Simplified Document of the Hydraulic Risk, defining its methods and contents for the Municipalities included in the area managed by CAP Holding. As a result, Cap Holding S.p.a. entered into specific Conventions with its member municipalities for the implementation of the principles of hydraulic invariance, by preparing the Simplified Document and contributing to the preparation of the Municipal Study.

This was followed by the start of the maintenance management activities of the white water networks. In particular:

- On 23rd November 2021, the last of the simplified documents was sent to the municipality of Truccazzano, which is normally followed by the preparation of municipal hydraulic risk studies;
- To date, all 127 simplified documents have been prepared for the Municipalities of the partner CMMs.
- Of these, 111 have been approved by resolution of the Municipalities, in addition to 1 non-partner, for a total of 112, and the preparation of municipal hydraulic risk studies has begun in 44 Municipalities, of which 6 have been approved to date.
- During 2021, the Cap Group started the management of white water networks, in line with what was indicated in the ATO CMM note prot. 1641 of 10th February 2021 following the signing of specific deeds by the Member Municipalities.

- As at 31st December 2021, the maintenance management of 66 Municipal networks for a total of 510 km had been started, with the remaining municipalities expected to complete their management activities by the end of 2022.

The table below shows the Municipalities that have approved the simplified documents and conferred the management of white water networks as at 31st December 2021.

	MUNICIPALITY	DATE OF DOCUMENT APPROVAL	WHITE WATER MAINTENANCE MANAGEMENT START DATE
1	ABBIATEGRASSO	29 th July 2020	06 th July 2021
2	ALBAIRATE	30 th July /2020	29 th January 2021
3	ARCONATE	16 th December 2019	27 th January 2021
4	ARESE	05 th March 2020	07 th June 2021
5	ARLUNO	30 th September 2020	21 st December 2021
6	ASSAGO	14 th December 2020	
7	BARANZATE	29 th July 2020	
8	BAREGGIO	30 th April 2020	02 nd July 2021
9	BASIANO	15 th February 2021	
10	BASIGLIO	20 th February 2020	12 nd March 2021
11	BERNATE TICINO	21 st December 2020	27 th January 2021
12	BESATE	19 th December 2020	15 th October 2021
13	BINASCO	23 rd November 2020	
14	BOFFALORA SOPRA TICINO	29 th October 2020	01 st March 2021
15	BOLLATE	30 th June 2020	08 th June 2021
16	BRESSO	30 th November 2020	31 st March 2021
17	BUBBIANO	18 th November 2020	
18	BUCCINASCO	22 nd January 2020	
19	BUSCATE	31 st December 2020	22 nd June 2021
20	BUSSERO	06 th April 2020	
21	BUSTO GAROLFO	10 th November 2020	1 st June 2021
22	CALVIGNASCO	23 rd December 2019	
23	CAMBIAGO	22 nd June 2020	
24	CANEGRATE	29 th June 2020	31 st May 2021
25	CARPIANO	23 rd July 2020	24 th March 2021
26	CARUGATE	30 th July 2020	
27	CASARILE	23 rd November 2020	08 th March 2021
28	CASOREZZO	08 th April 2020	01 st February 2021
29	CASSANO D'ADDA	08 th October 2019	04 th June 2021
30	CASSINA DE PECCHI	22 nd December 2020	
31	CASSINETTA DI LUGAGNANO	23 rd May 2020	
32	CASTANO PRIMO	30 th November 2020	04 th March 2021
33	CASTELLANZA	31 st July 2020	07 th June 2021
34	CERNUSCO SUL NAVIGLIO	21 st May 2020	01 st June 2021
35	CERRO AL LAMBRO	29 th July 2021	
36	CERRO MAGGIORE	13 rd November 2019	15 th June 2021

37	CESANO BOSCONI	24 th November 2020	15 th February 2021
38	CINISELLO BALSAMO	05 th October 2020	22 nd February 2021
39	CISLIANO	22 nd December 2020	20 th October 2021
40	COLOGNO MONZESE	18 th November 2019	17 th February 2021
41	CORBETTA	30 th September 2019	01 st June 2021
42	CORMANO	24 th February 2020	
43	CORNAREDO	04 th April 2019	
44	CORSICO	16 th December 2020	
45	DAIRAGO	30 th November 2020	29 th December 2021
46	DRESANO	04 th June 2020	16 th June 2021
47	GAGGIANO	30 th November 2020	
48	GARBAGNATE MILANESE	31 st May 2021	
49	GESSATE	29 th November 2021	
50	GORGONZOLA	30 th June 2021	
51	GUDO VISCONTI	28 th September 2020	28 th January 2021
52	INVERUNO	16 th October 2019	07 th July 2021
53	LAINATE	13 th February 2020	23 rd March 2021
54	LEGNANO	11 st May 2021	10 th June 2021
55	LOCATE DI TRIULZI	21 st December 2020	
56	MAGNAGO	23 rd September 2019	12 nd October 2021
57	MARCALLO CON CASONE	27 th November 2020	29 th January 2021
58	MASATE	08 th February 2021	26 th March 2021
59	MEDIGLIA	14 th October 2019	07 th June 2021
60	MELEGNANO	11 st November 2020	
61	MESERO	30 th March 2020	03 rd February 2021
62	MORIMONDO	20 th December 2019	01 st June 2021
63	MOTTA VISCONTI	15 th December 2021	
64	NERVIANO	13 rd October 2020	29 th June 2021
65	NOSATE	17 th December 2019	
66	NOVATE MILANESE	30 th November 2020	
67	NOVIGLIO	14 th July 2020	29 th January 2021
68	OPERA	27 th November 2020	25 th February 2021
69	OSSONA	18 th November 2020	
70	OZZERO	29 th May 2020	
71	PADERNO DUGNANO	15 th September 2020	26 th March 2021
72	PANTIGLIATE	09 th September 2021	
73	PARABIAGO	20 th December 2019	
74	PAULLO	20 th November 2019	04 th February 2021
75	PERO	20 th December 2019	
76	PESCHIERA BORROMEO	12 th October 2020	20 th December 2021
77	PIEVE EMANUELE	13 rd July 2020	
78	PIOLTELLO	30 th June 2020	01 st February 2021
79	POGLIANO MILANESE	24 th November 2020	19 th July 2021
80	POZZO D'ADDA	20 th July 2020	29 th April 2021
81	POZZUOLO MARTESANA	23 rd December 2021	
82	PREGNANA MILANESE	20 th May 2020	

83	RESCALDINA	02 nd March 2019*	10 th September 2021
84	RHO	21 st October 2020	16 th April 2021
85	ROBECCHETTO CON INDUNO	30 th November 2020	01 st April 2021
86	RODANO	22 nd February 2021	
87	ROZZANO	22 nd February 2021	11 st May 2021
88	SAN COLOMBANO AL LAMBRO	27 th February 2021	
89	SAN DONATO MILANESE	17 th December 2020	
90	SAN GIORGIO SU LEGNANO	30 th July 2020	24 th September 2020
91	SAN GIULIANO MILANESE	27 th May 2020	29 th March 2021
92	SAN VITTORE OLONA	25 th November 2020	
93	SAN ZENONE AL LAMBRO	25 th September 2020	08 th April 2021
94	SANTO STEFANO TICINO	25 th March 2019	
95	SESTO SAN GIOVANNI	19 th November 2019	20 th December 2021
96	SETTIMO MILANESE	28 th July 2020	15 th February 2021
97	SOLARO	13 rd November 2020	
98	TREZZANO SUL NAVIGLIO	11 st June 2020	26 th March 2021
99	TREZZO SULL'ADDA	28 th January 2019	26 th March 2021
100	TRIBIANO	25 th March 2021	
101	TRUCCAZZANO	22 nd December 2021	
102	TURBIGO	04 th March 2020	02 nd December 2020
103	VANZAGHELLO	25 th May 2020	
104	VANZAGO	28 th May 2021	
105	VERMEZZO CON ZELO SURRIGONE	30 th September 2020	31 st March 2021
106	VERNATE	24 th November 2020	
107	VIGNATE	26 th November 2019	
108	VILLA CORTESE	28 th July 2020	01 st February 2021
109	VIMODRONE	20 th May 2021	22 nd June 2021
110	VITTUONE	22 nd December 2020	16 th February 2021
111	VIZZOLO PREDABISSI	27 th November 2020	05 th March 2021
112	ZIBIDO SAN GIACOMO	22 nd July 2020	
		112	66

*Document not prepared by CAP Holding S.p.A.

Organisational performance

In the Metropolitan City of Milan

The year 2021 represented for the CAP Group the eighth year of assignment (from 1st January 2014 to 31st December 2033) of the entire IWS within the former Province of Milan, the result:

- of the profound process of industrial restructuring (through a process of merger between the management companies present in the territory that took place in 2013¹⁰, which then had another step in 2015¹¹);
- of the expansion of the activities in favour of the Municipal Authorities of the Province of Milan, started in 2010 and ended in 2013 (overcoming shoestring operations and acquiring many business units from former operators).

During 2016 and at the beginning of 2017, this process passed through a number of additional transformations represented by the acquisition of business units of other operators (BrianzAcque S.r.l., Acque Potabili S.r.l.) that were still present in the Milan area.

The "de facto" operator of Metropolitana Milanese S.p.A. is still active as at 31st December 2021 in the area of the former Province of Milan, for the aqueduct of the Municipality of Corsico, since the latter is considered by the ATO of the Metropolitan City of Milan not in compliance with the approved management organisational model: ATO envisaged the regularisation through the transfer of the management of the service from MM S.p.A. to the CAP Group.

Furthermore, a number of very modest portions of the territory remain in relation to which the purification service is carried out by non-area plants.

These are "wholesaler" situations recognised by the Conference of Municipalities of the ATO of the Metropolitan City of Milan on 12th September 2016 with resolution No. 3, in which operators of other areas (or portions thereof) carry out purification services:

- for the metropolitan municipalities of Cerro al Lambro and San Zenone al Lambro (carried out by SAL S.r.l.);
- for the metropolitan municipality of Settimo Milanese and part of the municipality of Novate Milanese (carried out by MM S.p.A.).

In the light of ATO Resolution no. 6 of 16th December 2019, the above-mentioned "wholesaler" situations, starting from 2020, will be managed through the application of special exchange tariffs, equal to those applied to its users by the operators providing wholesale services in its area of reference, implemented in the tariff preparation of the ATO of the Metropolitan City of Milan pursuant to MTI-3.

For the Municipality of Castellanza (VA), included in the ATO of the Metropolitan City of Milan (previously it was included in the tariff defined for CAP Holding S.p.A. by the ATO of Varese), this involves management (aqueduct, wastewater treatment and sewerage) from now on considered also metropolitan "tariff" (see resolution of the Board of Directors of the EGA of the Metropolitan City of Milan dated 31st May 2016- Annexe A).

Starting in 2021, on the basis of an inter-ATO agreement between the EGAs of the Metropolitan City of Milan and the Province of Bergamo, the wholesale purification service provided by Cogeide S.p.A. for a residual part of the metropolitan municipality of Cassano d'Adda (MI) has been regulated with the same approach.

The CAP Group is therefore the sole operator of the Integrated Water Service within the territory of the former Province of Milan, established according to the "in house" management model of the public concern,

¹⁰ Tutela Ambientale del Magentino S.p.A. (T.A.M. S.p.A.), Tutela Ambientale Sud Milanese S.p.A. (T.A.S.M. S.p.A.), Infrastrutture Acque Nord Milano S.p.A. (I.A.No.Mi. S.p.A., the latter with a significant presence also in the province of Monza and Brianza), operators within the meaning of Italian Regional Law no. 26/2003, merged into CAP Holding S.p.A. as a result of the merger deed, signed on 22nd May 2013 and with effect from 1st June 2013.

¹¹ In 2015, Idra Milano S.r.l. (company that owns water infrastructures in the north-east of Milan) was merged with legal effect from 1st May 2015 and accounting effect from 1st January 2015, following its establishment as a result of the total demerger of Idra Patrimonio S.p.A., based in Vimercate (MB).

in compliance with the conditions required by the resolution of the Provincial Council and by the Conference of Mayors of the territorial area of reference on 11st October 2012.

The chosen management form - that of the "in house providing" model - involves a strict relationship with the shareholder bodies and with the Strategic Policy Committee, a body whose task is precisely that of ensuring the full exercise of similar policy and control powers.

To complete the point on the area of the Metropolitan City of Milan, note that with resolution no. 13/07 of 28th November 2007 of the Board of Directors of the ATO Authority of the City of Milan (later merged into that of the Metropolitan City of Milan in 2016), the management of the Integrated Water Service of the City of Milan was assigned to Metropolitana Milanese S.p.A. in the form of "in house providing".

On 22nd January 2021, the strategic policy committee of CAP Holding S.p.A. authorised the company to participate in the drafting of a study assessing the management and economic/financial synergies arising from the unification of the management of the integrated water service within the ATO of the entire Metropolitan City. MM S.p.A. is also involved in the study, which is promoted by the Area Office of the Metropolitan City of Milan.

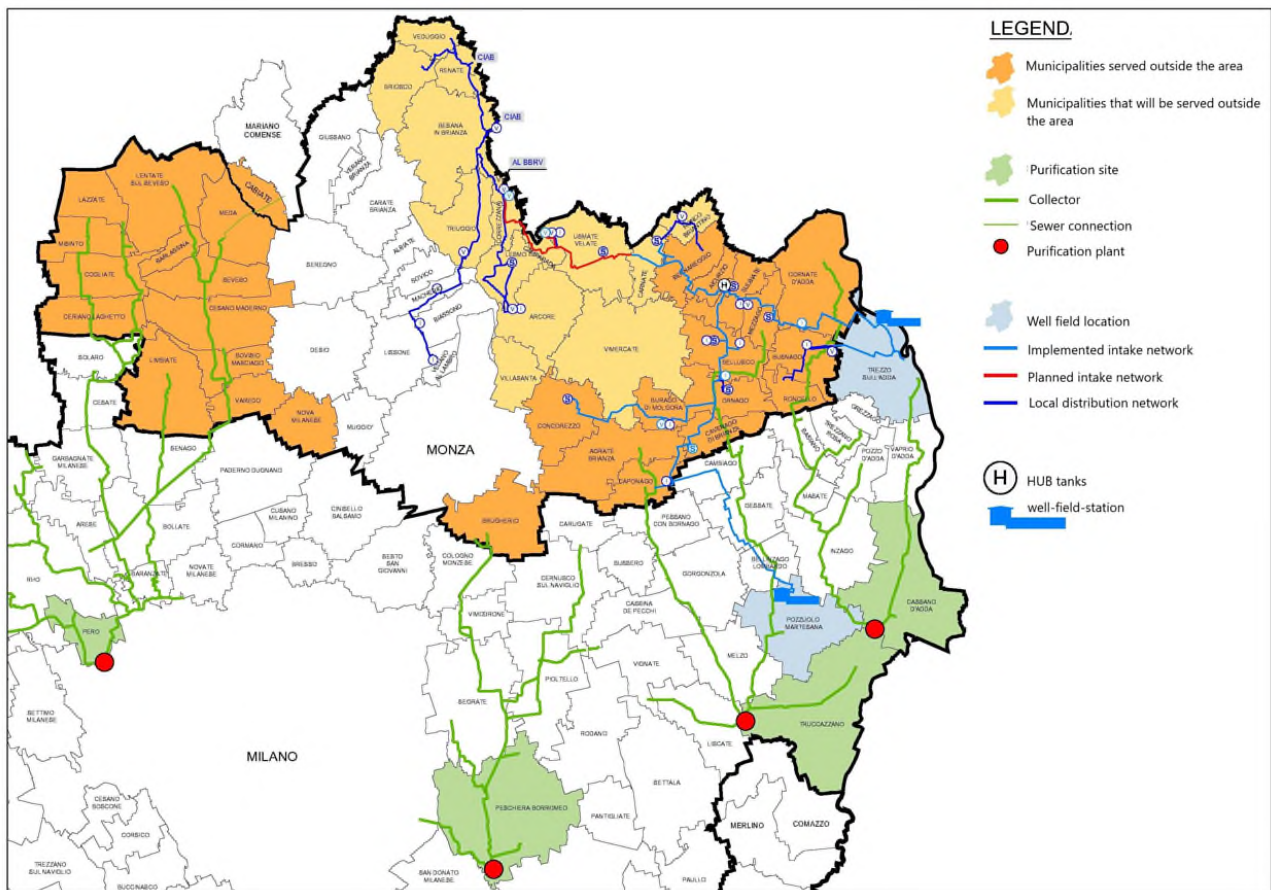
The study could be the first step on a path towards a joint project for the corporate integration of the business units dedicated to the integrated water service of MM S.p.A. and CAP Holding S.p.A.

In the province of Monza.

As at 31st December 2021, the CAP Group is the operator of the aqueduct service (limited to collection and large-scale transportation), sewerage service (limited to large-scale drainage) and wastewater treatment service in part of the Monza area.

For industrial and hydrogeological reasons, the infrastructures present in the two areas make sure that the management of the integrated water services is highly interconnected

The numerous interconnections present as at 31st December 2021 between the Milan and Brianza territories are shown below:



Another operator is present in the Monza area, appointed by the EGA of the Province of Monza, as operator of the Integrated Water Service (BrianzAcque S.r.l.).

Already on 5th November 2013, an agreement was signed with that entity for an "industrial partnership BrianzAcque - CAP Guidelines on overcoming residual managements", followed by an agreement on 2nd April 2015, for a gradual exchange of "activities" between BrianzAcque S.r.l. and CAP Group.

The purpose was, inter alia, to transfer BrianzAcque S.r.l. the service segments carried out by the CAP Group in the Brianza area, but without interconnections with the "metropolitan" territory and, at the same time, to acquire from BrianzAcque S.r.l. service segments carried out through plants located in the metropolitan territory (regardless of their being interconnected or not with the Brianza area). These transactions were carried out in two phases, and became effective as at 1st January 2016 and 1st March 2017, respectively.

However, not all the properties located in the territory of Monza have been transferred to BrianzAcque S.r.l. as part of the above operations. The CAP Group has retained ownership of some large aqueduct backbones and drainage networks.

In fact, the CAP Group carries out activities for the shareholder municipalities of Monza (drainage, wastewater treatment and collection and large-scale transportation) that contribute to the integrated water service as defined by Italian Legislative Decree 152/2006 as amended and supplemented and, consequently, activities of production of a service of general interest, considering that the above mentioned watercourse also includes the construction and management of networks and plants functional to the provision of the services themselves.

This in strict compliance with the planning deeds undertaken by the related EGAs. The Area Office of the Metropolitan City of Milan, in fact, signed on 29th June 2016 the inter-area agreement pursuant to Article 47,

paragraph 2 of Italian Regional Law 26/2003, with the corresponding EGA of the Province of Monza and Brianza, followed:

- on 29th June 2016, by the formal agreement between the CAP Group and the ATO Office of the Province of Monza and Brianza, which regulates the performance of the activity of the former, with the role of "wholesale" operator (according to the acceptance of ARERA);
- on 28th February 2017, by a specific contract between BrianzAcque S.r.l. and CAP Group, with a duration equal to the agreement in place between CAP Holding S.p.A. and the ATO of the Metropolitan City of Milan.

In the province of Pavia

The organisational scheme in the Pavia area is summarised in the resolution dated 7th June 2013 of the Provincial Administration of Pavia which (finalised by means of subsequent resolution dated 20 December 2013 approving the related Service Agreement) took steps to assign the Integrated Water Service to Pavia Acque S.c.a.r.l. for the entire provincial territory for twenty years according to the "in house providing" model, a company which has been responsible as from 1st January 2014 for the joint and co-ordinated management of the Service within the ATO of Pavia.

It should also be noted that on 15th July 2008 the CAP Group carried out the first assignment to the company Pavia Acque S.c.a.r.l. of business units related to the water networks of various municipalities located in the Pavia area, with a second contribution of water properties in 2016 for a net value of € 5,451,715.

A third contribution of € 315,078 relating to receivables of the CAP Group from Pavia Acque S.c.a.r.l., was made with deed dated 1st February 2018, notary public Trotta index 140.125/54.195.

The assets of Pavia Acque S.c.a.r.l., in addition to a share capital of € 1,520,000 held by the CAP Group, include a capital reserve "registered" with reference to the same entity, amounting to € 12,872,828.

This "registered" reserve (in accordance with the provisions of the shareholders' meeting of Pavia Acque S.c.a.r.l. of 22nd December 2016) will be non-distributable, not available for increases in share capital (with the only and exclusive exception of the case envisaged in Article 11.5 of the current Articles of Association of Pavia Acque S.c.a.r.l.) and may be used to cover any operating losses and/or other management events of the company just before the reduction of the share capital.

If PAVIA ACQUE S.c.a.r.l. is wound up, after honouring all payables, the plan for the distribution of the assets will provide for their return to the shareholders to whom they are attributable, as a matter of priority. Similarly, in the case of withdrawal, only the CAP Group will be entitled to the reserve.

to its users by the CAP Group, implemented in the tariff arrangement of the ATO of the Metropolitan City of Milan pursuant to MTI-3, was defined.

The switch to the exchange tariff necessarily had to take into account the aspects of tariff sustainability pursuant to resolution 665/2017/R/Idr (TICSI), envisaging a convergence mechanism from the "wholesale" tariff to the exchange tariff, where the difference between the two tariffs was more than 10%. Situation occurred for the purification service for the eastern districts of Milan (rendered in favour of MM S.p.A.) and the municipalities of Cabiato/Mariano Comense (rendered in favour of Brianzacque S.r.l. and Como Acqua S.r.l.).

In July 2019, CAP Holding S.p.A. and Alfa S.r.l. signed a strategic collaboration agreement. The agreement aims to build new synergies in several areas including research and development, technological innovation, sustainability and service quality.

On 11st March 2020, the Strategic Policy Committee authorised the signing of a network contract between the two companies in order to pursue a synergic integration of their respective organisational systems so as to make efficient, also through economies of scale, the sharing of certain structures or resources, the management of the water service also in the perspective of an inter-area cooperation.

On 12th June 2020 (Volume no. 18396 File no. 10835 Notary Enrico Maria Sironi), a network contract was signed between CAP and Alfa, which, starting from the assumption of the significant interrelationships between the respective territories managed in terms of sewerage/cleaning and aqueducts, has as its strategic objective the synergic integration of their organisational systems in order to make the management of the water service in their areas more efficient, including through economies of scale or the sharing of certain structures or resources. On 14th February 2022, an addendum to the network agreement was signed with Alfa S.r.l. for the construction and management of an infrastructure network of sludge bio-drying plants to support the purification service in the Province of Varese (INTERBIODRY BASIN SYSTEM).

With regard to the Municipality of Castellanza (VA), please see the section relating to the Metropolitan City of Milan.

Special projects

CAP Holding S.p.A., in order to better achieve its corporate purpose, established Neutalia S.r.l. in the summer of 2021, in partnership with the AMGA Group of Legnano and AGESP of Busto Arsizio, and took over 80% of the capital of ZERO C S.p.A.

With regard to Neutalia S.r.l., at the time of its establishment on 30th June 2021 (deed drawn up by Notary Pietro Sormani of Milan, vol. 412073, file 94464) the founding shareholders AMGA Legnano S.p.A., CAP Holding S.p.A., AGESP S.p.A. and AEMME Linea Ambiente S.r.l., subscribed and paid up the share capital of € 10,000, divided into shares pursuant to Article 2468 of the Italian Civil Code, of which € 3,300 by CAP Holding S.p.A. Subsequently, on 14th July 2021 (deed drawn up by Notary Stefano Ajello of Milan, volume no. 70827 file no. 15470), the share capital was increased to € 500,000 with a share premium of € 2,500,000. CAP Holding S.p.A. participated in this transaction by contribution in kind (of a movable asset "turbine unit") of € 546,000 (divided between € 89,478.26 for share capital and € 456,521.74 to the share premium reserve) and in cash of € 440,700 (divided between € 72,221.74 for share capital and € 368,478.26 to the share premium reserve). After these operations, CAP Holding S.p.A.'s stake was 33% of the share capital. Subsequently, in November 2021, the shareholders granted Neutalia S.r.l. a total shareholder loan of € 2,030,000 (of which € 670,000 by CAP Holding S.p.A. on 8th November 2021). The capital on hand is also part of the needs relating to the revamping of the thermal treatment plant located in Borsano and the leasing from Neutalia S.r.l. of the business unit that managed it, both owned by ACCAM S.p.A., as part of a restructuring agreement of the latter company pursuant to Article 182-bis of the bankruptcy law (R.D. no. 267 of 16th March 1942) approved by decree of 24th November 2021 by the Court of Busto Arsizio. On 2nd September 2021, CAP holding S.p.A.

signed an "in-house providing contract with Neutalia S.r.l. for the final disposal service of special screened waste from urban wastewater treatment".

The initiatives commented on are part of the start-up and implementation phase of Neutalia S.r.l.'s business plan, which is however preparatory to a subsequent development phase, in which the company aims to stand as a player in the area's green transition.

Neutalia S.r.l. has taken the form of a B corp (in accordance with the provisions of Law 208/2015), whose general purpose is to pursue - in addition to the economic objectives proper to a business activity - purposes of common benefit and to operate in a responsible, sustainable and transparent manner. In particular, Neutalia S.r.l. aims to improve the quality of the environment and the territory by helping to reduce the environmental impact of waste and discards in terms of circular economy.

With regard to the company ZeroC S.p.A., in addition to CAP Holding S.p.A., the Municipalities of Sesto San Giovanni, Cormano, Cologno Monzese, Pioltello, Segrate and Cinisello Balsamo are listed as shareholders. The company aims, among other things, to manage the treatment of FORSU for the territory of its members, exploiting the strong synergies that the related facility will have with the thermal treatment of sewage sludge produced by the CAP Group. Both facility sections, together called "bio-platform", are being built by CAP Holding S.p.A. at the production site in Sesto San Giovanni (MI), via Manin 181.

In particular, on 5th February 2021, 1,584,000 shares of CORE - Consorzio Recupero Energetici - S.p.A. were acquired by Cap Holding S.p.A. Share capital, divided into shares of €1 each, of €2,000,000.00 fully paid up. Companies' Register and Tax Code 85004470150 - VAT No. 02733400960, owned by the municipalities of Sesto San Giovanni, Cologno Monzese, Cormano, Pioltello and Segrate, equal to 79.2%.

On 22nd March 2021, CAP Holding acquired a further 16,000 shares in the company CORE, owned by the Municipality of Cologno Monzese, equal to 0.80% of the company's capital. Therefore, CAP Holding's stake in CORE totals 80% of the share capital. In May 2021, the company changed its name to ZeroC S.p.A.

At the moment, the company's operational activities are suspended while waiting to be restarted during 2022, at which time the construction of the "bio-platform" should be completed.

Summary of the macro-organisational-strategic plan.

In 2013, through a series of extraordinary transactions, an economic entity (the CAP Group) that previously did not exist (2013 was the first consolidated accounting period) took shape.

In 2014, this new economic entity completed the final exit, in terms of equity, but also in terms of social composition, from the Lodi area and received the formal twenty-year assignment¹² of the integrated water services for the area of the former Province of Milan (provincial capital excluded).

In 2015, it by contrast proceeded with an equity expansion and social enhancement towards the North, by means of the Project for the merger of Idra Milano S.r.l., which had taken root back in 2014.

In 2016 and 2017, the management of the Monza area was settled and rationalised, in agreement with the manager of that area, up to the formal recognition of the CAP Group's role as wholesale service provider for that area until the end of the concession that the CAP Group has for the Metropolitan City area.

¹² Partial demerger for the benefit of P.I.L. S.r.l., later merged into S.A.L. S.r.l.

At the same time, the rationalisation process in the Pavia area was completed, with a series of contributions between 2016 and 2018, completing the 2008 one, aimed at strengthening the equity of the subsidiary Pavia Acque s.c. a r.l., manager of that area.

Lastly, in 2018, the “out of scope” management for the municipality of Gorla Minore (VA) resigned.

In 2019, the foundations were laid for a solid collaboration with the operator of the Varese province area, which culminated in 2020 with the signing of a network contract with which the parties began working together for the common purpose of improving, in their respective areas, the management of public services for the collection, transportation, distribution, purification for civil uses, sewerage and wastewater treatment, as well as encouraging the implementation of the related organisation policies. In 2021, the network contract allowed ALFA to complete the process to become Integrated Operator of the province of Varese and CAP to share expertise acquired especially in the IT field with the opening of platforms in the form of SaaS.

In 2020, the ATO Authority of the Metropolitan City of Milan launched a study involving both CAP Holding S.p.A. and MM S.p.A. aimed at unifying the management of the Integrated Water Service for the entire territory of the Milan Metropolitan City.

With resolution no. 6 of the Board of Directors of the ATO Office of 25th January 2021, the most viable solution, in terms of benefits both for the two companies and for the entire Integrated Water Service, was identified among those identified by the aforementioned Study. This solution is represented by the aggregative assumption of the study "demerger of the IWS branch of MM SpA with the beneficiary CAP Holding S.p.A.", preferably also with the transfer of the engineering branch of the Operator MM S.p.A. That is, a partial demerger of the business unit MM S.p.A. for the benefit of Cap Holding S.p.A. (Cap Holding S.p.A. would approve a capital increase to be covered by the contribution of the demerger, subject to the waiver of the shareholders' right of option). The transaction would ensure the direct ownership of the shares by the municipality of Milan (the sole shareholder of MM S.p.A.). In summary, the subject matter of the demerger would be merged into CAP Holding S.p.A. and the shareholder of the demerged company (the Municipality of Milan) would be assigned the stake in the company.

This solution would ensure the greatest continuity within the evolution process of the IWS, as well as guarantee the direct ownership of the shares by the Municipality of Milan.

Considering the need to develop in a more organic and detailed manner the Study "Unification of the Management of the IWS within the ATO Metropolitan City of Milan" by defining the advantages deriving from the unified management in particular, the topics concerning the following were examined in detail:

1. the potential of the new single operator in terms of implementation of economies of scale and advantages vis-à-vis the financial market;
2. the implementation of a greater amount of investment in both the IWS and in the treatment, distribution and use of non-conventional water;
3. investments in the circular economy, without neglecting the issue of digitalisation;

The study ended - as per the resolution of 29th November 2021 - with a report sent to the Metropolitan City on the characteristics of the project to establish the Sole Operator and the benefits that would result:

- Unification into one consumables purchasing and management centre: savings quantified as 5% in the best case scenario, 3% in the worst case scenario;
- Reduction of vehicle costs, purchase of materials, outsourced services and ordinary maintenance costs: by 5% (best) and 3% (worst) respectively, and for maintenance by 5% (best) and zero (worst);
- Decrease in insurance and surety costs: by 5% (best) and zero (worst);
- Reduction of costs for software maintenance and IT expenses: by 10% (best) and 3% (worst);
- Zeroing of duplicate costs (expenses for technical, organisational, legal and notary consultancy, tax administration, legal audit, sb, communication and marketing, etc.);
- Reduction of other direct (analytically) operating and general costs: by 10% (best) and 5% (worst)

- Therefore, the unification would lead to an average saving of around € 4 million, which would be reflected either in the IWS tariff or in greater investment capacity on the part of the new operator.
- Therefore, a tariff reduction of 1% could be generated, i.e. a greater capacity to make new investments - at the same IWS tariff - of about € 56 million (+3% total investments over the period of the current concessions).
- The existing tariff regulation incentivises the unification of networks by allowing a greater tariff trend, so further benefits could be achieved.
- From 2024, the unitary operator could access the III regulatory scheme under Article 5 of MTI-3, dedicated to aggregations, which would allow the application of a tariff limit of 1.0595 compared to a limit set at 1.052, should the management remain separate.
- Therefore, this could generate a potential incremental effect of 0.75% on the Guaranteed Revenue Bonds (GRB) - for the four-year period 2024-2027 only - with the consequent possibility of activating a greater amount of investments (+10% total investments over the period of the current concessions).
- In this case, the accumulated investments that could be realised would amount to +€ 185 million compared to the situation of maintaining separate management of the IWS.

If 2020 was characterised by the Covid-19 pandemic, tackled by the CAP Group in terms of a "Contingency Plan" aimed at guaranteeing business continuity under safe conditions with satisfactory results and recovery of most of the objectives set before the health crisis, 2021 was a year of consolidation and development of corporate strategies.

In 2021, the CAP Group developed in particular its involvement in activities that are not strictly water-related, albeit related, such as the "forsu" project at the symbiosis bio-platform for the optimal use of organic waste" at the Sesto purification plant, through the corporate vehicle ZERO C S.p.A., and synergies with other industrial entities operating in the waste field for the treatment of the screenings produced by purification plants, through the corporate vehicle Neutalia S.r.l.

Beyond the "extraordinary" aspects of corporate architecture and governance, the CAP Group continued to focus on internal organisational elements at a time of very significant changes induced precisely by the changes already commented on.

We will examine some aspects below, also useful for analysing the CAP Group's policy in risk management.

Measurement of company crisis risk

CAP Holding S.p.A. it is not required to apply the provisions of Article 6, paragraph 2 of Italian Legislative Decree 175/2016 as it falls under the hypothesis referred to in article 26, paragraph 5 of this decree.

However, in order to provide shareholders with information in any case, the appropriate indicators to predict the risk in question will be reported in a specific report, noting that these indicators do not indicate risk situations. The other indications referred to in paragraph 3 of the aforementioned article 6 can be found in this report.

Internal Control and Risk Management System

The Internal Control and Risk Management System of the CAP Group comprises the series of different Business instruments, bodies and units which each Group company has for the purpose of achieving the effectiveness and efficiency of the business processes, ensuring the reliability and integrity of the accounting and operational information, guaranteeing the compliance of the business operations with the provisions and the management of the main company risks.

The overall design of this Internal Control System is made up of:

- provisions that concern each individual Group company in its entirety: Articles of Association, Organisational, Management and Control Model pursuant to Italian Legislative Decree No. 231/2001, Code of Ethics, Anti-corruption Plan, Enterprise Risk Management Policy, etc. For further details on these issues, please refer to the following sections in this report: “Organisational, Management and Control Model pursuant to Italian Legislative Decree No. 231/01”; “Organisational Model consistent with the prevention of corruption Italian Law No. 190/2012”; “Compliance with transparency requirements”; “Internal Audit and checking of the internal control system”.
- more strictly operational procedures/instructions that regulate the business processes, the individual activities and the related controls.

The Internal Control System has been defined following a number of fundamental principles:

- 1) the dissemination of controls at all levels of the organisational structure in line with the operational responsibilities assigned and, where possible, providing for sufficient separation between the operational and control functions, taking care to avoid situations of conflict of interest in the assignment of responsibilities;
- 2) the sustainability of the controls over time so that their performance is integrated and compatible with the operational requirements.

The structure of the CAP Group’s Internal Control System envisages controls at the level of entities that operate transversally with respect to the reference entity (Group/ individual company) and controls at process level.

The Internal Control System is also called upon to:

- adequately identify, gauge and monitor the main risks undertaken in the various operating segments, including those that could generate risks of error, unintentional error or fraud that could have a material impact on the financial statements;
- permit the registration on the operating transactions with a sufficient level of detail and correct allocation with regard to accruals accounting;
- use reliable information systems that can produce reports suitable for the units tasked with the control activities.

With regard to the control functions, the System is divided into several levels. The main ones are:

- **first level controls:** aimed at ensuring the correct performance of the daily operations and the individual activities entrusted to the same production structures (e.g. hierarchical control);
- **second level controls:** entrusted to structures other than the production ones, which have the aim of checking the observance of the limits assigned to the various operating units (e.g. ex ante budget control, including therein the subsequent accounting destinations by the non-operative unit Planning and Management Control Division) and checking the consistency of the operations of the individual production areas (e.g. Quality Management, Environment and Safety Systems unit for the control of the processes and the results. With regard to this specific point, see the dedicated section “Integrated Quality System” in this report);
- **third level controls:** this context in particular includes the Internal Audit unit, aimed at identifying anomalous trends, violations of the procedures and the regulations, as well as assessing the functioning of the overall system of internal controls. With regard to this point, see the section “Internal Audit and checking of the internal control system” in this report.

The Internal Control System also involves:

- The Board of Directors – which is reserved the powers regarding the policies and the internal control of the Company and (with regard to the Board of Directors of the parent company) of the Group (e.g. the power to define the policies of the internal control system, as well as periodically check its suitability and effective operation, making sure that the main company risks are identified and managed adequately and that the controls required for monitoring the performance of the Company trend exist);
- the Internal Audit unit whose head reports hierarchically to the Board of Directors, also responsible for the Prevention of Corruption and Transparency;
- The Risk Management Dept. & Compliance function, whose manager reports hierarchically to the Managing Director and plays a leading role in the implementation of the Enterprise Risk Management Model of CAP Holding and its subsidiaries with the cooperation of the Corporate Social Responsibility (CSR) department in the area of ESG risks;
- the Board of Statutory Auditors that oversees (by means of inspection and control activities) the observance of the law, the articles of association and the principles of correct administration and that, specifically, must assess the adequacy of the organisational, administrative and accounting structure and supervise its effective operation;
- The parent company's Internal Control Committee (coinciding with its Board of Statutory Auditors) that oversees a series of aspects that pertain to the internal and external controls system for bodies of public interest, in particular with regard to: financial disclosure process; efficacy of the internal control, internal audit, if applicable, and risk management systems; external audit of the annual and consolidated accounts; independence of the external auditor or Independent auditors. In order to strengthen the prerogatives of the committee it is also envisaged that the auditor submits a report to this body on key issues emerging during the external audit, especially with regard to the short falls identified in the internal control system, which have an impact on the financial reporting process.

Enterprise Risk Management

The CAP Group, as manager of the integrated water service, pays great attention to the correct management of risks related to the performance of its business activities. To support and complement the existing risk management systems, the CAP Group undertook a process aimed at adopting a structured system for analysing, managing and monitoring risks, which led the Group to implement an "Enterprise Risk Management" model.

This model, which is inspired by national and international best practices, such as the Corporate Governance Code and the CoSO ERM Framework, is aimed at identifying and prioritising the main risks that could compromise the achievement of both the Group's business and sustainability objectives, with the ultimate goal of supporting decision-making processes, creating awareness in the organisation and improving the ability to create value for stakeholders.

Therefore, the Enterprise Risk Management model allows an effective monitoring of the main risks to which the CAP Group, due to the nature of its business and strategies adopted, is potentially exposed and ensures that the Group's risk profile is consistent with the objectives of the Business Plan and the Sustainability Plan.

In order to pursue the outlined objectives, the ERM model is based on an approach that is:

- **Strategic** in that it provides CAP Holding's Management and Board of Directors (BoD) with relevant information on risk factors related to the Group's strategic objectives;
- **Enterprise-wide** extended to all types of risks potentially significant for the CAP Group, also integrating environmental, social and governance risks;
- **Value-driven**: it focuses on the most significant/identified risk events that are material to the Group, which could impact the company's value drivers, the achievement of strategic objectives and/or the sustainability of the business in the medium to long term.

The benefits expected from the model and that CAP Group intends to pursue are:

- **Awareness** of the risks to which the company is exposed and the overall risk profile
- **Confidence** in the achievement of set goals and the ability to respond to changes in the context
- **Consistency** of objectives and strategies with the risk profile assumed
- **Assumption of responsibility** of players involved in risk management and monitoring
- **Transparency** in relation to the company's risk profile vis-à-vis the Board of Directors and Management on risk;
- **Integration of** risk culture into business processes.

OPERATION AND GOVERNANCE MODEL OF THE ERM MODEL

On 15th October 2020, the Board of Directors of CAP Holding approved the "Enterprise Risk Management" policy, which defines the ERM Governance model of the CAP Group, understood as the roles and responsibilities of the main actors involved in the risk management system, and the Operating Model on an annual basis, taking into account the timing of the main Group Planning and Reporting activities in the ESG area (DNF).

ERM Governance envisages that the ERM function is responsible for supporting corporate structures in identifying and managing company risks through the development of frameworks, methodologies and tools and for ensuring periodic reporting on the development of the risk profile to management, senior management and corporate bodies.

On the other hand, the Management is the primary owner of the identification, assessment and management of risks related to its areas of competence.

The ERM process envisages an annual risk assessment and periodic monitoring involving all corporate structures in order to identify the most relevant risks, related control units and mitigation plans.

The results of the risk assessment and monitoring and the related mitigation actions are presented to the Management Committee, with which the risk profile and intervention priorities are discussed, as well as with the Board of Directors, which plays a steering and supervisory role.

In this context, the ERM unit also carries out awareness-raising and training activities for directors on the methods applied and evolutions of the CAP Group's ERM model.

The results are also shared with the Internal Audit Office, which uses them in the preparation of audit plans, and with the QAS Office. Moreover, the results are also shared with the CSR Unit to complement planning and in defining strategies for managing ESG issues.

A characteristic element of the CAP Group's ERM Model is the assessment of the impact of each risk event on two macro-categories of impact: on the CAP Group and on the environment and society.

The risks identified through the ERM process are classified into financial, operational, strategic, legal & compliance, and external context-related. Among these risks, risks related to ESG issues are also identified.

External context	It includes risk issues related to the environment, business interruption and service continuity due to unexpected natural phenomena. Moreover, regulatory changes that may lead to additional costs and/or lower revenues, curb development strategies and/or significantly affect the Group's profitability are also reintroduced. Finally, issues related to activities that are sensitive to the general social and economic conditions of the area in which it operates are also included.
Strategic	An ineffective implementation of strategic initiatives could jeopardise the achievement of the set goals. These risks arise for both short-term and long-term initiatives, as well as for development and investment activities.
Financial	Risks related to capital availability, credit and liquidity management, and/or related to the volatility of key market variables (interest rates, commodity prices, etc.).
Operating	CAP GROUP is exposed to the risk of plant downtime or critical maintenance management issues. Moreover, it also includes risks related to the conduct of business activities with negative consequences on the Group's performance and operations.
Legal&Compliance	Risks related to the management of legal and contractual aspects and compliance with internal regulations, regulatory frameworks and/or laws and regulations applicable to the Group.

Integrated Quality Management System – Sustainability Report and Environmental Accounts

The CAP Group adopted an Integrated Policy in line with its vision, mission and ethical commitment; this is implemented through an Integrated management System certified by third independent parties, in order to achieve the strategic objectives and implement the Policy itself.

The CAP Group adopted an Integrated Policy, updated in September 2020, in line with its vision, mission and ethical commitment; this is implemented through an Integrated management System certified by an independent third party, in order to achieve the strategic objectives and implement the Policy itself.

In 2021, the CAP Group confirmed its focus on maintaining the certifications already achieved in the past, i.e. ISO 9001, ISO 14001, ISO 45001, ISO 50001, ISO 22000, ISO 17025 and SA 8000, as well as the Carbon Footprint for the year 2020 in relation to the emissions of the Group companies.

The new certification for circular economy projects according to AFNOR XPX30-901 was added to these.

The commitment made by Top Management to improve quality standards to satisfy the expectations of Customers and stakeholders in general, with a view to continuous improvement, was strengthened.

The CAP Group's commitment and work continues, therefore, in the adoption and development of an Integrated Management System, which combines the various reference standards.

Organisation, management and control model pursuant to Italian Legislative Decree No. 231/2001

Both Group companies have a Code of Ethics and the Organisation, management and control model pursuant to Italian Legislative Decree No. 231/2001, adapted to Italian Law No. 190/2012 "Provisions for the prevention and repression of corruption and illegality within general Government Bodies".

The afore-mentioned documents have been constantly updated to acknowledge the legislative amendments introduced by the legislator (Italian Law No. 68/2015 known as offences against the environment and Italian Law No. 69/2015 known as offences against the Public Administration and false accounting) and reviewed with the aim of harmonising at Group level the processes and procedures, while respecting the autonomy of the two companies.

In 2018, following organisational changes in the company, such as the transfer of the business unit from Amiacque to the parent company, the review of corporate procedures and instructions and the legislative changes (e.g. Law 179/2017 on Whistleblowing – Italian Legislative Decree 107/2018), Model 231 of the CAP Group companies were updated.

The CAP Group has kept the Catalogue of offences enclosed with the Organisation, Management and Control

Model updated to the new types of offences applicable (e.g. xenophobia, influence peddling, tax offences, etc.).

Furthermore, the Code of Ethics supplemented with specific conduct-related duties of the employees was approved for preventing corruption (ANAC decision No. 12/2015).

On 10th July 2017, the Board of Directors of CAP Holding S.p.A. adopted the document "Ethical Commitment of the CAP Group" which has three appendixes: i) Code of Ethics of the CAP Group, ii) Code Of Ethics for works, supplies and service contract, iii) Anti-corruption Policy.

CAP Holding S.p.A. adopted a single document with the aim of structuring an efficient management system designed to prevent, identify and respond to corruption confirming the CAP Group's commitment to act with fairness and integrity in transactions and business relations.

In the first two Appendixes, already adopted by the company, the Anti-corruption policy has been drawn up as new; it defines the values, principles and responsibilities that the CAP Group complies with in the fight against corruption. This Policy was designed in observance of the current applicable provisions including Italian Law No. 190/2012, Italian Legislative Decree No. 231/01 and the UNI ISO 37001:2016 Management system, with the objective of prohibiting any form of corruption, direct or indirect, active or passive, which involves not only public officials but also private parties.

In January 2019, the "CAP Group's Ethical Commitment" was updated following the acquisition by CAP Holding S.p.A., as the first company of the integrated water service, of ISO 37001 certification - relating to the Anti-Corruption Management System.

During 2019, new revisions were made to the Ethical Commitment in particular: on 8th July 2019, the Anti-Corruption Policy was integrated with some principles of good practice in the management of relations with suppliers and on 25th November 2019, the principle of "respect for the individual" was integrated into the appendix of the Code of Ethics, with which the CAP Group wanted to make more explicit some rules against harassment and discrimination.

In 2019, "The Ethical Commitment in brief" was also drafted, a document used during training events to spread the culture of ethics through basic facts that recall the main contents of the appendixes.

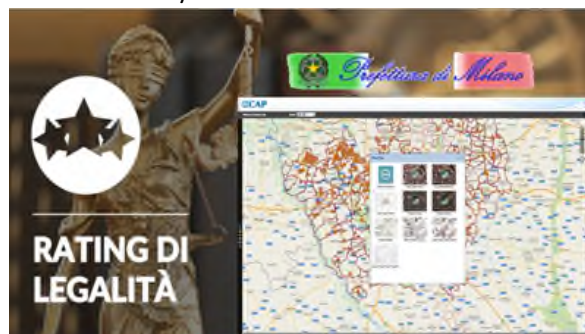
In July 2021, the Group's companies approved the update of the Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/01 aimed at implementing the regulatory changes introduced in the areas of tax and taxation and cyber security.

By resolution of the Parent Company's Board of Directors of 29th March 2021 and Amiacque's Board of Directors of 27th May 2021, the "Tax Strategy of the CAP Group" was approved as a document in which the CAP Group defines the objectives and principles adopted in the management of taxation - both its own and that of Group companies - and outlines the main guidelines for applying these principles and ensuring uniform tax management. The tax strategy is part of the broader design of the Internal Control and Risk Management System adopted by the CAP Group.

Organisational Model consistent with the prevention of corruption (Italian Law No. 190/2012)

On 23rd June 2014, each management body of the two companies of the Group approved the “Three-year corruption prevention plan”, pursuant to Italian Law No. 190/2012, and the “Three-year programme for transparency and integrity”, pursuant to Italian Legislative Decree No. 33/2013.

According to the indications formulated by ANAC, the Boards of Directors of both companies, in the sessions held on 20th February 2022 and 27th February 2022, approved the update of the Three-year corruption prevention and transparency plans - years 2022–2024. On 21st January 2015, the Italian Antitrust Authority (AGCM) assigned the legality rating pursuant to Italian Decree Law No. 1/2012, converted into Italian Law No. 62/2012 to CAP Holding S.p.A., with the acknowledgement of a maximum score of 3 "stars".



On 18th April 2019, the Company obtained from the AGCM the renewal of the legality rating confirming the maximum score of three stars. The rating is a tool that recognises rewards to companies that operate according to the principles of legality, transparency and social responsibility.

In 2019, CAP Holding joined the new WebRating platform activated by AGCM, which is now the only tool to obtain the attribution or renewal of the Rating and to communicate to the Authority any changes in the data reported in its Chamber of commerce certificates and any event that affects the possession of the requirements.

In 2021, the CAP Group submitted an application to AGCM, through the above-mentioned platform, for renewal of its legality rating, which was renewed on 28th April 2021, still confirming the award of the maximum three-star rating, with a duration of two years.

Compliance with transparency requirements

The CAP Group considers transparency to be a fundamental instrument for the prevention of corruption and for the efficiency/effectiveness of the administrative action.

In line with the principle of administrative transparency, the CAP Group has equipped itself with an internal policy aimed at characterising each administrative procedure according to transparency and accessibility criteria.

According to Article 9 of Italian Legislative Decree no. 33/2013, a special section called "Transparent Company" has been set up on the website of the CAP Group, in which all data and information concerning the organisation, activities and methods for achieving the aims of the 190 Transparency Plan, as set out in Italian Legislative Decree no. 33/2013, Law no. 190/2012 and the National Anti-Corruption Plan, are published.

The CAP Group is aware that transparency is an essential corruption prevention measure and a strategic objective that must be translated into organisational and individual objectives and, for this reason, it has adopted specific procedural rules based on making offices responsible for active participation under the coordination of the Head of Corruption Prevention and Transparency.

In 2021, the quantity and quality of public data that can be consulted and downloaded from the CAP Group portal were increased.

The above also applies to the implementation of "intelligent" activities, e.g. smart city, which in the case of the CAP Group, in the light of the objectives assigned by the Shareholders, is extended to the concept of "smartland".

The CAP Group developed a functional logic of correlated databases in order to allow an efficient service and a simple publication and/or disclosure of information. This also facilitates the active role of citizens in the production, modification, updating and exchange of information.

Also through the exchange and sharing of data between the CAP Group and the PA (Lombardy Region, Metropolitan City of Milan, Municipalities), information relating to the Group's activities is fully accessible to citizens.

The Three-year corruption prevention and transparency plan of CAP Holding S.p.A. and Amiacque S.r.l. is published in the "Transparent company" section of the corporate website.

Internal Audit and checking of the internal control system

CAP Holding S.p.A. and its subsidiary company Amiacque S.r.l. have had a Group Internal Auditing Unit (hereinafter also "IA") since 2014.

The Internal Auditing Unit supports the other players (Board of Directors, Top management) in the fulfilment of their duties with regard to internal control and has the task of assessing the adequacy and efficacy of the entire Internal Control System with reasonable certainty. Internal Auditing is an independent and objective activity for assurance and consulting aimed at assessing the completeness, adequacy and reliability in terms of efficiency and efficacy of the internal control system as well as identifying violations of the procedures and the standards applicable to the CAP Group.

The Head of the IA Unit reports hierarchically to the Board of Directors, is not responsible for any operations area and has been appointed as Individual responsible for Corruption prevention and Transparency. The Board of Directors of each Group company approves, annually, the Audit Plan drawn up by the Head of the Internal Auditing Unit.

The Board of Directors may request the Head of Internal Auditing to carry out checks on specific operating areas and on the observance of the internal procedures and rules in the carrying-out of business transactions.

The Head of IA organises regular meetings with the control bodies for the purpose of establishing a reciprocal exchange of information with the Board of Statutory Auditors, the Supervisory Body and the Independent auditors of the CAP Group companies reporting on the activities carried out and on the suitability of the internal control system. The objective of the meeting is to obtain disclosure on the planning of the assurance measures of the various bodies for the purpose of avoiding overlapping, duplication of activities and maximising possible synergies.

Environmental risks.

As mentioned above, the CAP Group operates in a typically capital-intensive sector where the technical and pricing life of fixed assets is particularly long. This raises the issue of possible changes in the medium to long term of interest to the company. It is now generally recognised that we are in the midst of climate change¹³

¹³ "The world is already 1.1°C warmer than at the dawn of the industrial revolution, with a significant impact on the planet and on people's lives". Cop25: the UN Climate Change Conference, 5 things to know (<https://unric.org/it/cop25-la-conferenza-onu-sul-cambiamento-climatico-5-cose-da-sapere/>)

and that infrastructures must be designed, built and maintained taking into account the potential impacts that a change in the weather system may have on their operation.

The "physical risks" that can arise directly from climate change can be "acute" or "chronic". The former can be traced to those related to extreme weather events and the latter to longer-term changes in climate scenarios.

The latter, insofar as they are "chronic" (a more frequent manifestation of extreme events) and therefore tend to be structural, have been considered in the design of the works already carried out and in the CAP Group's Sustainability Plan and must be taken into account in the company's planning as well as, obviously, in that of the Area Plan.

In addition to direct risks, there are also some indirect risks (or transition risks) such as amendments to regulations (ref. Regional Regulation 06/2019), public policies, technological changes, changes in customer focus, induced by climate change.

The above prompts the CAP Group to take into account, both by means of instruments to hedge the risk of liabilities that may arise as a result of acute physical events (insurance coverage for compensation for damages, for example, due to flooding and spillage of the managed sewerage networks; the inclusion of environmental issues related to the multiplicity of services provided by the CAP Group in the Organisation and Management Model pursuant to Italian Legislative Decree no. 231/01, in the E.R.M.) and by means of a careful assessment in the planning of operating and investment activities of chronic risks (e.g.: hydraulic invariance, management of mixed networks, flyovers, etc.), as far as they may be required of the water services operator (but see also below).

From an economic point of view, the fact that the CAP Group operates in a regulated sector and that at the end of its concession the economic value (terminal value) of the infrastructures built in the course of its operation is indemnified and therefore removed from the future risk of fluctuations in demand, partly reassures the impact of climate risks.

However, it is important for the CAP Group that, as a public company seeking to be present in its area even after the concession has come to an end, the classic technical and industrial planning approach (capturing the resource, transporting it efficiently and economically, etc.) is immediately integrated with the more typical approaches of sustainability plans (assumptions about quantity, changes in demand and availability of supply in the long term), as the best preventive tool that the CAP Group has for managing the risks of long-term climate change. Long-term economic and financial forecasts also tend to be more reliable, partly thanks to the adopted risk management approach.

Regarding transition risks, it is possible that climate change, together with the weakness of Italian public finance, will push public authorities in the future to try to bring rainwater management closer to that of the integrated water service, just as has happened with regard to the Cap Group as from 2021 (ref. note prot. no. 1641 of 10/02/2020 ATO Metropolitan City of Milan). This implied for the operator a push to increase its knowledge of the served territory, not only limited to the aspect of the water infrastructure directly managed, but also of those indirectly connected.

Finally, the CAP Group closely monitors the issue of climate change and its developments at EU and international level (COPs - Conference of the Parties and European legislation).

The environmental risk is also taken into account in all activities to promote the circular economy - in compliance with both the guidelines of the Sustainability Plan and with the Kyoto Project approved by the Shareholders' Meeting in 2019, which allocated approximately € 34 million to promote activities closely related to the water service but, in fact, operating in related sectors (such as waste management, etc.).

In particular - as in the procedure started for the construction of the Bio-Platform in Sesto San Giovanni - even in minor projects, compliance with specific legal procedures (AUA, AIA, etc.) requires the Operator to carry out a thorough analysis of the impact of its activities on the environment.

In terms of new project development - in accordance with the ERM model - specific environmental due diligence is activated, as far as applicable.

Finally, the CAP Group closely monitors the issue of climate change and its developments at EU and international level (COPs - Conference of the Parties and European legislation).

Security risks to corporate systems and data.

The CAP Group adopted a risk assessment document specifically related to Information Technology (IT risks and the processes governing their activities). The CAP Group adopted rules to ensure compliance with the company's standards and procedures on Information Technology.

In particular, during 2020, a security policy was prepared to which all procedures related to data management and IT security refer. The security policy will be put in place in the first half of the year 2022, consistent and in concert with the ongoing ISO 27001 certification process that will be completed by the end of the year 2022.

In detail, the following risks with their risk mitigation and cancellation procedures were identified within the risk management process.

Cyber-attack resulting in the blocking of ERP and/or Internet portals and/or billing system and/or supplier portal for 2/3 weeks and subsequent:

- inability to access administrative and management data (e.g. registration/payment of invoices, taxes) by CAP persons and/or Internet portals by suppliers and/or users;
- theft of sensitive data (e.g. user/supplier data);
- theft of credentials with an impact on both the Group's operations and reputation in the medium-short term.

This operational block could also result in economic losses.

On the other hand, blockages in the provision of the water service are not considered as the infrastructures are equipped with systems that can also be activated manually, allowing the timely restoration of the service.

A number of actions have been taken to comprehensively mitigate the above risk, the main ones being:

- Disaster recovery system to mitigate cryptolocker attacks (blocking of data and ransom demand to restore them);
- Cover through Cyber Policy with adequate coverage for damages to third parties due to data loss and/or business interruption damages;
- Crisis Communication Management programme to deliver targeted and timely communications;
- increase in permanent monitoring systems for safety parameters, expansion of firewall devices to protect the network in the last half of 2020;
- increase in monitoring systems for email protection.

Economic performance

The consolidated financial statements of the CAP Group, accompanied by this report, illustrate the accounting data relating to financial year 2021 and that of the financial statements as at 31st December 2020, presented on the basis of the application of the International Financial Reporting Standards (IFRS) adopted by the European Union.¹⁴

Statement of comprehensive income	Value as at 31-Dec-2021	Value as at 31-Dec-2020	Change	% change
Revenues	240,721,687	236,650,408	4,071,279	2%
Increases for internal work	3,929,367	4,181,035	(251,668)	-6%
Revenues for work on assets under concession	110,811,283	88,134,590	22,676,693	26%
Other revenues and income	26,835,089	15,769,216	11,065,873	70%
Total revenues and other income	382,297,426	344,735,249	37,562,178	11%
Costs for raw materials, consumables and goods	(13,769,673)	(10,651,430)	(3,118,242)	29%
Costs for services	(136,825,949)	(130,134,391)	(6,691,558)	5%
Costs for work on assets under concession	(64,464,772)	(51,133,406)	(13,331,367)	26%
Personnel costs	(48,673,621)	(45,737,339)	(2,936,282)	6%
Amortisation, depreciation, provisions and write-downs	(58,387,194)	(57,154,222)	(1,232,972)	2%
Other operating costs	(14,219,905)	(9,481,805)	(4,738,100)	50%
Non-recurring operations	0	(9,939,434)	9,939,434	-100%
Total costs	(336,341,115)	(314,232,028)	(22,109,086)	7%
Operating result	45,956,312	30,503,221	15,453,092	51%
Financial income	1,784,960	1,248,392	536,568	43%
Financial expense	(5,131,826)	(5,672,593)	540,767	-10%
Result before taxes	42,609,446	26,079,020	16,530,427	63%
Taxes	(15,402,673)	(7,510,067)	(7,892,605)	105%
Profit (loss) from assets held for sale or disposed of	0	0	0	0%
Net result for the year	27,206,773	18,568,952	8,637,822	47%

The table shows a net operating result that represents around 12.00% of total revenues of the CAP group (up from approximately 8.8% in the previous year) and a partial absorption of margins by the financial area.

Total revenues for 2021 increased with respect to the previous financial year (+11%), in particular due to the effect of increase in revenues and income for works on assets under concession.

Total costs in 2021 increased slightly from the previous year (+7%) due to the increase in costs for works on assets under concession, costs for services, other operating costs and costs for raw materials and consumables.

¹⁴ The adoption of the IAS/IFRS accounting standards was approved by the Board of Directors of CAP Holding S.p.A. at the meeting of 26 June 2017 (as regards the suspensive condition, then occurred on 2 August 2017, of the actual admission to negotiations on the Main Securities Market of the Irish Stock Exchange of a bond of € 40 million issued by CAP Holding S.p.A.)

Total Revenues of the Group.

Total Revenues of the CAP Group in 2021 were:

Revenues and other income	Value as at 31-Dec-2021	Value as at 31-Dec-2020	Change	% change
Revenues	240,721,687	236,650,408	4,071,279	2%
Increases for internal work	3,929,367	4,181,035	(251,668)	-6.0%
Revenues for work on assets under concession	110,811,283	88,134,590	22,676,693	25.7%
Other revenues and income	26,835,089	15,769,216	11,065,873	70.2%
Total revenues and other income	382,297,426	344,735,249	37,562,178	10.9%

Some details follow.

The Revenues

These are mainly made up of revenues for Integrated Water Service tariffs.

Their amount (€ 240,721,687) changed by +2% compared to that of 2020 (€ 236,650,408) as a result of the increase in revenues of the Integrated Water Service and wholesaler tariff revenues.

In particular, for the areas of the Metropolitan City of Milan, pending approval of the tariff arrangements pursuant to MTI-3 for the years 2020-2023, the provisional tariffs envisaged in the PEF approved in implementation of the water tariff method for the 2016-2019 regulatory period, as resolved by the Regulation Authority for Energy Networks and Environment, with resolution no. 918/2017/R/IDR of 27th December 2017 updating the infra-annual period, were applied during 2020.

In the municipalities of the Metropolitan City of Milan, the provisional tariffs published in BURL no. 4 of 22nd January 2020 were applied as from 1st January 2020, as provided for in the PEF approved by the Regulation Authority for Energy Networks and Environment with resolution no. 436/2018/R/idr of 2nd August 2018, which provided for a provisional ϑ value of 0.994 for the year 2020.

On 21st December 2020, the Conference of Municipalities of the Area Office of the Metropolitan City of Milan approved the proposed tariff update for the regulatory period 2020-2023. Subsequently, ARERA, by means of Resolution no. 416/2021/R/idr of 5th October 2021, resolved the tariff multipliers ϑ for the years 2020-2023 (specifically 1.017 for 2020 and 1.027 for 2021).

The preliminary investigation and approval process for the update of the tariffs for the 2022-2023 regulatory period by the Regulation Authority for Energy Networks and Environment is currently underway.

As previously illustrated, in the light of ATO resolution no. 6 of 16th December 2019, as from the year 2020, the "wholesaler" situations relating to the purification service rendered through the CAP purification plant in San Colombano al Lambro for 3 municipalities in the Lodi area (Borghetto Lodigiano, Graffignana, Livraga), the purification service provided to two municipalities of the Como ATO (Cabiato and Mariano Comense) through the Pero purification plant and the purification service provided by the Peschiera Borromeo plant, which also serves the eastern districts of the City of Milan, were managed through the application of a specific exchange tariff, equal to the tariff applied to its own users by CAP Holding, which was incorporated into the tariff arrangements of the ATO of the Metropolitan City of Milan pursuant to the MTI-3.

On the other hand, the CAP Group continues to sell wholesale services through its plants located in the ATO of the Metropolitan City of Milan area, which supplies wastewater treatment services to the operator BrianzAcque S.r.l., which operates in the Monza and Brianza area. This has led the competent EGAs to envisage the application of the matters established in Article 16.3 of the model agreement approved by

means of resolution No. 656/2015/R/IDR, which states that “if a wholesaler provides services to different operators, operating in a plurality of ATOs, the EGA in whose area the plant is located sees to the tariff arrangement obligations, subject to the opinion, to be provided within 30 days, of the competent EGA for the operator served”.

The Metropolitan City of Milan EGA operated in this sense, arranging the tariffs also for the operations as wholesaler of the CAP Group vis-à-vis the adjacent ATO of the Province of Monza and Brianza for aqueduct and purification services.

On 22nd December 2020, with resolution no. 3, the Conference of Municipalities of the ATO MB approved the proposed tariff update for the regulatory period 2020-2023. Subsequently, ARERA, by means of Resolution No. 460/2021/R/idr of 26th October 2021, resolved the tariff multipliers ϑ for the year 2023.

For the purification service, the tariff multiplier ϑ takes a value of 1.039 for the year 2020 and 1.078 for the year 2021.

For the aqueduct service, the tariff multiplier ϑ takes a value of 1.085 for the year 2020 and 1.176 for the year 2021.

The preliminary investigation and approval process for the update of the tariffs for the 2022-2023 regulatory period by the Regulation Authority for Energy Networks and Environment is currently underway.

The components considered in the mechanism of the regulatory adjustments include that on “volumes”.

The regulatory model determines the commitment to the revenues of the operator (VRG) for year “a” basing the entire forecast on the amount of the volumes of water sold up to year “a-2” or rather two years prior to the determination of the tariff. The “volumes” adjustment (which will be in the VRG for year a+2) originates precisely from that portion of revenues not collected, or collected in excess, due to the change in resource demand.

Article 29 of Annexe A to resolution No. 580/2019/R/IDR identifies other “exogenous” cost items to be recovered, in particular mention is made of those of greater interest:

- Rc_{EE}^a defined as the deviation between the component covering the electricity costs envisaged in the VRG and that effectively due. In this case, ARERA subjects the recovery of the expense for the energy bill to streamlining, establishing an average parametric electricity supply price as the reference base for the calculation of the deviation.
- Rc_{Altro}^a component within which there are items such as the contribution paid to ARERA, the local charges which include taxes and duties paid to local authorities.
- Rc_{ws}^a component within which there is a recovery of the difference between the component covering the wholesale costs of the second previous year (a-2) and the costs actually due.

The mechanism described above repeats that already contemplated in resolution no. 664/2015/R/IDR <<water tariff method 2016-2019- MTI -2>> of 28th December 2015 and in the previous resolution No. 643/2013/R/IDR dated 27th December 2013 (method for 2014-2015), and even earlier the one defined by means of resolution No. 585/2012/R/idr (MTT tariff method for 2012-2013), creating a *continuum* over time of the tariff logic followed.

The matters stated already provide initial evidence that the portion of the future 2023 VRG will be designated to adjust costs incurred and not covered by the tariff, or to recover the differential on revenues earned as a result of “volumes”, relating to 2021.

The conclusion of the aforementioned is that the ARERA's tariff method is based on a “guaranteed revenue” approach, defined at the time of approving the tariff and function of various elements of economic cost (operational and capital). Even if with a certain simplification it can be said that a part of the guaranteed

revenues for 2021, which was not requested to be billed to users in the year 2021, or was requested in excess of the expected amount, can be recovered or returned with the tariffs of 2023.

The value of the tariff portions, operator and wholesaler, belonging to the CAP group amounts to a total of € 235,326,020 (€ 231,787,782 in 2020).

The comparison of the revenue for the year 2021 with that of 2020 shows a change in the revenue from tariffs of € 3,538,238, equal to 1.5%, mainly attributable to the increase in revenue from tariffs from the Province of Milan, Monza and Wholesaler revenues.

Following is a table showing revenues from tariff by Province, Wholesale revenues and the contingent assets of the item Revenues of the income statement. It should be noted that, starting in 2020, for the City of Milan, the Province of Lodi and the Province of Como, revenues from tariffs are managed through the application of specific exchange rates and no longer in the role of wholesaler.

Tariff revenues	Value as at 31-Dec-21	Value as at 31-Dec-20	Change	% change
Ricavi da Tariffa				
Province of Milan	218,729,213	212,803,750	5,925,463	2.8%
City of Milan	2,445,198	3,322,464	(877,266)	-26.4%
Province of Lodi	405,494	402,158	3,335	0.8%
Province of Como	192,870	156,214	36,656	23.5%
Total Tariff Revenues	221,772,775	216,684,586	5,088,188	2.3%
Wholesaler revenues				
Province of Monza and Brianza	12,432,087	11,606,316	825,771	7.1%
Total Wholesaler Revenues	12,432,087	11,606,316	825,771	7.1%
Contingencies				
Contingent assets by tariff	1,121,158	3,496,879	(2,375,721)	-67.9%
Total Tariff Revenues	235,326,020	231,787,782	3,538,238	1.5%

Moreover, please note, as shown in the table below for the Pavia area, the additional revenues for services rendered for the carrying-out of technical activities pertaining to the running and ordinary maintenance of the works of the IWS for part of the territory of Pavia carried out in favour of the operator of that area.

Revenues for industrial services to other operators	Value as at 31-Dec-21	Value as at 31-Dec-20	Change	% change
Province of Pavia	4,495,576	3,525,013	970,563	28%
Total Revenues for industrial services to other operators	4,495,576	3,525,013	970,563	1%

Revenues for work on assets under concession

Revenues for work on assets under concession amounted to € 110,811,283 for financial year ended 31st December 2021. They amounted to € 88,134,590 in 2020. These revenues correspond, in accordance with IFRIC 12, to the work carried out on the assets under concession owned and used by the Group for its core activities

Other revenues and income.

Other revenues and income for financial year ended 31st December 2021 amounted to € 26,835,089. In 2020, they amounted to € 15,769,216. The main components include:

- Other contingent assets/liabilities of € 1,945,074 consisting mainly of non-existent assets from the collection of tariffs from domestic users from 2007 to 2012 of € 313 thousand, refund of tax duties

following appeal € 134 thousand, closure of payables for contributions of € 186 thousand, collection of reversed bills of € 221 thousand, from non-existent assets from electricity of € 169 thousand and non-existent assets from personnel costs of € 100 thousand;

- Other revenues and income amounting to € 5,798,469 mainly consisting of fees from Alfa s.r.l. for the provision of application services and for works in the Municipality of Brebbia, Information Technology services and services for the updating and development of Gis/Webgis software, cartography and hydraulic modelling services, etc.;
- Adjustments decreasing provisions for future expenses and risks of € 8,732,885;
- reimbursement for seconded personnel of € 1,462,159;
- penalties to users for fire hydrants and to suppliers of € 1,148,008;
- operating grants of € 1,309,293.

Of the aforementioned adjustment decreasing provisions:

- € 2,757,298 are related to the adjustment of the provision for future expenses of tank reclamation;
- € 3,027,292 are related to the adjustment of the provision for reclamation risks due to damages caused by percolation from sewer networks;
- € 27,102 are related to an adjustment of the fund to cover future losses;
- € 896,651 are related to the partial excess of the fund for "amicable settlements" formed until 2016 pursuant to Article 12 of Italian Presidential Decree no. 207 of 5 October 2010. The unused portion of the fund is in fact released as the scheduled works of the investment programme for which the sums set aside, are completed;
- € 461,974 are related to an adjustment of the fund to cover future losses.
- € 1,128,280 for adjustment decreasing bad debt provisions;
- € 411 thousand for adjustment decreasing the provision for risks for contributions to be paid to INPS;
- € 24 thousand for adjustment decreasing the provision for sundry charges.

The total costs of the CAP Group

It should be noted that, as permitted by IAS No. 1 (Presentation of the financial statements), the CAP Group presents an income statement that displays the cost analysis through a classification based on their nature.

In 2021, the CAP Group recorded total costs for € 336,341,115, up compared to 2020 (€ 314,232,028).

There are some details in the following table:

Total costs	Value as at 31-Dec-2021	Value as at 31-Dec-2020	Change	% change
Costs for raw materials, consumables and goods	13,769,673	10,651,430	3,118,243	29.3%
Costs for services	136,825,949	130,134,391	6,691,558	5.1%
Costs for work on assets under concession	64,464,772	51,133,406	13,331,367	26.1%
Personnel costs	48,673,621	45,737,339	2,936,282	6.4%
Amortisation, depreciation, provisions and write-downs	58,387,194	57,154,222	1,232,972	2.2%
Other operating costs	14,219,905	9,481,805	4,738,100	50.0%
Non-recurring operations	0	9,939,434	(9,939,434)	-100.0%
Total costs	336,341,115	314,232,028	22,109,087	7.0%

This is mainly due to the increase in costs for work on assets under concession, costs for services and other operating costs. Note that in 2020, the item included 9,939,434 non-recurring transactions (consisting of cash donations in support of measures to combat the Covid-19 epidemiological emergency in favour of local authorities and Aziende Socio-Sanitarie Territoriali (ASST) in the area of reference).

Costs for raw materials, consumables and goods.

This item mainly includes the costs for the purchase of consumables and maintenance of the Integrated Water Service (€ 13,769,673 in 2012 against € 10,651,430 in 2020).

Costs for services

Costs for services in 2021 amounted to € 136,825,949 compared with € 130,134,391 in 2020.

The main items include: electricity, ordinary maintenance and sludge disposal which therefore merit particular mention.

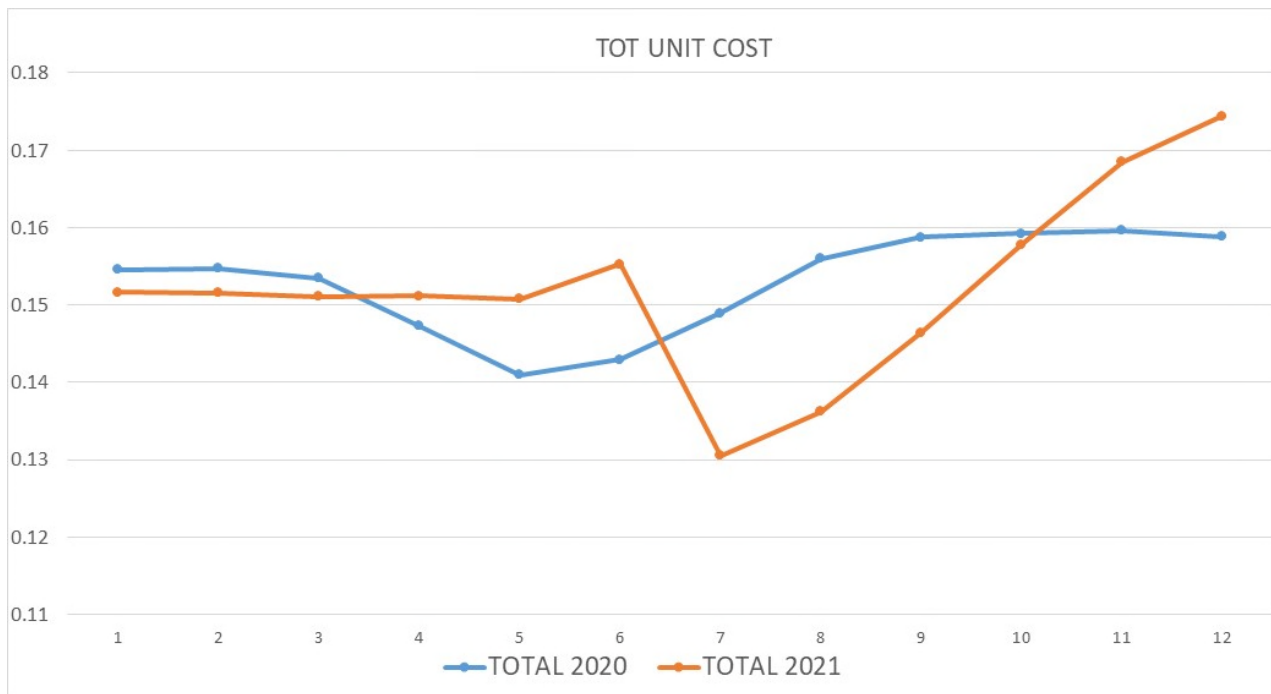
The cost of electricity came to € 29.2 million, slightly down by 2.1% compared to 2020 (€ 29.8 million). In 2019, it amounted to € 31.3 million; in 2018, it amounted to € 26.9 million; in 2017 to € 29.4 million, in 2016 it amounted to € 32.0 million.

The electricity market in the year 2021 changed dramatically during the year.

Through the Portfolio Management agreement (Low Voltage), which supplies half of CAP's consumption, and the fixed-price agreement (Medium Voltage) signed in 2020, CAP's energy cost for 2021 remained below market prices.

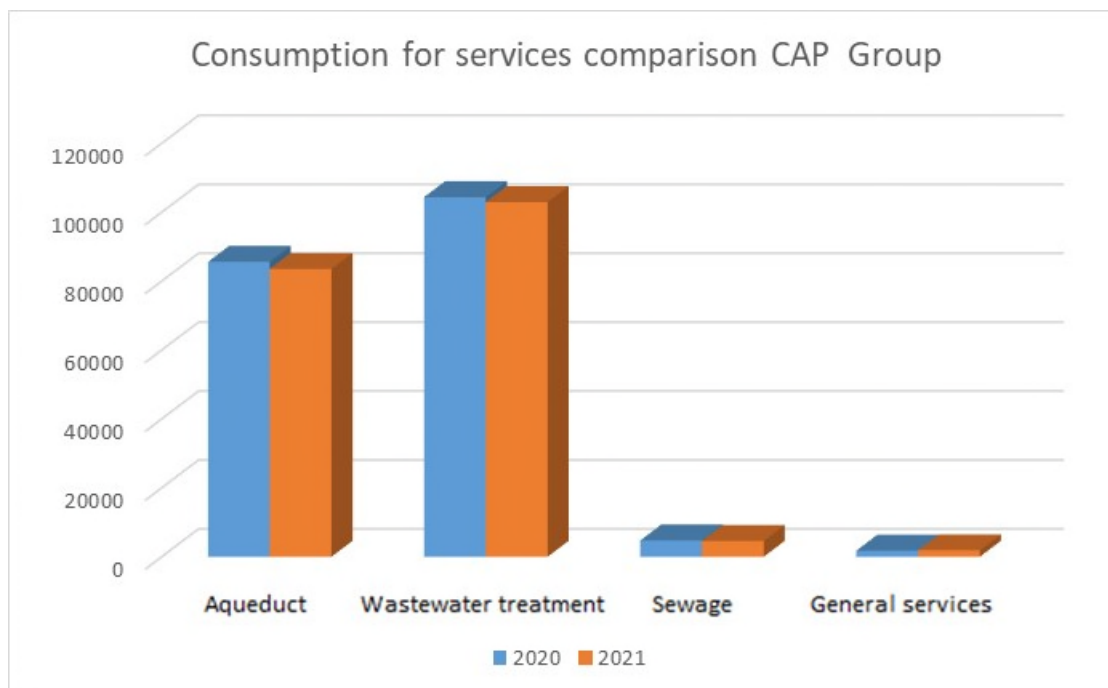
Despite the significant rise in energy raw material prices in the last quarter, the total unit price is in line with the first months of the year.

To counterbalance the increases in raw materials, strong reductions have been observed in both low and medium voltage system charges, particularly since the third quarter, with an improving effect on the medium voltage unit price compared to the first months of the year.



In quantitative terms, overall energy consumption was 1.8 % lower than in the previous year.

The reduction is mainly due to the reductions in specific consumption for treated water and water taken from the environment obtained through the energy efficiency actions undertaken to achieve the company's objectives.



As mentioned above, due to the mechanism in Article 29 <<Adjustment components included in the VRG>> of the MTI-3 and in particular of the therein envisaged adjustment of the component Rc_{EE}^a , the change in the cost of electricity registered in 2021 will lead to a tariff definition for 2023.

We then witnessed in 2021:

- a decrease of € 1,348,247 million in ordinary maintenance costs or 8% (€ 15,466,507 in 2021, € 16,814,755 in 2020, € 13,629,848 in 2019, € 13,248,041 in 2018 compared to € 10,358,341 in 2017) and an increase in extraordinary maintenance items;
- a slight increase (+16%) in the cost of sludge disposal due mainly to the higher average disposal costs of the awarded contracts (in 2021, € 11,991,995 was spent, in 2020, € 10,353,709 was spent, in 2019, € 10,087,865 against the € 8,536,854 spent in 2018).

It should be noted that already in 2019 and even more so in 2020 and 2021 there has been substantial stability in the regulatory framework of reference, which has allowed a containment of the increase in the costs of awarding new tenders, as shown, for example, in the tender for the disposal of sludge in agriculture made on the perimeter of the Water Alliance, which has led to a general homogenisation of the unit costs incurred by the various operators, allowing significant savings, on the WA perimeter, compared to previous contracts.

DESTINATION	Transfer costs (€/ton)						
	2015	2016	2017	2018	2019	2020	2021
Sludge in agriculture	55.00	55.00	82.00	85.00	103.00	104.32	105.37
Sludge in landfill	104.00	104.00	115.00	175.00	202.00	-	202.00
Sludge to cement factory	75.00	75.00	87.00	87.00	110.00	157.34	132.08
Sludge to waste-to-energy plant	81.40	81.40	90.20	99.00	120.00	160.34	158.57
Fertilisers	-	-	75.50	75.50	75.30	75.30	95.22
Sludge recovery – Abroad	-	-	-	202.00	188.00	201.78	-
Bio-dried sludge to waste-to-energy plant	-	-	-	-	-	140.00	140.00
AVERAGE COST (with Fertilisers)	75.83	71.74	82.06	98.87	114.84	119.30	125.10
AVERAGE COST (without Fertilisers)			82.42	104.20	125.45	133.80	134.70

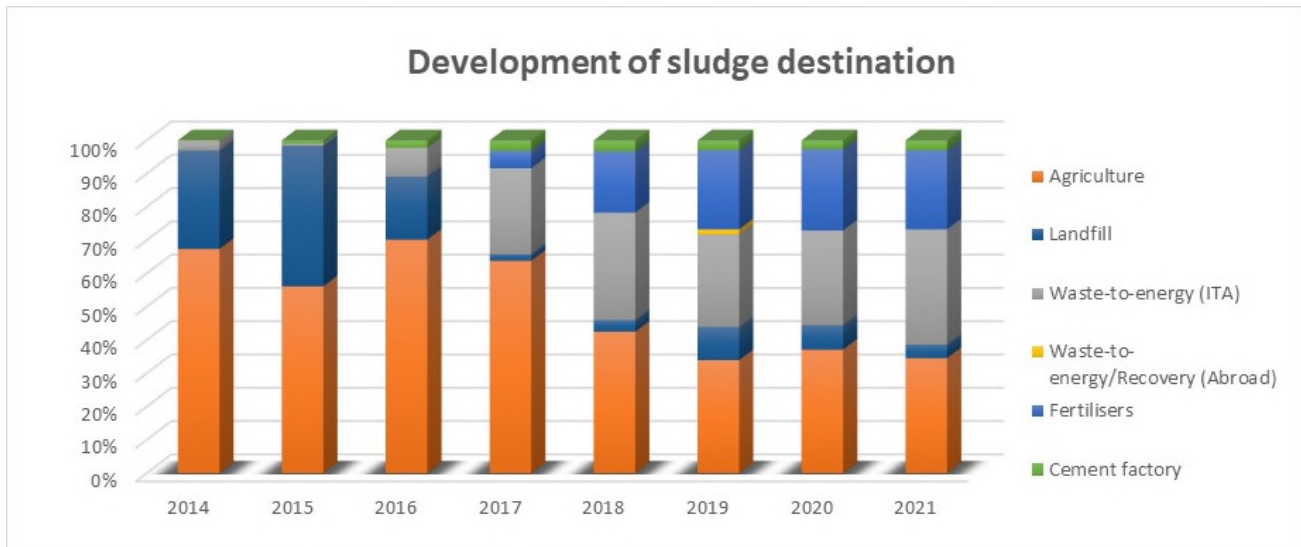
As the table shows, there are two significant changes in the €/ton costs of sludge:

- Sludge to cement factory: in 2021 the cement factory did not close for prolonged periods due to a health emergency, as was the case in 2020. This allowed dried sludge to be disposed of at a lower average price than in 2020.
- Fertilisers: there was an increase in the average price due to the start of new contracts that allow fertilisers to be made both on-site at our plants and at third-party plants.

Both the energy and sludge areas have been subject to specific action by the Group aimed at their containment and rationalisation.

With regard to sludge, the following are especially mentioned:

1. The optimisation of all processes aimed at reducing the volume of sludge, therefore anaerobic digestion and classical dehydration, up to the optimisation in the yield of the drying plant, making sure to maximise the availability of the plant itself, at the San Giuliano site, reducing the introduction of sludge into the environment
2. The installation and full start-up of the first experimental bio-drying module at the Robecco sul Naviglio wastewater treatment plant in 2020 and 2021 made it possible to test its effectiveness with direct savings in sludge disposal due to the reduction in moisture content, on the basis of which activities are being put in place to implement this technology for the entire Robecco plant.
3. Careful management has allowed us to consolidate the sludge valorisation process despite the complexities faced in recent years:
 - a. important results have been reached in relation to the growing production of fertilisers and the thermal recovery of sludge, which is becoming a valid alternative in terms of circular economy and in an uncertain regulatory context.



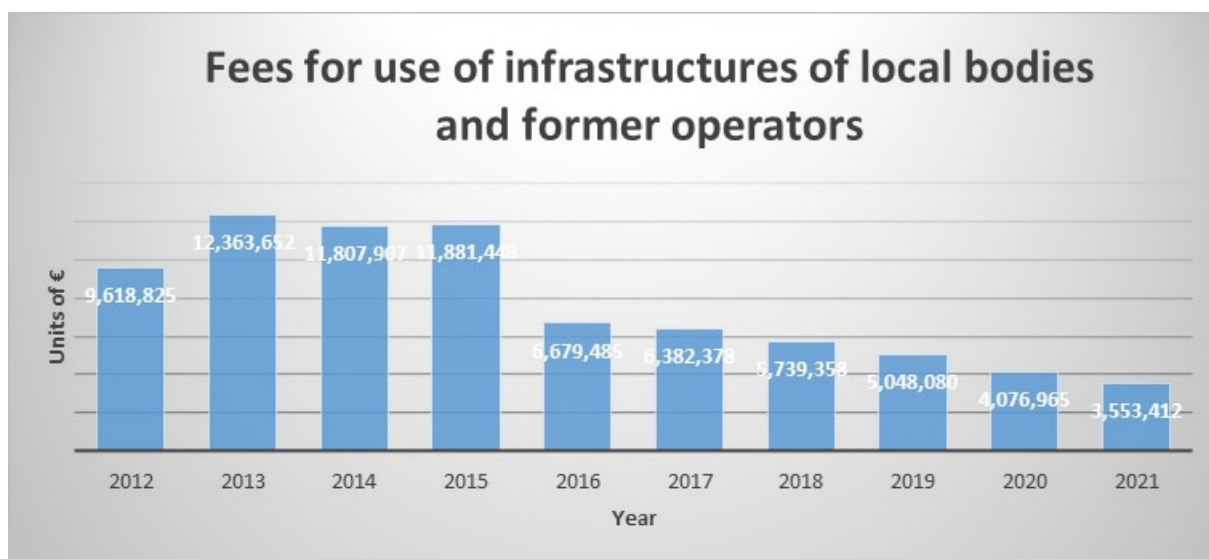
Another significant item of costs for services is the cost recognised for the use of the infrastructures and/or third-party assets, thus further composed:

Costs for use of third-party assets	Value as at 31-Dec-2021	Value as at 31-Dec-2020	Change	% change
Repayments of loans and concession fees	3,553,412	4,076,965	(523,554)	-12.8%
Rental and licence fees	2,317,181	621,058	1,696,123	273.1%
Fee for use of well and crossings	2,011,653	1,883,603	128,050	6.8%
Hiring	261,797	164,328	97,469	59.3%
Contingent liabilities - fees	368	1,210	(842)	-69.6%
Total Costs for use of third-party assets	8,144,411	6,747,164	1,397,247	20.7%

The main portion of these costs is represented by the annual fee paid to the EE.LL.'s for the use of the infrastructures they own and parameterised to the annual repayment instalments of the mortgage loans taken out by the same for the construction of said infrastructures.

The value of € 3,553,412 (€ 4,076,965 in 2020) also includes the fees paid to the former operators for the use of the respective infrastructures when they continued to be owned by them, on the basis of the amount agreed conventionally.

The trend of this cost over the last few years is shown below.



Initially, the item increased considerably as CAP Holding S.p.A. gradually overcame the “shoestring” and/or “non-compliant” operations throughout the territory.

It is destined to decrease gradually as the repayment plans of the underlying loans progress.

The item costs for services includes, among others, € 1,196,020 in annual provisions for risks and charges, in accordance with IAS No. 37 (Provisions, contingent liabilities and contingent assets).

These include:

- € 1,152,415 concern the adaptation of a fund for environmental reclamation and restoration interventions relating to the grounds of the purification plants, evaluated in consideration of the reasonably expected condition of the lands underlying the sections, in particular pre-treatment and anaerobic digestion at the end of their useful life, as well as an estimate of the charges necessary to eliminate the statistically occurring contaminations. In 2020, the provision in question was € 1,274,488;
- € 43,604 was related to the adjustment of the provision for asphalt expenses (€ 151,449 in 2020);

Following is a breakdown of the cost item (indemnity) relating to the **directors and statutory auditors** included in the item “services” of the Group.

Allowance for corporate bodies	Value as at 31-Dec-2021	Value as at 31-Dec-2020	Change	% change
Board of Directors' allowance	231,765	239,403	(7,638)	-3%
Board of Statutory Auditors' allowance	136,743	132,789	3,954	3%
Total allowances	368,508	372,192	(3,684)	(1%)

With regard to the costs of the Board of Directors and the Board of Statutory Auditors, it should be noted that the amount is the amount recognised by the shareholders' meetings.

Costs for work on assets under concession

Costs for work on assets under concession amounted to € 64,464,772 for the financial year ended 31st December 2021 and represented changes relating to the work carried out on assets under concession. Capitalised internal costs are recognised by nature within the specific Income Statement items. In 2020, they amounted to € 51,133,406.

Personnel costs

The item Personnel costs, € 48,673,621 in 2021 compared to € 45,737,339 in 2020, increased slightly (+6%) due to new recruitments.

The change, also thanks to policies of rationalisation and containment of personnel costs developed over time, shows a substantial maintenance of personnel costs compared to 2020, without prejudice to the new recruitments decided by the Strategic Policy Committee for the new services (of which 16 for upgrading facilities and 15 projects).

Personnel employed as at 31st December 2021 with the Parent Company changed by 9 units compared to 31st December 2020, for a total of 423 employees.

Personnel in service as at 31st December 2021 at Amiacque S.r.l. changed compared to 31st December 2020 by 5 units, for a total of 468 employees.

Overall, for the Group there were 891 employees as at 31st December 2021 (an increase of 4 units; 887 as at 31st December 2020).

Personnel costs, as will be explained in greater detail below, accounted for 14.47% of Total Costs, therefore, below the limit set by the Shareholders' Meeting of 18th May 2018 (20%).

Therefore, the limit of containment of the cost established by the Shareholders' Meeting remains active even if the company is no longer subject to the constraints set forth in Italian Legislative Decree 175/2016. The internal staff incentive policies that promote the company remained within the aforementioned limit.

Amortisation, depreciation, provisions and write-downs

The item of € 58,387,194 in 2021, compared with € 57,154,222 in 2020, increased by 2%.

In this item we highlight:

- 1) adjustment of funds for future liabilities and/or deemed probable (€ 3,402,923), of which:
 - o € 2,448,732 for the provisions for legal disputes;
 - o € 425,404 for accrual to provisions for IMU tax assessments;
 - o € 372,287 for provision for building decommissioning for the headquarters of via Rimini;
 - o € 156,500 for provision for adjustment of sewerage discharge fund.
- 2) depreciation of assets under concession, of intangible and tangible assets (€ 48,240,131);
- 3) bad debt provision (€ 6,744,139).

Other operating costs

One last item of some importance is Other Operating costs the value (€ 14,219,905) of which has increased compared to 2020 (€ 9,481,805).

Other charges recognised to local authorities (EGA operating costs of € 1,225,066, state fees, COSAP/TOSAP, IMU, etc. of € 2,134,150) and a provision of € 1,400,000 for Tosap/Cosap years 2017-2020 are also included in the item "other operating costs".

This item includes a charge (€ 2,612,481) mostly related to the demolition of part of the ZEROC (former CORE) real estate and plant compendium purchased by the CAP Group for the purpose of reconversion through demolition and reconstruction for the construction of the infrastructure forming part of the Bioplatform.

Costs for non-recurring operations.

In 2020, the cost of the measures to combat the Covid-19 epidemiological emergency in favour of local authorities and Aziende Socio-Sanitarie Territoriali (ASST) in the area of reference amounted to € 9,939,434. There are no "non-recurring" cash donations in 2021.

Net operating result

The net operating result for 2021 amounted to + € 45,956,312 higher than that of 2020 (+ € 30,503,221).

Financial income and expense

The balance between financial income and expense for 2021 amounted to - € 3,346,866, slightly down compared to that of 2020, amounting to - € 4,424,201.

Taxes

Income taxes amounted to € 15,402,673 (€ 7,510,067 in 2020).

Net result for the year

The balance for the year 2020 amounted to € 27,206,773 (€ 18,568,952 in 2020).

Financial result indicators

In order to allow an analysis of the asset and financial structure and the operating results and in particular for the analysis of the profitability of the operations as well as the conditions of financial equilibrium, the following indicators have been developed, compared with those presented for 2020.

Contents	Notes	31-Dec-2021	31-Dec-2020
Shareholders' equity	Consolidated shareholders' equity	848,111,110	826,830,131
Fixed assets	Total non-current assets	942,404,137	900,457,533
Consolidated liabilities	Total non-current liabilities	227,639,410	244,470,681
Current liabilities	Total current liabilities	156,852,916	128,843,046
Loan liabilities	Current and non-current payables to banks and other lenders	143,157,758	133,209,391
Current assets	Current assets	290,199,299	299,686,325
Immediate + deferred liquidity	Cash and cash equivalents + current portion restricted a/c+trade receivables+other current receivables	282,255,555	292,578,749
Net invested capital	Total current assets - liabilities	1,075,750,520	1,071,300,812

PROFITABILITY INDICATORS	31-Dec-2021	31-Dec-2020
EBIT	45,956,312	30,503,221
EBITDA (*)	98,161,897	86,140,185
GROSS RESULT	42,609,446	26,079,020
NET RESULT	27,206,773	18,568,952
SALES REVENUES	240,721,687	236,650,408

(* In application of Consob Communication of 3 December 2015, which transposes in Italy the guidelines on Alternative Performance Indicators (hereinafter also "IAP") issued by the European Securities and Markets Authority (ESMA) with ESMA/2015/1415 orientation, the meaning and content of the indicator "Gross operating profit (EBITDA)" is described below.

EBITDA is a measure used by the Company's management to monitor and evaluate its operational performance and is not identified as an accounting measure under the IFRS ("Non-GAAP Measure") principles.

The "gross operating margin" (EBITDA) is calculated as the difference between operating revenues and costs before non-monetary costs relating to depreciation/amortisation, write-downs (net of any write-backs) of current and non-current assets and provisions, identified in any item.

PROFITABILITY RATIOS		31-Dec-2021	31-Dec-2020
NET ROE	Net result / Shareholders' equity	3.2%	2.2%
GROSS ROE	Gross result / Shareholders' equity	5.0%	3.2%
ROI	Operating result / Net invested capital	4.3%	2.8%
ROS	Operating result / Sales revenues	19.1%	12.9%
ROI	Operating result / Net invested capital (average)		

FIXED ASSET FINANCING RATIOS		31-Dec-2021	31-Dec-2020
FIXED ASSETS TO EQUITY CAPITAL MARGIN	Shareholders' equity - Fixed assets	(94,293,027)	(73,627,402)
FIXED ASSETS TO EQUITY CAPITAL RATIO	Shareholders' equity / Fixed assets	90.0%	91.8%
FIXED ASSETS TO EQUITY CAPITAL AND MEDIUM/LONG-TERM DEBT MARGIN	(Shareholders' equity + Consolidated liabilities) - Fixed assets	133,346,382	170,843,279
FIXED ASSETS TO EQUITY CAPITAL AND MEDIUM/LONG-TERM DEBT RATIO	(Shareholders' equity + Consolidated liabilities) / Fixed assets	114.1%	119.0%

The fixed asset funding ratios confirm that the raising of medium and long-term financial resources in total exceeds the investments in fixed assets, ensuring a satisfactory level of financial coverage of the investments.

The trend in the financing structure confirms a decreasing financial exposure.

RATIOS ON THE STRUCTURE OF LOANS		31-Dec-2021	31-Dec-2020
TOTAL DEBT RATIO	(Consolidated liabilities + Current liabilities)/Shareholders' equity	45%	45%
FINANCIAL DEBT RATIO	Funding liabilities / Shareholders' equity	16.9%	16.1%

SOLVENCY INDICATORS		31-Dec-2021	31-Dec-2020
LIQUIDITY MARGIN	Current assets - Current liabilities	133,346,382	170,843,279
LIQUIDITY RATIO	Current assets / Current liabilities	185%	233%
CASH MARGIN	(Deferred liquidity + Immediate liquidity) - Current liabilities	125,402,639	163,735,702
CASH RATIO	(Deferred liquidity + Immediate liquidity) / Current liabilities	180%	227%

The solvency indicators show a ratio greater than one of short-term assets and liabilities.

Group investments

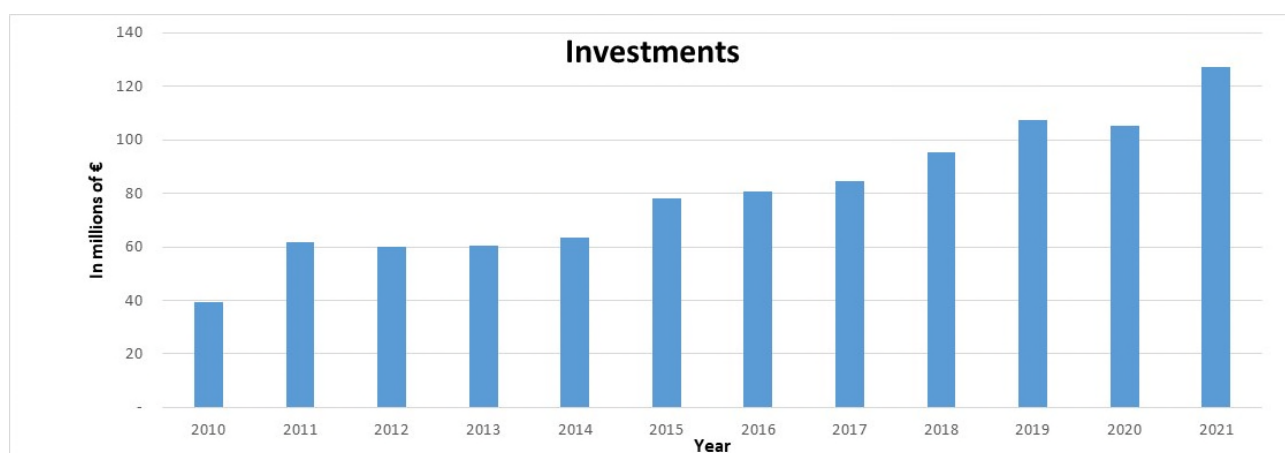
Investments in tangible and intangible fixed assets recorded by the Group in 2021 amounted to € 127,242,516 (€ 105,331,819 in 2020, € 107,441,854 in 2019, € 95,452,714 in 2018, € 84,623,580 in 2017, € 80,760,064 in 2016, € 78,301,805 in 2015 and € 63,539,506 in 2014)¹⁵.

In 2021, business units and/or universality of "used" goods (built by former operators) were not purchased unlike in some previous years.

These additional components were zero for 2020, 2019 and 2018, they amounted to € 1,833,302 for 2017, to € 2,251,382 for 2016, € 24,500,000 for 2015 and € 364,843 for 2014.

All the investments mentioned above were carried out by the CAP Group.

Year 2021	Investments from processing
Parent Company	126,123,308
Amiacque s.r.l.	1,119,208
Group total	127,242,516



Also, the amount invested per inhabitant indicator (estimated at around 1.9 million) reported a value of € 68.28, despite it being still distant from the European average of € 80/100 per inhabitant, in the presence however of an average higher tariff of € 4 per cubic metre.

¹⁵ Amounts to be intended net of those acquired through the purchase of business units and/or "universality of assets built and already used by former operators"

In order to highlight the positive trend of the last few years, you are reminded that this ratio was 20.5 in 2010, 33.1 in 2014, 41 in 2015, 42.5 in 2016, 45.4 in 2017, 51.12 in 2018, 57.53 in 2019 and 56.77 in 2020.

The investments almost all concern infrastructures dedicated to the integrated water service.

Investments, within the organisational logic of the Group, are mainly seen to by the Parent Company, which undertakes the most complex part (in general public works, site supervision and safety projects).

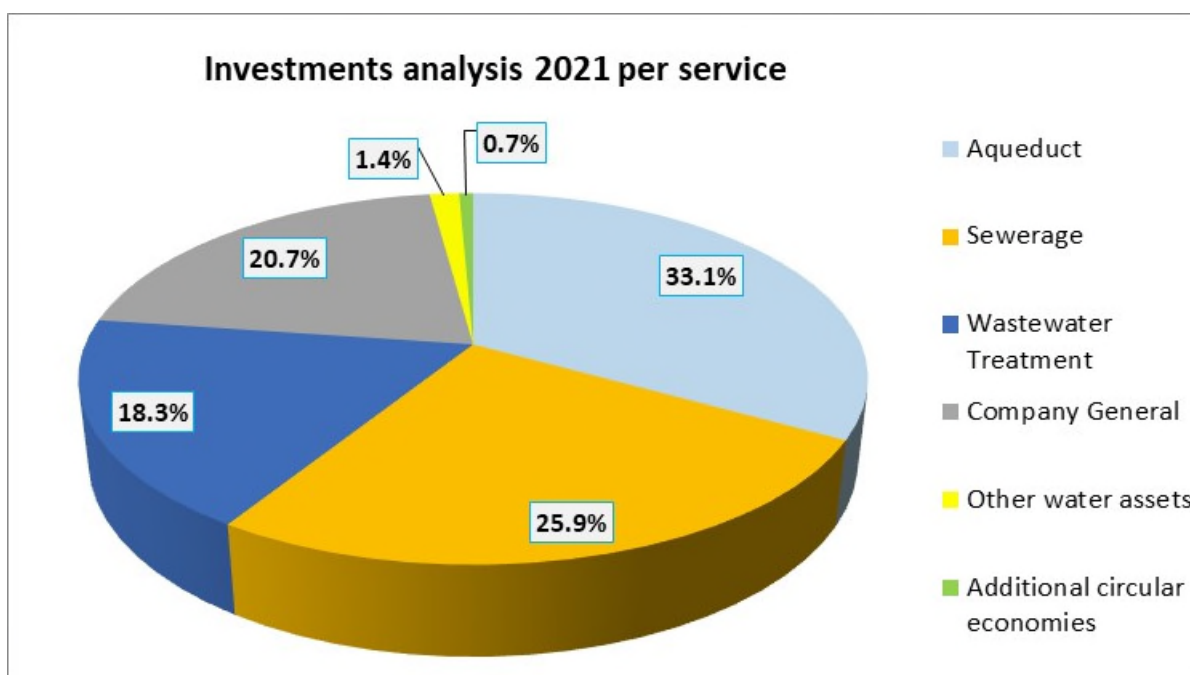
As in 2020, an impressive effort in terms of planning and realisation is evident again in 2021.

The trend was thus significant, summarised as follows:

planned:	89,130,805	(134,052,022 in 2020)
completed:	65,207,647	(60,816,884 in 2020)

The above investments can be divided up also by segment, as follows (in €):

AQUEDUCT	SEWERAGE	WASTEWATER TREATMENT	COMPANY GENERAL	OTHER WATER ASSETS	ADDITIONAL CIRCULAR ECONOMIES	TOTAL
42,104,926	32,899,687	23,238,314	26,296,006	1,833,491	870,092	127,242,516



The General Company investments mainly refer to the completion of projects aimed at energy saving, Information Technology and extraordinary maintenance of premises; the investments in Other Water Activities, by contrast, mainly refer to the construction of water houses and surface groundwater wells.

These types of interventions testify to the company's commitment to invest not only in water infrastructures, but also in works whose purpose is to achieve a saving for the municipalities in the use on non-drinking water and, consequently, a correct use of the water resource.

The service type "Additional Circular Economies" refers to the projects "Sesto - Core Forsu: industrial symbiosis platform for the optimal use of organic waste" and "Development of biomethane chain with organic matrices (Kyoto)"; from the year 2020 onwards, these interventions in the field of the circular economy are gaining in importance in terms of both the actual figures for the year and the investments planned for the coming years.

In 2021, the CAP Group, as part of the "Search, recovery and control of water leaks" plan, also included in the investment plan of the contract for the assignment of the integrated water service of the municipalities of the Area of the Metropolitan City of Milan, developed the following activities:

- replacement of 26,032 old meters;

- 2,333 km of network subjected to leak detection (within the ATO of Milan), of which 980 km of network subjected to leak detection with advanced analysis based on calibrated hydraulic modelling with pressure and flow data from remote control and field meters. By 2021, the division into districts and modelling of the network, carried out in order to understand in detail the behaviour of certain portions and to obtain an increasingly precise and rapidly processed water balance, was completed for a length of 1,584 km, corresponding to 39 municipalities, which will be added to the 76 municipalities completed in previous years for a total of 115 municipalities.

The management strategy that the CAP Group intends to develop, pursues two main aims:

- Improve the overall performance of the distribution network by means of districtualisation and modelling policies;
- Ensure equity and correctness in the measurement.

In detail, the project for the replacement of old meters envisaged a commitment of € 60 million for the replacement of obsolete meters to be carried out in the period from 2018 to 2033, continuing the related campaign started in 2015, which has led to reporting a value for replaced meters (excluding Smart Metering) of € 6,155,281, a significant amount given the working difficulties related to the Covid-19 health emergency.

With Resolution 917/2017/R/IDR, the sector Authority (ARERA) identified specific performance indicators and regulated the technical quality of the integrated water service in order to identify the main guidelines for achieving adequate levels of performance, for an efficient and effective service, promoting benefits for customers of the different services. The regulation model identified is inspired, in particular, by principles such as selectivity, correspondence, effectiveness, rewarding, gradualness and stability.

The Resolution envisaged the application of the system of indicators underlying the technical quality, as well as the start of the monitoring of the data underlying them, starting from 1st January 2018 (based on the value assumed by the macro-indicators for the year 2016, while from 1st January 2019 it will be on the basis of the value in the previous year, where available), and from 1st January 2019 the application of the rules concerning the obligation to enter and file data, provided by the same provision.

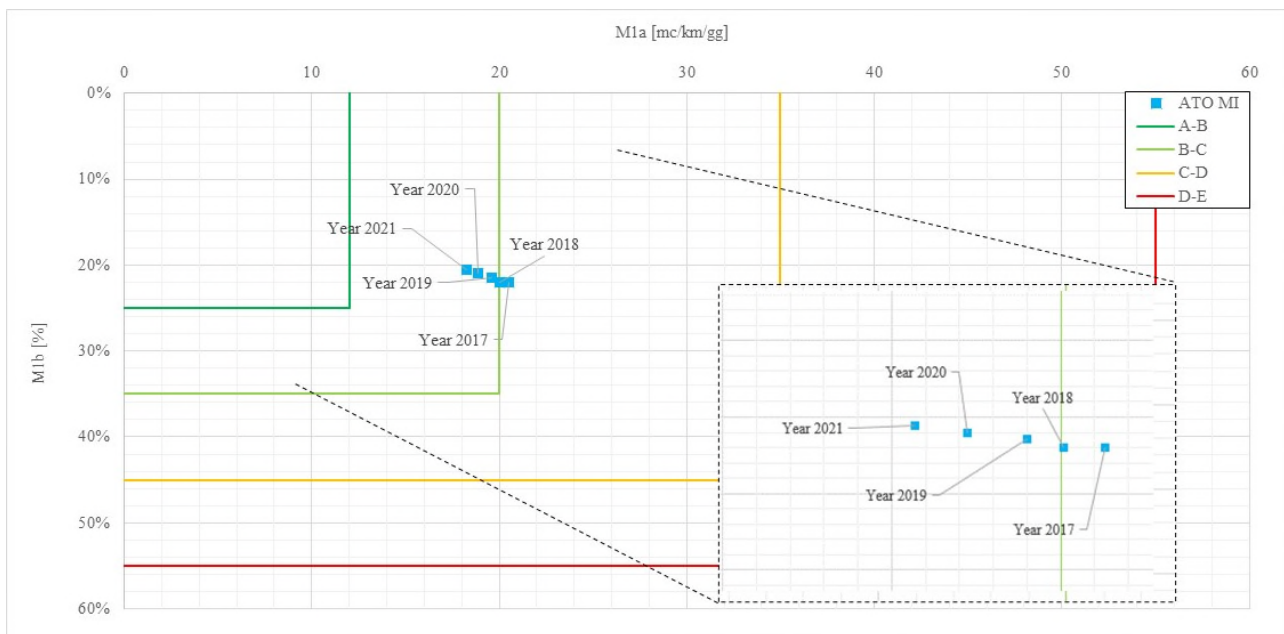
With regard to water leaks, the specific indicators identified by ARERA are represented by the M1a and M1b indicators.

The results achieved during the year 2021 further improved the performance of the previous year, confirming the class B of the aqueducts located within the perimeter of the Milan ATO and achieving the ARERA target of a 2% reduction.

Considering the two-year period 2020-2021 according to the new methods introduced by ARERA with Resolution 639/21, the CAP Group achieves the linear water leak reduction target laid down by ARERA by registering a reduction in the M1a indicator totalling 6.74%. On the other hand, the M1b indicator shows a reduction of 4.11%.

Overall, Class B was therefore achieved in the two-year period 2020-2021.

	M1a	M1b	class
Year 2018	20.04	21.95	B
Year 2019	19.60	21.47	B
Year 2020	18.95	21.00%	B
Year 2021	18.28	20.59%	B



M1 trend breakdown showing improvements

The reduction is the result of joint policies aimed at both the change of measuring instruments (in line with the guidelines provided by AEEGSI with consultation document No. 42/2016/R/IDR “Regulation of measurement services as part of the Integrated Water Service in the second regulatory period”) and the prompt intervention policies described above that identified in individual SACs (closed aqueduct systems) areas for the advanced analysis of the actions carried out. The action plan for the reduction of water leaks includes the application of all applicable Best Practices such as:

- Pressure management;
- Active control of water leaks;
- Speed and quality of repair of hidden and surfacing leaks;
- Asset management: such as, including, but not limited to, sealing of hydrants, checking of gate valves, replacement of damaged pipes.

In 2021, the CAP Group pursued the application of all measures aimed at reducing water leaks through the implementation of an action plan shared between the various company structures, on the municipalities with the highest level of losses, which envisages the application of international best practices, including:

- Pressure management;
- Active control of water leaks;
- Speed and quality of repair of hidden and surfacing leaks;
- Asset management: such as, including, but not limited to, sealing of hydrants, checking of gate valves, replacement of damaged pipes and the elimination of water hammers.

The cyclic action plan has seen several steps of implementation following the principle of the Deming cycle, which envisages:

- Action planning;
- Their application;
- Checking effectiveness;
- Possible corrective or implementation actions.

The investments for the construction of a unified remote-control centre, started in 2012, fall within the investments aimed at guaranteeing a control of the resources. The first stage of the project was concluded in December 2013 and included:

- the unification of the 4 remote control systems in a single supervision centre connected with the company Databases;
- the extension of the remote-controlled aqueduct plants from 210 to 267 with the inclusion of 57 new remote-control stations;
- the integration in the system of 80 water houses;
- the installation of two points for the on-going quality control of the chemical and physical parameters of the water.

In 2021, due to material supply problems, it was not possible to continue with the replacement of the old aqueduct stations to allow their integration with the system, thus allowing remote management of all parameters, freeing us from a purely local management. The activity will be recovered in early 2022, as soon as the post health emergency situation has returned supply activities to normal.

There are currently under remote control on the aqueduct operations side:

- 575 aqueduct plants (excluding the Pavia region) (96% can be managed remotely, the remainder remotely controlled by display);
- 145 interconnection measurers between remote-controlled aqueducts;
- 31 network water withdrawal points for washing sewage pipes
- 175 water houses;
- 17 surface groundwater wells.

As at 31st December 2021, remote control was installed for the other operations services:

- 618 detection systems for the activation of sewer overflows on 823 buildings, of which 804 belonging to the Metropolitan City of Milan, 5 belonging to the Province of Monza and Brianza and 12 belonging to the province of Varese,
- 38 purification plants,
- 362 sewage lifts,
- 77 floodwater culverts.

Settlement of the EU infractions and investments in the quality of the resources and the environment.

a) Overcoming EU infractions

Case C85/13

On 31st December 2015, the deadline envisaged by the European Union for adapting the purification networks and plants and sorting out the EU infraction, regulated by directive 91/271/EEC implemented by Italy by means of Italian Legislative Decree No. 152/2006, known as Environment Code) expired. The directive arises for the protection of the environment and makes it possible to emit the waste produced only after treatments for removing pollutants.

The acquisition over the last few years by the CAP Group of many shoestring or “non-compliant” operations from a subjective standpoint of the previous assignee, led to an increase in measures that had to be carried out by the deadline of 2015 so as to comply with the infraction procedure.

The CAP Group managed to complete the work in time, necessary for dealing with and overcoming the European sanctions linked to the procedure in question, with a total investment of over € 130 million (for around 117 measures, of which 58 concluded in 2014 and 53 in 2015, in 65 municipalities).

The procedure in question concluded with the exclusion of indirect fines for the CAP Group.

We are awaiting the EC (European Commission) opinion on what was previously communicated by the governing body of the area of the Metropolitan City of Milan for investigations on 3 agglomerations since the EC itself has deemed it necessary to acquire the laboratory reports for specific purification plants to confirm the achievement of compliance.

Infringement procedure No. 2014/2059 (in pre-cause)

The EC infringement procedure 2014/2059, started in 2014 due to the non-implementation/incorrect application of EU Directive 91/271/EEC in relation to urban waste water collection and treatment systems in several Italian agglomerations, evolved into Case C-668/2019 during the year 2019.

In fact, the European Court of Justice on 10th September 2019, following an appeal by the European Commission, opened Case C-668/19 against the Italian State.

With regard to the 5 agglomerations affected by the infringement procedure in question in May 2017, all the documentation certifying that the alleged violations had been resolved was transmitted to the EC. Indeed, as at 17th May 2017, all the disputes raised by the Commission, based on data/information assessments concerning the situation of the agglomerations prior to 2014, were already resolved. Again, the final opinion of the EC is pending.

Directive 91/271/EEC – Infringement procedure 2017/2181

The situation with regard to the implementation of the actions resulting from EC infringement procedure 2017/2181 is shown in the table on the following page.

Agglomeration code and name	Internal code	Intervention name	Work start date	Work completion date	Testing function completion date	Technical-administrative testing completion date	IPC
AG01517101 – Peschiera Borromeo							
	6960_14	Discharge resolution in cis in via XXV Aprile, Cassina de' Pecchi	24-Sep-18	12-Apr-19	31-Dec-18	20-Dec-19	100.00%
	9290_1	Peschiera Borromeo - adaptation and upgrading of the purification plant Extract 1	25-Oct-17	31-Jan-18	31-Jan-18	None Int. Man.	100.00%
	9290_2	Extraordinary maintenance oxidation line 1 at the Peschiera Borromeo purification plant	3-Dec-18	22-May-20	21-June-20	23-Dec-20	100.00%
	9290_4	Peschiera Borromeo - nitrogen removal plant lines 1 and 2 by methanol dosing plant	15-Nov-18	29-Oct-19	30-Sep-19	12-Feb-20	100.00%
AG01519101 – San Colombano al Lambro							
	6966	Upgrading of the purification plant of San Colombano al Lambro	19-Jul-21	18-Nov-22	18-Nov-22	29-Mar-23	0.00%
AG01520901 – SESTO S. GIOVANNI							
	9298_1	Fine screening, Primary sedimentation, Traditional organic treatment department and Final sedimentation	5-Nov-18	15-Mar-19	21-Mar-19	17-Dec-19	100.00%
	5922	Purification Sector - Extraordinary maintenance works (MSD) - Municipal purification plant in Via Manin, in the Municipality of SESTO SAN GIOVANNI - Project aimed at improving the process, section of the plant concerned: biofiltration, external carbon line	9-Oct-16	17-Feb-17	17-Feb-17	17-Feb-17	100.00%
AG01523601 – Vernate							
	6960_16	Discharge resolution	11-Sep-18	05-Aug-20	18-Dec-18	18-Mar-21	100.00%
AG01519501_S_Giuliano_M_Se_Ovest							
	5731/2	Purification Sector - Extraordinary maintenance works (MSD) - Municipal purification plant in C.na Rancate, in the Municipality of SAN GIULIANO MILANESE - Project aimed at improving the process Lot 1 Extract 2	17-Dec-15	23-June-17	23-June-17	21-Dec-17	100.00%

In 2021, the design for the upgrading of the San Colombano al Lambro purification plant was completed, which envisages the construction of a new water treatment line and the revamping of the existing line for a total capacity of 22,500 EA, and the works were awarded through an integrated tender with the signing of the contract on 1st March 2021. On 12th July 2021, the feasible project was approved; the works were handed over on 19th July 2021 with an estimated completion date of 18th November 2022.

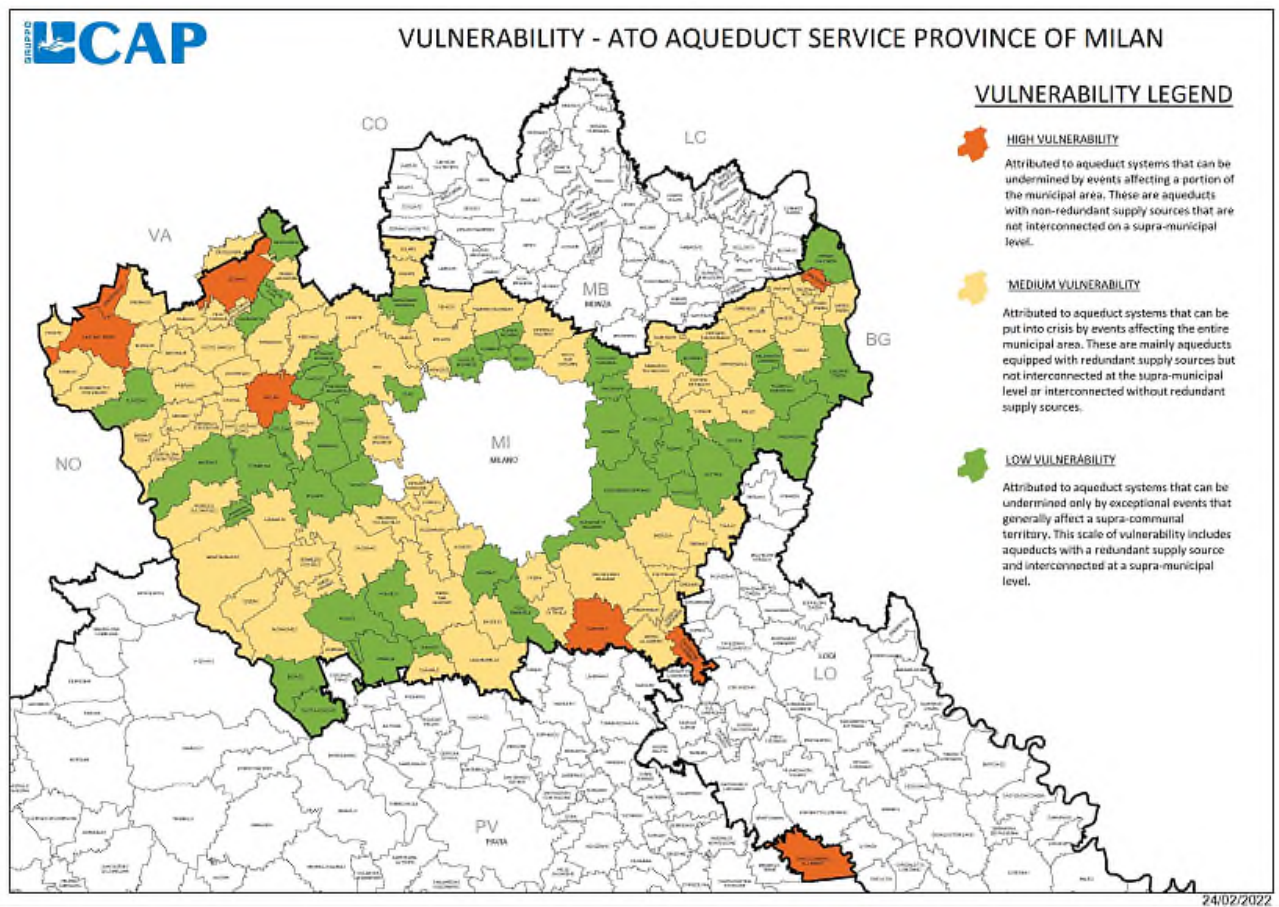
Pre-litigation interventions

In relation to the obligations set forth in Dir. 91/271/EEC, at the date of 31st December 2021, no. 4 agglomerations appear to present critical issues - which emerged during the internal pre-litigation investigation between the Area Office and the Lombardy Region - that have not been addressed in the existing infraction procedures, the resolution of which is expected through the implementation of the measures set forth in the table below.

Agglomeration code and name	Internal code	Intervention name	Work start date	Work completion date	Testing function completion date	Technical-administrative testing completion date	IPC
AG01517101_Peschiera Borromeo							
	5861	MSD digester 1 Peschiera Borromeo	12-Apr-21	31-Jan-22	31-Jan-22	30-Apr-22	80.00%
	5862	MSD digester 2 Peschiera Borromeo	15-June-22	15-Nov-22	15-Nov-22	15-Feb-23	0.00%
	9290	Peschiera Borromeo - adaptation and upgrading of the purification plant	01-Mar-22	21-Nov-23	21-Nov-23	19-May-24	0.00%
AG01518101_RESCALDINA							
	6965_1	Rescaldina collector – Parabiago (Lot 1)	31-Oct-18	29-Jul-19	02-May-19	24-Jan-20	100.00%
	6965_2	Rescaldina collector – Parabiago (Lot 2)	22-Jul-19	31-Mar-22	15-Sep-20	30-June-22	95.00%
AG01517001_Olona Sud							
	9028_FPDA_22	Elimination of Sewer Drains and New Mixed Network Connection	30-Sep-22	31-Dec-23	31-Dec-23	31-Mar-24	0.00%
	9028_FPDA_23	Elimination of Sewer Drains	30-June-23	31-Dec-23	31-Dec-23	31-Mar-24	0.00%
	9028_FPDA_24	Elimination of Sewer Drains and New Mixed Network Connection	30-Sep-22	31-Dec-23	31-Dec-23	31-Mar-24	0.00%
	9028_FPDA_25	Elimination of Sewer Drains and New Mixed Network Connection	30-Sep-22	31-Dec-23	31-Dec-23	31-Mar-24	0.00%
	9028_FPDA_26	Elimination of Sewer Drains and New Mixed Network Connection	30-Sep-22	31-Dec-23	31-Dec-23	31-Mar-24	0.00%
	9028_FPDA_27	Elimination of Sewer Drains and New Mixed Network Connection	30-Sep-22	31-Dec-23	31-Dec-23	31-Mar-24	0.00%
	9028_FPDA_28	Elimination of Sewer Drains and New Mixed Network Connection	30-Sep-22	31-Dec-23	31-Dec-23	31-Mar-24	0.00%
	9027_2-2	Sewer network reconstruction in various streets in the municipality of Bollate with final delivery to the waste water treatment - Lot II	15-June-22	31-Mar-23	31-Dec-22	30-June-23	0.00%
	9028_3	elimination of sewer drains: Novate Milanese – via Amoretti	03-Nov-21	31-May-22	14-Dec-21	31-Jul-22	66.60%
AG01522401_Trucuzzano							
	9291_1	extraordinary maintenance and upgrading of Trucuzzano agglomeration	23-Nov-21	29-Sep-22	30-Sep-22	28-Feb-23	10.00%
	9291_3	Upgrading the biological department of the Trucuzzano (MI) purification plant	01-Nov-22	01-Nov-24	01-Nov-24	30-Apr-25	0.00%

Three out of the 16 indicated interventions have been completed, while the remainder are in the planning or implementation phase.

b) Availability and quality of the resource



Investments in the quality of the water resource remain a priority in the CAP Group's strategy as they are functional to the following objectives:

1. Reduction of the vulnerability of the drinking water distribution system by means of the creation of interconnections, purification treatments and recovery of wells by means of extraordinary maintenance activities with insights aimed at the search for more protected groundwater tables;
2. Improving the quality of the water supplied by monitoring microbiological and chemical parameters within legal limits.

The interventions aimed at reducing the risk connected to the vulnerability of the resource also include those related to the construction and activation of the power plants and the related aqueduct backbones (e.g.: Trezzo sull'Adda backbone built in 2019, Cornaredo plant to be activated in 2025, new Casoni plant, San Colombano al Lambro, to be activated in 2023).

With reference to the reduction in the load of pollutants introduced into the distribution network, in view of the new Drinking Water Directive 2020/2184 of 16th December 2020, campaigns are underway in the area managed by the CAP Group aimed at monitoring emerging pollutants.

The PFAS control campaign started in 2017 in compliance with the limit set by ISS Opinion no. 24565/2015. Considering the more stringent limits expressed in the new Drinking Water Directive, which will be implemented in Italy as from 12th January 2026, control campaigns are continuing in order to implement the initiatives deemed necessary and/or the adjustment interventions aimed at complying with the aforementioned limits. By the end of 2021, 40 per cent of the plant sampling points were monitored, and by 2026 the remaining points will be analysed by carrying out one sampling per municipality in order to cover

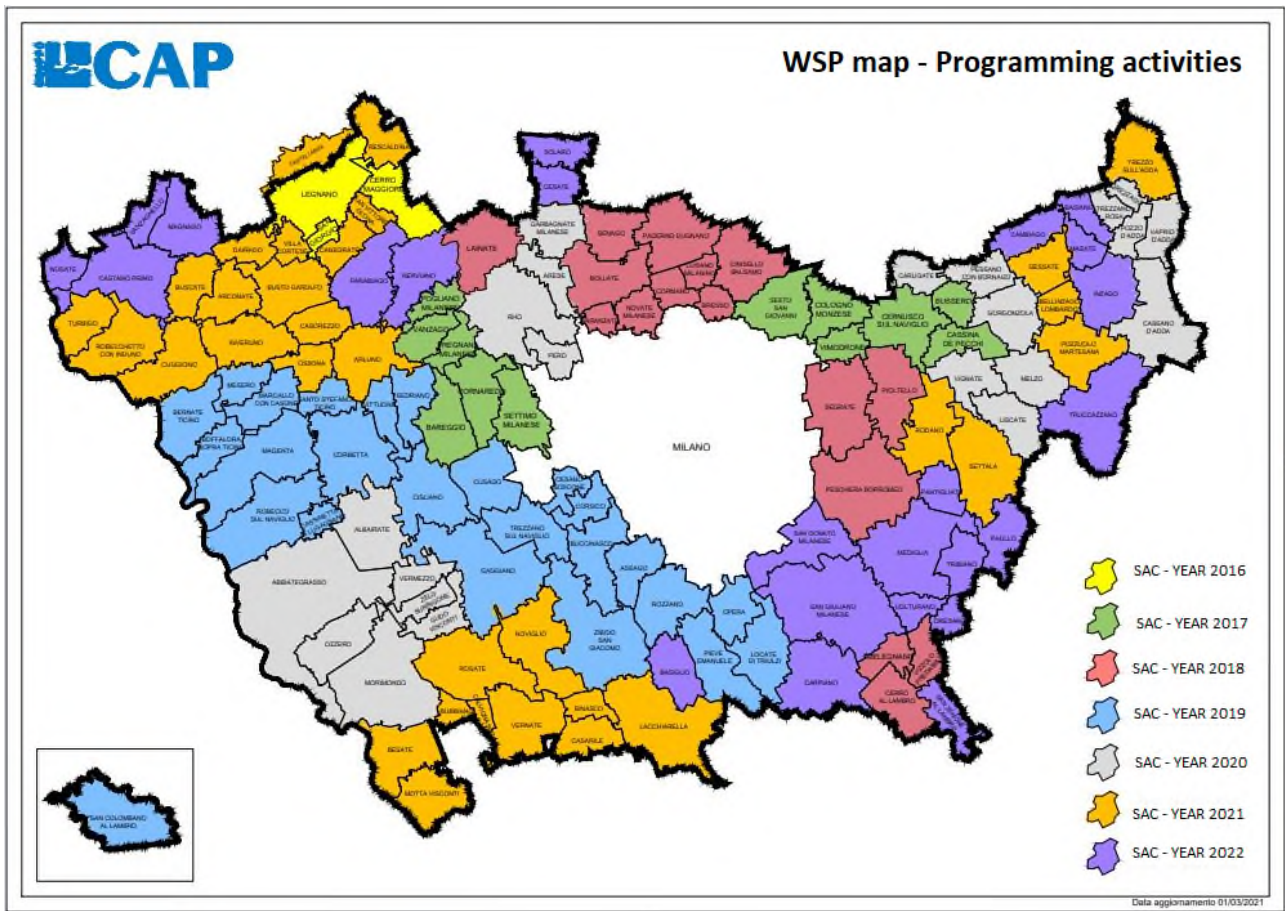
the entire managed territory and at the same time continue monitoring at points where values above the limit of quantification (LOQ) were found. From 2022 onwards, sample analyses for Glyphosate/AMPA, Bisphenol and Hormones will be carried out at the control points of water fed into the network. During the year 2021, the Aqueduct Operations Department continued to implement actions and interventions aimed at monitoring the concentration values of chemical parameters fed into the distribution network. These include the installation of control points on the distribution network in the municipalities where the WSP has been developed, with a view to ensuring a more capillary control of the quality of the water captured and supplied.

In relation to the Chromium parameter, the Drinking Water Directive 2020/2184 imposes a limit of 25 µg/l for total chromium to be implemented no later than 12nd January 2036. In Italy, this value must be absorbed by 12nd January 2026, and until that date the limit of 50 µg/l for total chromium (without distinction with hexavalent chromium) applies, as laid down in the Decree of 30th June 2021. Following the decree of 14th November 2016, which proposed the entry into force of the 10 µg/l limit for hexavalent chromium, several decrees extending the implementation of this limit followed over the years, until the arrival of the decree of 30th June 2021 which, directly absorbs the limit set out in Directive 2020/2184.

In 2020, work began on the construction of two plants for the reduction of chromium: the plant in Via Bixio in Sesto San Giovanni, whose works are nearing completion; the plant in Via Fratelli Cervi in Cusago, whose completion is scheduled for 31st December 2022. For the same reason, work is currently in progress at the Via Rovani plant in Sesto San Giovanni.

The above actions are consistent with the company's policy of implementing the Water Safety Plan, which urges the CAP Group not to limit itself to providing good quality water, but to have a preventive safety vision with regard to all nodes of the drinking water supply chain.

Water Safety Plan – programming of SAC (Controlled Aqueduct Systems) activities



c) Quality of the environment

To meet the requirements of European regulations on the protection of “sensitive areas”, to which the entire Po basin belongs, the CAP Group has, over the last few years, already launched a plan of measures on the purification plants aimed at reducing the “nutrients” such as nitrogen (N) and phosphorus (P) whose uncontrolled discharge leads to phenomena of water eutrophication (as occurred in the past in the Adriatic sea).

In particular, these interventions focused on plants with a potential greater than 10,000 EA (about three quarters of all the purification plants managed) and in detail: Assago, Bresso, Canegrate, Pero, Robecco sul Naviglio, Rozzano, Bareggio, Locate Triulzi, San Giuliano Est, Trezzano sul Naviglio, Turbigo, Abiategrasso, Basiglio, Binasco, Calvignasco, Dresano, Gaggiano (provincial capital), Lacchiarella, Melegnano, Parabiago, San Giuliano Ovest and Settala.

The upgrading works on the purification plants resulted as from 2013 in a decisive improvement in the quality of the wastewater, both in terms of compliance of the performances and in terms of average values on Ntot and Ptot.

On 27 December 2017, with Resolution No. 917/2017/R/idr, ARERA introduced a specific indicator (called M6) to monitor purification performance under the Technical Quality Monitoring Regulation.

The result achieved in 2021, according to ARERA (Resolution 235/2020/R/IDR), is to be compared with 2019:

Macro indicator	Parameter	M6 - 2019	M6 - 2020	2021 performance	Improvement 2021 vs. 2019
M6 - Purified water quality	Class	C	B	B	-23.5%
	Value	5.65%	4.86%	4.32%	

The assessment of non-conformities was carried out using the limits in the authorisations of each plant, as from the new authorisation or renewal applying the method recognised by ATO CMM

Where applicable, the limits during irrigation and bathing periods were taken into account.

Overall, the indicator is improving, ensuring the achievement of the two-year target required by ARERA.

In 2022, ATO CMM will formulate a specific request for an opinion to ARERA on the methods for the application of the new precise limits envisaged in the discharge authorisations instead of the annual limits used for the calculation of the indicator shown above.

In addition to the aforementioned upgrading or revamping interventions, i.e. the Peschiera Borromeo and San Colombano al Lambro purification plants, over the next three years, planning and management of works will focus on the following lines of action, also for the Parabiago purification plant. Following the confirmation of the disposal of the Rescaldina purification plant and the delivery of wastewater to the Parabiago purification plant, a project to upgrade the plant to treat the new loads corresponding to 49,000 EA was necessary.

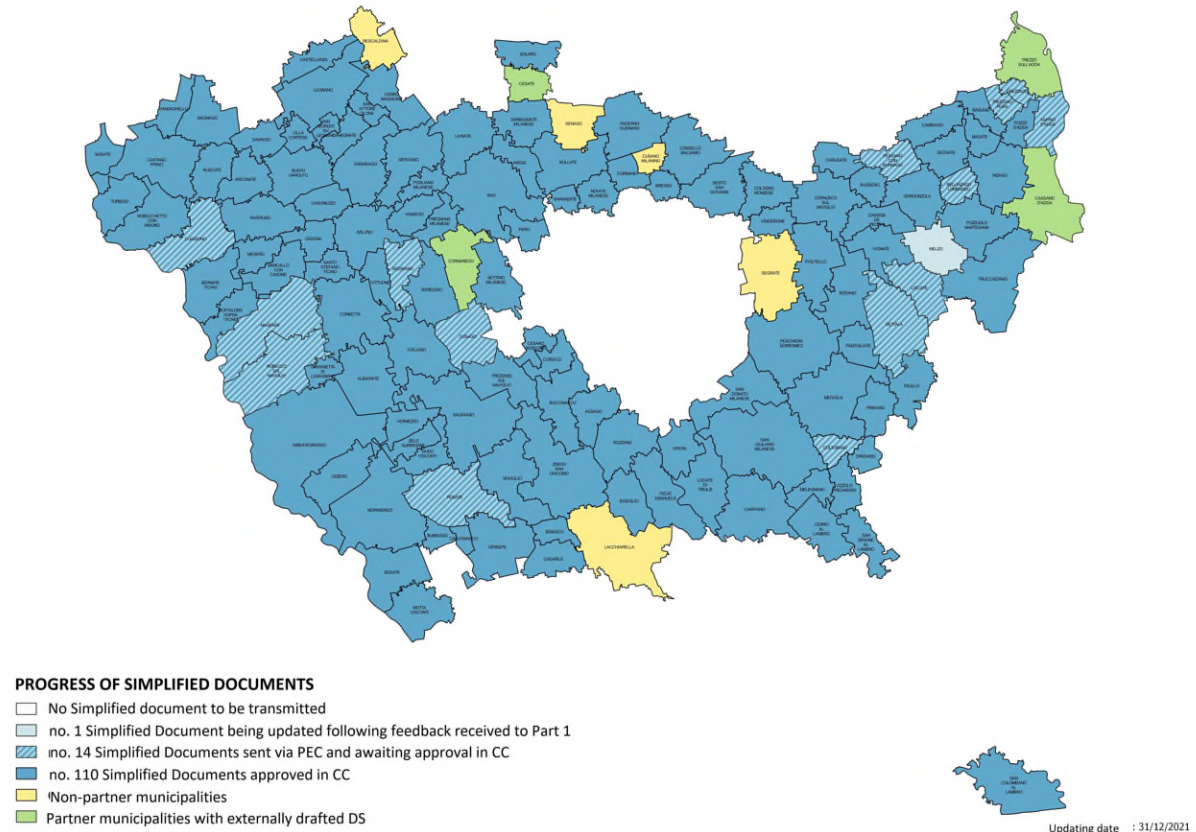
The works were awarded through an integrated tender on 7th June 2021 and the final design was authorised at a Service Conference on 22nd November 2021, and is currently being reviewed, which will be completed in the first quarter of 2022.

During 2018-2019, support activities for Municipalities were agreed upon with regard to the regulation containing criteria and methods for compliance with the principle of hydraulic and hydrological invariance pursuant to Article 58 bis of the regional law No. 12 of 11st March 2005, with the aim, on the one hand, of drafting the Simplified Document of the Hydraulic Risk directly as CAP Group, and on the other hand contributing to the homogenisation of all documents and analyses (including the Municipal Hydraulic Risk Study) with a view to harmonisation on a wider territorial level with a special reference to the wastewater treatment agglomerations and this also in view of the imminent entry into force of the new regulation on wastewater (RR 06/2018).

During 2021, the activities started in 2019 to draw up Simplified Documents of the Hydraulic Risk were continued in accordance with the indications given by the Regulation containing criteria and methods for complying with the principle of hydraulic and hydrological invariance pursuant to Article 58 bis of Italian Regional Law no. 12 of 11st March 2005.

As at 31st December 2021, of the 129 partner municipalities (Vermezzo and Zelo are counted as two separate municipalities), 125 Simplified Documents were prepared and sent to the municipalities and the remaining 4 were prepared directly by the municipalities (Cesate, Cornaredo, Cassano d'Adda, Trezzo sull'Adda).

The following image shows the status of Simplified Documents as at 31st December 2021.



Moreover, the support to external professionals appointed by municipalities for the drafting of Municipal Hydraulic Risk Management Studies continued, with a special attention to the compliance with the "Guidelines for the drafting of the Municipal Hydraulic Risk Study". These guidelines were drawn up in 2019 as further support for municipalities and were published on the "Hydraulic Invariance" page on the CAP Group website

To date, work has begun on the preparation of the Municipal Hydraulic Risk Study for 44 municipalities, 6 of which have been approved by the Municipal Council.

By using the data collected from the simplified documents, in particular from the interventions mapped on the territory, it was possible to participate in regional funding calls on the subject of urban regeneration and land waterproofing, laying the foundations for the construction of the CMM-Spugna Project being developed in early 2022:

- Design activities on behalf of third parties (i.e. on behalf of municipal administrations or other entities) for hydraulic invariance works and sustainable urban drainage works (disconnection works in Varedo, new road in Carpiano, ecological lay-by in Cormano, etc.);
- Integration of the SiRIC database (acronym for Information System of Hydrological Invariance and Municipal Hydraulic Risk Management) for the analysis of the collected data and the procedures that will be implemented for both data analysis and design activities. The data structure is currently based on the results of 108 Simplified Documents. Link to the SiRIC presentation video: <https://smartgreen.unimi.it/2020/09/10/presentazione-siric/>;
- loading of the Siric DB into the Acque di Lombardia webGIS platform, which will be finalised in early 2022;

- Development of in-house calculation software for the design of sustainable urban drainage works and hydraulic invariance: a demo was realised at <https://projects.invisionapp.com/share/K311HZF75VNB#/screens>.

With regard to the flyover systems on the sewage network, details are provided in accordance with the latest updates as per Minute Prot. 13893 of 28th December 2021.

As a result, 77 buildings indicated below are managed as at 31st December 2021:

	MUNICIPALITY	VIA	TYPE
1	ABBIATEGRASSO	Via Fausto Coppi	Underground sealed tank
2	ARCONATE	Via degli Aceri	Surface sealed tank + dispersing
3	BERNATE TICINO	Via Vittorio Emanuele	Dispersing tank
4	BOFFALORA SOPRA TICINO	Via 25 Aprile	Underground sealed tank
5	BOFFALORA SOPRA TICINO	Via Marzabotto	Underground sealed tank
6	BOFFALORA SOPRA TICINO	Via Alessandro Volta	Underground sealed tank
7	BRUGHERIO	Via Guzzina	Surface sealed tank
8	BUSCATE	Via per Cuggiono	Surface sealed tank + dispersing
9	BUSTO GAROLFO	Via per Furato	Surface sealed tank
10	BUSTO GAROLFO	Via Giuseppe Di Vittorio (Olcella)	Surface sealed tank + dispersing
11	CAMBIAGO	Via Matteotti	Surface sealed tank
12	CARPIANO	Via Caduti	Underground sealed tank
13	CARPIANO	Via Cascina Liberia	Underground sealed tank
14	CARUGATE	Via Fratelli Bandiera	Surface sealed tank
15	CASOREZZO	Via Fiume	Surface sealed tank + dispersing
16	CASSINA DE PECCHI	Via Leonardo da Vinci	Underground sealed tank
17	CASSINETTA DI LUGAGNANO	Viale Lombardia	Underground sealed tank + dispersing
18	CASSINETTA DI LUGAGNANO	Via Trento	Underground sealed tank + dispersing
19	CASTANO PRIMO	SP31	Surface sealed tank
20	CERIANO LAGHETTO	Via Vicinale del Nosetto	Dispersing tank
21	CERRO MAGGIORE	Via dei Cerri	Surface sealed tank
22	CERRO MAGGIORE	Via Pastrengo	Dispersing tank
23	CERRO MAGGIORE	Via Carlo Calvi	Surface sealed tank
24	CESATE	Via Giuseppe Garibaldi	Underground sealed tank
25	CINISELLO BALSAMO	Via 20 Settembre (BRESSO)	Surface sealed tank
26	CORSICO	Via Giuseppe Verdi	Underground sealed tank
27	CORSICO	Via Elio Vittorini	Surface sealed tank
28	CUGGIONO	Via Foscolo	Dispersing tank
29	DAIRAGO	Viale della Circonvallazione	Surface sealed tank + dispersing
30	GORGONZOLA	Via Milano	Underground sealed tank
31	GORGONZOLA	Via Buozzi	Underground sealed tank
32	INVERUNO	Corso Italia	Dispersing tank
33	INVERUNO	Via Milano	Underground sealed tank
34	INZAGO	SP103dir	Dispersing tank
35	LISCATE	Via Alighieri	Underground sealed tank

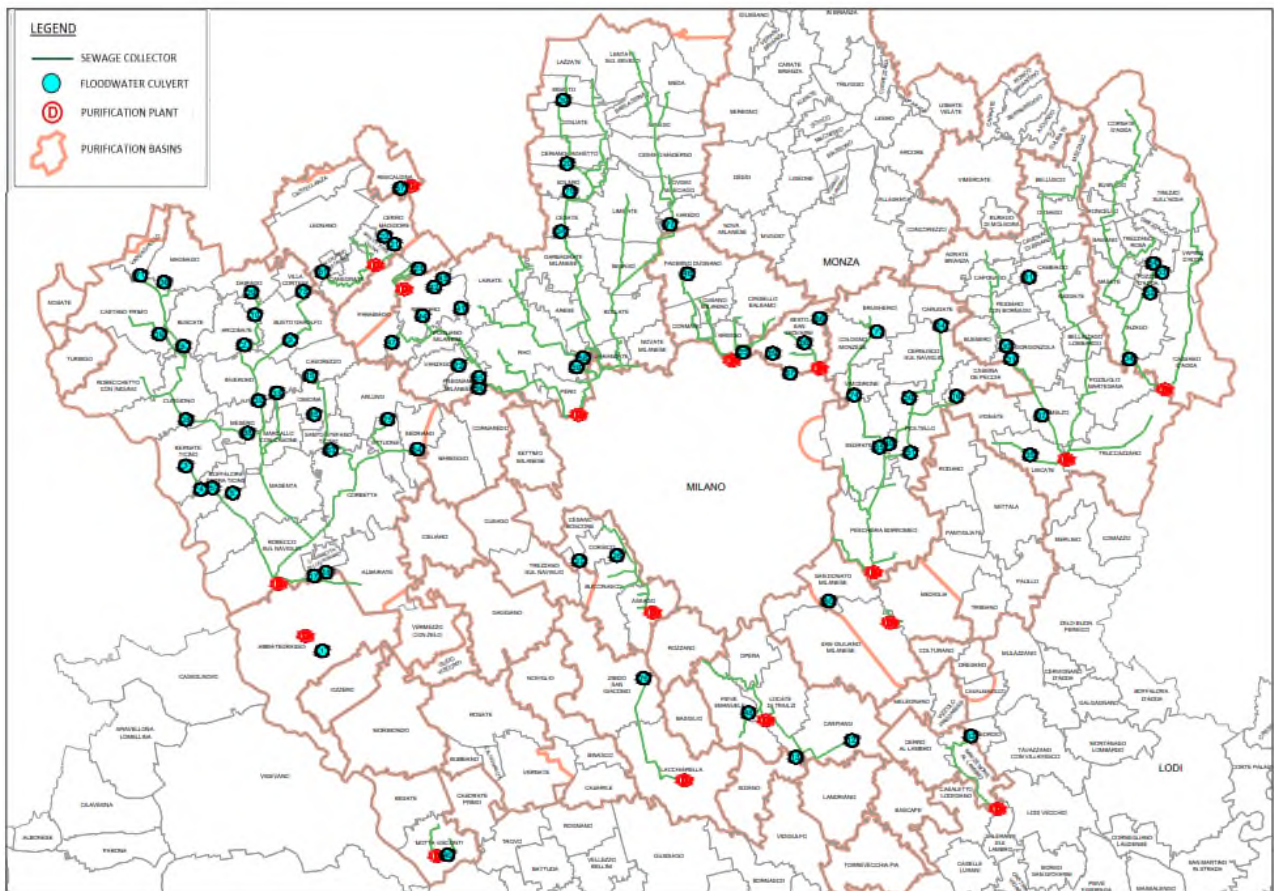
36	MAGNAGO	Via Trento	Dispersing tank
37	MELZO	Via Leonardo da Vinci	Underground sealed tank
38	MESERO	Via Matelda	Dispersing tank
39	MISINTO	Via San Siro	Dispersing tank
40	MOTTA VISCONTI	Via De Gasperi	Underground sealed tank + dispersing
41	NERVIANO	Via Isonzo	Surface sealed tank + dispersing
42	NERVIANO	Novella/Via Montello	Dispersing tank
43	NERVIANO	Novella/via Indipendenza	Dispersing tank
44	NERVIANO	Via Giovanni XXIII	Surface sealed tank
45	OSSONA	Via per Magenta	Surface sealed tank + dispersing
46	PADERNO DUGNANO	Piazza della Resistenza	Underground sealed tank
47	PARABIAGO	Via Volturmo	Surface sealed tank + dispersing
48	PIEVE EMANUELE	Via Brodolini (Valle Volpi)	Surface sealed tank
49	PIOLTELLO	Via Rugacesio	Surface sealed tank
50	PIOLTELLO	Viale San Francesco	Surface sealed tank
51	PIOLTELLO	Via Dante Alighieri	Underground sealed tank
52	POZZO D'ADDA	via fratelli Cervi frazione Bettola	Surface sealed tank + dispersing
53	POZZO D'ADDA	Via Unità d'Italia	Underground sealed tank
54	POZZO D'ADDA	Via Leonardo da Vinci	Surface sealed tank
55	PREGNANA MILANESE	Via dei Rovedi	Dispersing tank
56	PREGNANA MILANESE	Via Repubblica	Underground sealed tank + dispersing
57	RESCALDINA	Via Provinciale Saronnese	Surface sealed tank
58	RHO	Via Alcide De Gasperi	Underground sealed tank + dispersing
59	RHO	Via Risorgimento	Underground sealed tank
60	SAN DONATO MILANESE	Via Non codificata	Underground sealed tank
61	SAN GIORGIO SU LEGNANO	Via Don Luigi Sturzo	Dispersing tank
62	SAN ZENONE AL LAMBRO	Via Don Gnocchi	Underground sealed tank
63	SANTO STEFANO TICINO	Viale della Stazione	Underground sealed tank
64	SEDRIANO	Via per Cascina Magna	Dispersing tank
65	SEGRATE	Via Rugacesio	Surface sealed tank
66	SESTO SAN GIOVANNI	Via Giovanni XXIII	Underground sealed tank
67	SESTO SAN GIOVANNI	Via Adamello	Underground sealed tank
68	SESTO SAN GIOVANNI	Viale Italia	Underground sealed tank
69	SESTO SAN GIOVANNI	Via L. Granelli	Underground sealed tank
70	SOLARO	Corso Italia	Dispersing tank
71	VANZAGHELLO	Via Gallarate	Dispersing tank
72	VANZAGO	Via I Maggio	Dispersing tank
73	VILLA CORTESE	Via dell'Industria	Surface sealed tank + dispersing
74	VIMODRONE	Via Pio La Torre	Underground sealed tank
75	VITTUONE	Via Elisa Restelli	Dispersing tank
76	ZIBIDO SAN GIACOMO	Via Asilo Salterio	Underground sealed tank
77	VAREDO	Via Colombi	Underground sealed tank

Starting from 2020, with reference to the tanks serving the sewerage network, planning has been carried out both to comply with the provisions of Regional Regulation 06/2019 and to improve the efficiency and functionality of the network. This implements what was already provided in the 2018-2022 PDI in terms of planning the interventions.

In 2021, the designs for the tanks of Misinto (first rain tank), Parabiago via Foscolo (floodwater culvert), Parabiago via Matteotti (floodwater culvert), Vanzaghello (adaptation of the dispersing tank), Trezzano Sul Naviglio (first rain tank + floodwater culvert, in the validation phase) and San Colombano (plant head tank) were completed. The design of the tanks of Marcallo con Casone (dispersing tank), Novate Milanese (first rain tank), Sedriano (first rain tank) and Bareggio (plant head tank) continued. Moreover, the design of the tanks of Arluno-Vittuone (first rain tank + adaptation of the dispersing basin) and Vanzago (adaptation of the dispersing tank) was started.

With regard to implementation in 2021, the interventions included both the adaptation of existing tanks and the construction of new storage systems. In particular, work is currently underway on the construction of the tanks at Mesero (first rain tank - phyto treatment), Misinto (first rain tank), Parabiago via Foscolo (floodwater culvert) and Marcallo con Casone (first rain tank). Work on the Cesano Boscone tanks (rainwater storage system) was also completed. Finally, the tanks of Solaro (adaptation of the dispersing tank on the mixed sewerage system), San Giuliano Milanese (floodwater culvert), San Giorgio su Legnano (dispersing tank) and Cerro Maggiore (dispersing tank) were tested.

The following image shows the location of the 77 tanks under management on 31st December 2021 together with the mapping of the various collectors under management:



Personnel and the environment.

With regard to the information pertaining to the environment and the personnel required by section 1 bis of Article 40 of Italian Legislative Decree No. 127/91, it should be noted that in 2021:

- there were no deaths in the workplace, nor charges have been made with regard to occupational diseases affecting employees or former employees or lawsuits concerning mobbing, in relation to which responsibility of the company has been definitively ascertained;
- no damages were caused to the environment for which the company has been definitively declared guilty, nor any sanctions or fines have been inflicted on the company for environmental offences or damages;

With regard to organisational development measures, the main action adopted in 2021 is illustrated below.

As part of the consolidation process of the policy and co-ordination activities of CAP Holding - which holds the twenty-year concession for managing the Integrated Water Service in the reference area - 2021 was also characterised by internal reorganisation measures aimed at making the management of said service more effective and efficient, with a view to ongoing improvement, focusing on a greater enhancement of the functions of the Parent Company.

With a view to industrial policies aimed at enhancing in-house management of the integrated water service with the aim of maximising coordinated management of the integrated water service in highly interconnected territories:

- management under co-employment (envisaged by Article 30, paragraph 4-ter of Italian Legislative Decree 276/2003) continued under the network contract with BrianzAcque for the Information Technology Department and the Network Industrial User Management Office. Note that the network contract with BrianzAcque related to the Industrial Users Management services ended on 31st December 2021.
- during 2021, the shared process of cooperation with ALFA s.r.l. was consolidated: it had led on 12nd June 2020 to the signing of the network agreement in which a common process that provides, among other things, for the establishment of single offices subject to unified and coordinated management, was identified.

The coordinated management of the integrated water service in interconnected territories led to the activation of 102 secondments to Alfa for the following areas:

- o Administration and Finance
- o Legal Department and Contracts
- o Customer Management
- o Technical and Commercial Services
- o Planning and control
- o Research and Development
- o Engineering
- o Operation Intelligence
- o Facility Management

On 1st April 2021, a Network contract was signed with the company CORE/ZEROC for the development of circular economy policies through the establishment and management of the Sesto San Giovanni Bioplatform. On 17th May 2021, the Ministry of Labour and Social Policies approved the company reorganisation programme for the period from 3rd May 2021 to 2nd January 2022, and the minutes of the

agreement with the trade unions were signed for the placement of Core/ZeroC's personnel on furlough. The aforementioned agreement provided for a lay-off period of eight months, starting on 3rd May 2021, for approximately 10 employees of CORE S.p.A. As at 31st December 2021, all Zeroc personnel were seconded to CAP Holding (CAP GROUP), which is the majority shareholder company, with the ascertained and acquired 80% of the shares.

Analysis of the trend in the number of personnel

The personnel in service as at 31st December 2021 numbered 891 employees.

The most significant changes registered for the year concern:

- no. 70 incoming employees for activation of selections pursuant to the current Recruitment Regulation;
- no. 43 outgoing employees due to termination of work contract;
- no. 23 outgoing employees for retirement requirements.

For the number of Group employees, broken down by category, please refer to the notes to the financial statements.

Analysis of the trend of personnel costs with reference to the value of Costs

With regard to the analysis of the incidence of personnel costs on production Costs, the shareholders' meeting held on 18th May 2018 fixed the following limits:

	Limits	2015	2016	2017	2018	2019	2019 Restated	2020	2021
% INCIDENCE PERSONNEL COSTS/TOTAL COSTS	20.00%	19.50%	17.34%	14.64%	14.59%	14.44%	14.61%	14.56%	14.47%

The trend is compliant with the forecasts of the Business Plan.

Other personnel management costs include total investments for staff training activities.

In 2021, total expenditure for personnel training activities amounted to € 257,723 for a total of 31,793 hours of training, involving 952 people, of which € 95,064 on safety in the workplace (€ 17,960 Safety and € 77,104 Compulsory Safety), for a total of 9,780 hours (1,877 Safety and 7,903 Compulsory Safety) involving a total of 690 people.

Incentive systems adopted

With regard to the incentive systems applied for the year 2021, it should be noted that:

- pursuant to Article 9 of the Consolidated Gas Water CCNL, with reference to the incentive systems applied for the year 2021, the "Result bonus project for the four-year period 2020-2022" signed on 12nd December 2019 was applied;
- during 2021, the Technical Incentive Programme introduced by the CAP Group for the period 2018 to 2021, as set out in the agreement signed on 6th March 2019, shall apply for the last year;
- as part of the company policy for developing the responsibilities that aims to enhance the professionalism and individual skills of management personnel, the individual incentive policy instrument launched in 2014 was strengthened, already aimed at recognising and rewarding the best achievement of the business targets and the carrying-out of better performances;
- in 2021, the following were introduced on an experimental basis:
 - o GAIN SHARING and PROFIT SHARING incentive tools: forms of variable remuneration, in addition to the MBO and intended for management, middle management and executives.

- Both of these instruments will generate self-financing: GAIN SHARING through cost containment while PROFIT SHARING through the search for new value;
- the 2021-2023 Sustainability Performance Plan, addressed to management staff. The purpose of the Plan is to incentivise the executives of the CAP Group companies, vested with functions of strategic importance, to achieve long-term corporate objectives with a view to creating value on environmental and social sustainability issues (in accordance with the Environmental, Social & Governance criteria) and, at the same time, to create a means of building their loyalty by granting them the right to receive a bonus under the terms and conditions set forth in this Regulation.

As at 31st December 2021, the CAP Group was in line with the provisions envisaged by Italian Law No. 68/69, Provisions for the right of persons with disabilities to work, having entered into with the Milan Provincial Authority, on 27th May 2016, an intercompany agreement for the integration of people with disabilities pursuant to Article 11 of Italian Law No. 68/99 in favour of Groups of Companies as defined by Article 31 of Italian Decree Law No. 276/2003.

Research and development activities

In continuity with the guidelines launched in previous years, the CAP Group further increased - also in collaboration with industrial and scientific partners, such as Universities and Research Institutions - research and development activities aimed at acquiring specific know-how on technologies that serve the integrated water cycle. The Group carries out innovation activities operating at various levels and focuses its activity on three types of projects:

- Financed Projects, which are developed in the framework of regional, national and international funding calls;
- Self-Financed Projects, which are research and innovation activities, entirely financed by the CAP Group, and which have a short potential industrialisation frontier in the order of 1-3 years;
- Special Projects, which are developed with a view to exploring new speculative development opportunities, either within the Group or in collaboration with external parties, such as innovative start-ups.

As part of the Financed Projects, the main activities were as follows:

PerFORM WATER 2030 project

The CAP Group is the leader of the industrial research and experimental development project PerFORM WATER 2030 - Platform for Integrated Operation Research and Management of Public Water towards 2030, carried out as part of POR FESR 2014-2020. The project ended in April 2021 with the submission to the Lombardy Region of the final report on the technical activities and expenses incurred. The CAP Group analysed in detail some of the activities carried out to assess opportunities for industrialisation of technologies. In particular, in collaboration with Vomm, a business case was prepared for the integration of the pilot waste-to-energy plant, which was built and tested in the project, with the existing dryer inside the San Giuliano Milanese Ovest purification plant: as a first step, a dossier was prepared to apply for tax benefits related to the energy recoveries that can be achieved by integrating the thermal waste from the two plants, the achievement of which is relevant for the economic sustainability of the possible investment.

The data from the experiment on the biological upgrading of biogas to biomethane and the use of ozonolysis as a sludge pre-treatment served as the basis for the development of a joint case study with the Politecnico di Milano and RSE to assess the technical and economic feasibility of using these technologies to support anaerobic digestion in the Bresso purification plant, examining different scenarios related to the availability of renewable electricity to run the electrolyser required to operate the two processes.

LIFE METROADAPT project

The METROADAPT project - enhancing climate change adaptation strategies and measures in the Metropolitan City of Milan, is co-funded by the European Commission under the LIFE 2017 Climate Action Programme. Launched in October 2018 and coordinated by the Metropolitan City of Milan, the CAP Group is the project partner, together with Ambiente Italia, e-GEOS, Legambiente Lombardia, Association des agences de la Democratie Locale (ALDA).

During 2021, the CAP Group's activities focused on the completion and subsequent functional testing of the two pilot projects located in the municipalities of Solaro and Masate. In particular, the Solaro intervention concerned a case of application of Natural Based Solutions (NBS) to treat and drain the rainwater of a parking area serving a local sports facility, by detaching the collection from the sewer, and using drainage trenches and dispersing wells. The Masate project, again with a view to the application of NBS, focused on the installation of rain containment tanks to better control the impact of any extreme weather events. The project ended in September 2021 with the submission of the final technical and financial reports. The sustainable urban drainage solutions implemented in the municipalities of Solaro and Masate have already been replicated by CAP, outside the project, in two similar projects in the municipalities of Paullo and Varedo.

H2020 Digital Water City Project

The CAP Group participates in the project "Digital Water City - Leading urban water management to its digital future", co-funded by the European Commission under the Horizon2020 Framework Programme. The project, coordinated by the Berlin Water Competence Centre (KWB - Kompetenzzentrum Wasser Berlin) and consisting of 24 partners from 10 European countries, plans to create digital solutions to address aspects of the integrated water cycle in 5 urban case studies: Paris, Berlin, Copenhagen, Milan, Sofia.

As part of the Milan application case, in 2021 the CAP Group's activities focused on the continuation of the validation of the automatic probe for the analysis of E.Coli, provided by its partner Fluidion, and the installation and correlation with other probes for the analysis of chemical and physical parameters, with a view to creating soft sensors that allow real-time monitoring of the quality of water available for irrigation reuse. Also as part of the project activities, the CAP Group, in collaboration with the Università degli Studi di Milano, built an irrigation system, with a dual drip and flow system, in a 3ha pilot field on the Manzoni farm, facing the Peschiera Borrromeo purification plant: the plant supplied purified wastewater to the camp during several months of the irrigation season, and it was possible to monitor its efficiency by means of sensors installed in the ground and the execution of two flight campaigns by a drone equipped with a hyper-spectral camera to determine the water demand. Finally, in collaboration with the partner Università Politecnica delle Marche, the first prototypes of the Match-Making Tool and Serious Game, two digital solutions dedicated to stakeholder engagement, were produced.

CE4WE project

The CAP Group participated, together with the University of Pavia, leader of the consortium, a2a Servizio Idrico, ENI, Mogu and NeoruraleHub, in the Circular Economy for Water and Energy - CE4WE project, which was submitted for co-funding on the Call Hub Research and Innovation of the Lombardy Region. The project activities develop on three pillars: two technical dedicated to Water and Energy, and a more general one focused on project management, dissemination and regulatory considerations.

Project activities continued smoothly in 2021 in the various fields of activity. A preliminary design was devised and subsequently the supplier of the plant was selected to test on a pilot scale the growth of certain fungal species and their reactivity towards purification sludge with a view to reducing the content of emerging pollutants. In the Ticino pilot area, the conceptual and geological model of the subsoil was completed, which will then be transformed into a numerical hydrogeological model that will finally be correlated with climate scenarios to determine the recharge potential of the water table in view of climate change. Finally, in the activity dedicated to the recovery of oil from purification plants, several samples were provided to the ENI partner, which evaluated and validated the quality of the oil extracted from the effluent for the production of biodiesel. In parallel, various process alternatives were explored to optimise oil recovery, in terms of e.g. concentration in water, with the aim of decreasing the severity of the extraction process.

LIFE Freedom project

The CAP Group participated together with the companies Agrosistemi and Syngen, and other technical partners, in the presentation of a project proposal on the European LIFE programme. The proposal, submitted in 2019, was accepted for financing in 2020.

During 2021, preparatory activities for the installation (e.g. identification of the area, preparation of utilities) of the HTL (HydroThermal Liquefaction) demonstration plant, scheduled for the first half of 2022, were started in cooperation with the partners in charge of its construction.

CIRCULAR BIOCARBON Project

The AP Group participated, together with its Italian partners Novamont and Università Politecnica delle Marche, and with the coordination of the Spanish company Urbaser, in the presentation of a project proposal on the Bio-Based Industries Joint Undertaking programme, a public private partnership funded by the European Consortium of Bio-Based Industries and the European Commission: the proposal, submitted in late 2020, was selected for funding in early 2021 and the project started in June.

CIRCULAR BIOCARBON envisages the construction on two parallel sites in Sesto San Giovanni and Zaragoza (Spain) of an integrated biorefinery fuelled by urban organic waste (sewage sludge and FORSU) and intended for the production of materials for various product sectors, such as agriculture, precision industry and sustainable packaging. In particular, at the Sesto San Giovanni site, the production of Polyhydroxyalkanoates (PHA), a family of biodegradable polymers that Novamont will use for the formulation of bags for separate waste collection and mulching sheets, will be validated by the CAP Group.

As part of the Self-financed Projects, the main activities were as follows:

MICODEP: from sludge to biomaterials

During 2021, the Micodep project continued its activities on the laboratory-scale testing of fungal strains, identified in 2019 within the mycoflora present in the wastewater, to assess their properties towards the reduction of suspended solids in the thickened sludge, with a view to reducing the final amount of sludge to be disposed of.

The wastewater samples were provided by the CAP Group, and in particular by the Truccazzano purification plant, and by A2A Water Cycle, by the Verziano purification plant. The experimental tests were carried out by University of Pavia personnel at the biotechnology laboratory of the CAP Group Salazzurra research centre. In parallel, the foundations were laid for scaling up the experiment to pilot level, which will be carried out in 2022 with the support of Galatea Bio Tech.

Cellulose recovery projects

The CAP Group started a project, in cooperation with the Dutch technology provider CirTec B.V., for the pilot-scale evaluation of Cellvation technology for the recovery of cellulosic fibres from urban wastewater.

The experimentation on the pilot plant, located at the Truccazzano purification plant, continued throughout 2021, assessing the improving effects of certain facility modifications on the recovery of cellulosic material, in particular. Material balances were consolidated and first business cases were developed on some plants managed by CAP. In parallel, three tracks were followed for the subsequent enhancement of the recovered material for applications in the world of bioplastics, asphalts and recycled cardboard. In all three cases, the preliminary evaluations carried out by the partners showed optimal results.

MOGU project: a research contract was activated in 2021 with the start-up MOGU, active in the production of design materials obtained from the growth of filamentous fungi on agro-food waste. The contract provided for the evaluation of MOGU technology for the production of prototype tiles and sound-absorbing panels using two waste matrices from CAP, purification sludge and cellulose recovered from wastewater. Preliminary tests have given positive results, and technical evaluations of the materials produced are underway. First prototypes of tiles made from sludge were used for the stand of the CAP Group at the Ecomondo exhibition.

Finally, Special Projects include the SARI project activity. In fact, as from October 2021, as part of the monitoring envisaged by the "SARI Project", the IWS has requested the activation of the analytical protocol "Monitoring of SARS-CoV-2 in urban wastewater REV. 3 of 25 July 2021. This project involves sampling and analysis in accordance with European recommendation 2021/472 of 17th March 2021 and recording the results in the IWS dashboard within 48 hours of sampling.

In the first part of 2021, the laboratory of CAP Holding's Segrate Research Centre fine-tuned the analytical method proposed by IWS and subsequent updates, participating in the Proficiency Test organised by IWS in September 2021. In the following period from October to December 2021, the laboratory processed and analysed 22 samples of municipal wastewater, based on the above-mentioned protocol.

The Gis - WebGis system

One of the Company's strong points is without doubt the GIS system now extended, after BrianzAcque, Uniacque, Lario Reti Holding and Società Acqua Lodigiana, also PaviaAcque and PadaniaAcque, Acque Bresciane and Alfa Varese, respectively operators in the provinces of Pavia and Cremona, Brescia and Varese. Note that in November 2021, a further agreement was signed with Acque Novara, which will become part of the Lombardy system, albeit on the Piedmont territory.

On the basis of these conditions, the integrated system has become for all purposes a system used 90% by the founders of Water Alliance with the consequent creation of a new concept of GIS/WEBGIS, the WebGIS regional water – <https://sit.acquedilombardia.it/Gallery/>

A system highly interconnected with the ERP Company Oracle E business suite, with the network maintenance software and with the mobile world for optimum geographic management.

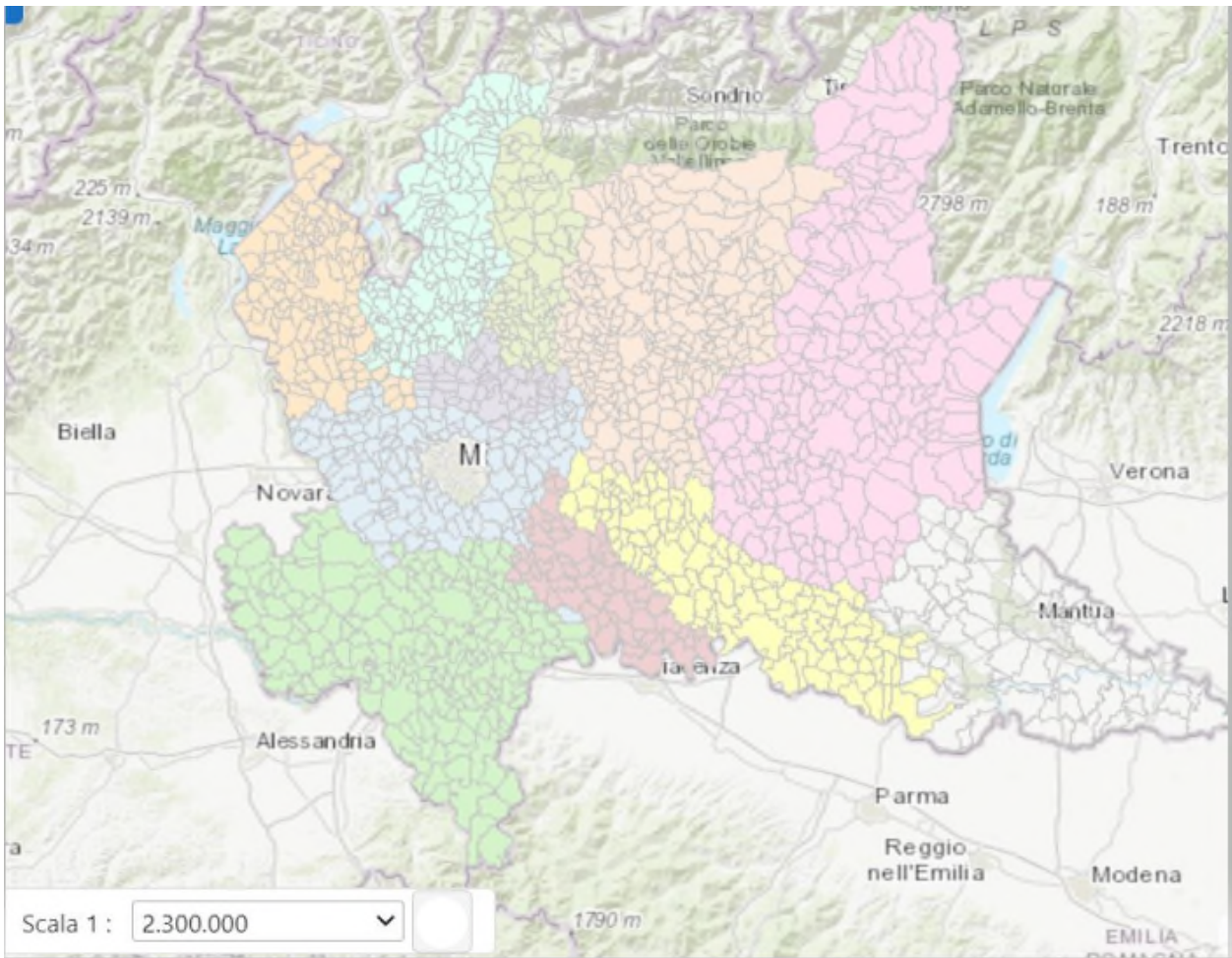
The real process of change in 2020 was the overall renewal of the entire application map dedicated to GIS/WEBGIS, with the start of operations on 23rd November 2020 of the new set of applications dedicated to land management.

The new application, based on market technologies, world leaders on proprietary source code, allows and will allow all subscribing companies and in particular the CAP Group to start a development process, integrating artificial intelligence and predictive concepts within the system itself.

Real time	Centralised control	Data sharing	Redundancy reduction
Independence of the data structure	Direct access	Security	Versatility

In order to be able to appreciate the development of the system of the new GIS and WebGis, the following quantitative data is illustrated:

WebGIS ACQUE DI LOMBARDIA	2020
km of sewer mains included in the system	32,429
km of aqueduct network included in the system;	35,615
Number of manholes of the sewerage system	649,276
Number of catchments – aqueduct network	4,766



Furthermore, the following data is also reported, referring to the area served by the CAP Group.

Focus: CAP Group WebGIS	2021
Number of investments entered on WebGIS	130
Number of sewerage drains entered on WebGIS	885
Number of industrial drains entered on WebGIS	1,662
Number of extraordinary maintenance interventions entered on WebGIS	37
Number of corrective maintenance interventions entered on WebGIS	3
Number of as built by third parties entered on WebGIS	48
Number of km of aqueduct and sewerage network entered on WebGIS	12,997
Number of well monographs entered on WebGIS	655
Number of inspection videos entered on WebGIS	73
Trap maintenance service entered on WebGIS	4,328
Number of discharge authorisations entered on WebGIS	885
Number of monographs for sewerage network manholes accessible on WebGIS	165,477

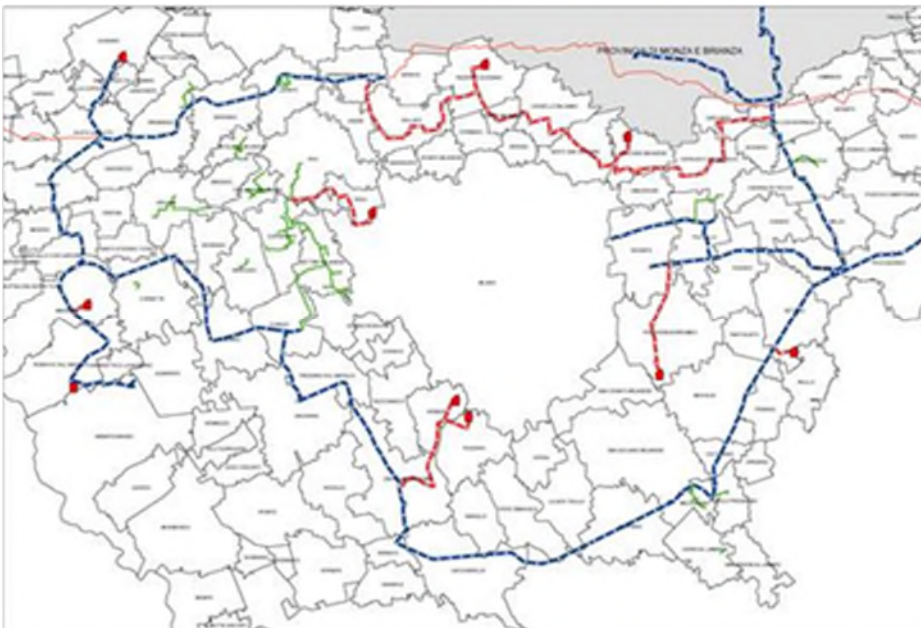
Several agreements with the Lombardy Region and other Italian operators make the platform one of the most advanced both at Italian and international level.

In conclusion, it is disclosed how, in a tangible manner, the project is for all purposes a virtuous example of sharing economy and will allow the new partners to avoid long timescales and costs for the launch of software by now fundamental for the management of the service.

In 2015, the CAP Group, with a view to optimisation of the connectivity costs and, above all else, to improve the work performances increasingly oriented towards the new technologies and Mobile logics, undertook a process aimed at the possibility of use of its right to 20% of the fibre optics laid by the Metropolitan City of Milan within the sewer pipelines and other proprietary sub-services.

For this purpose, on 16th June 2015 a decree was issued by the metropolitan mayor (Gen. Vol. No. 191/2015) concerning "The collaboration between the Metropolitan City of Milan and CAP Holding spa for the development and valorisation of the telematic backbone", aimed at the drafting of a shared business plan so as to be able to conclude the cabling of the metropolitan city network.

Subsequently, during the agreement as per the previous point, given the excellent results and the possibilities emerging during work, a second agreement was reached in reference to the decree issued on 29th October 2015 (Gen. Vol. 283/2015) by means of which the role of the CAP Group in the Closure of the telematic backbone was defined.



The CAP Group, in compliance with the agreements entered into, as from March 2016 started to lay around 65 km of fibre optic infrastructure using the sewer pipelines managed with the aim of closing the backbone ring and reach the 11 main offices of the Group (in the diagram alongside, see the line in red) permitting a saving on the Opexes referring to the connectivity costs incurred to date.

The necessary investment that is envisaged comes to € 2,254,104. Between March 2016 and December 2016, installation work commenced and continued, permitting the work group to lay around 23 km of infrastructure referring to the closure of the backbone ring, closure which then took place in February 2017.

In December 2017, further to the work brought forward during the entire space of the year, the project was preliminarily completed with the reaching of the main offices of the Group and the activation of the first 3 operational offices with an Opex saving already of € 43,700.

The site connections in the scope of the project were completed in 2018, bringing an overall saving of € 138,330 per year.

As a continuation of the project, opex's savings were consolidated in 2019, decreasing on a proportional basis, i.e. without taking into account the new locations to be connected and the organisational changes that have occurred since the start of the project to date, by € 189,430. Finally, the completion of the process allowed the group to benefit from the investment during the pandemic period of the year 2020, having at its

disposal enabling drivers of redundant connectivity and allowing immediately to guarantee smart working to more than 500 people of the group.

Business Outlook

It should be specified that the CAP Group is involved, as more fully illustrated in this report, in highly regulated activities, especially for the part relating to the revenues and investments.

The CAP Group budget, examined and approved by the Board of Directors of CAP Holding in December 2021 and subsequently approved in January 2022, shows the following trend in 2022:

<i>(units in €)</i>	2022 Budget
Total Revenues	377,571,112
(Total Costs)	(340,550,940)
Net operating result	37,020,172
Financial income (financial expense for write-down of equity investments)	(3,694,212)
Taxes	(9,997,788)
Net result for the year	23,328,172

The forecast for the cost of electricity in 2022 was estimated at € 41.9 million.

This cost for the year 2022 can increase by a currently estimated 33% due to the negative market developments in recent months.

A strong volatility of raw material prices is also confirmed with daily fluctuations of more than 30%.

With regard to the transfer of this cost with respect to the guaranteed revenue, please refer to the previous paragraphs and note that with Resolution no. 139/2022/R/idr of 29th March 2022, ARERA started the "procedure for the re-examination of certain criteria for the two-year updating of the tariff arrangements for the integrated water service, in compliance with the orders of the Regional Administrative Court for Lombardy Milan (Section One) no. 373/2022, 383/2022, 384/2022, 385/2022 and 386/2022".

The above trend also presupposes the total reuse of the operating balance indicated in the company.

Therefore, in terms of profitability, which is more aimed at producing results to be reused in the Group for investments, the opinion is for expected positive results.

However, it must be pointed out that, at the moment, it cannot be completely ruled out that the pandemic still underway and the tensions on the commodities market, and especially on the electricity market, may in the future affect the company beyond the extent already dealt with as a basis for preparing the above forecasts, and therefore also subsequently reflect on the company's credit management and cash and cash equivalents.

Financial risk management

As part of the performance of its activities the CAP Group is exposed to certain financial risks such as the interest rate risk, the liquidity risk and the credit/counterparty risk.

The financial risks to which the Group is exposed and the formalities by means of which they are managed are listed in greater details below.

(a) Interest Rate Risk

The portion of financial indebtedness that has a floating rate is however somewhat contained. As at 31st December 2021, it totalled € 31,720,740, equal to around 22% of the total indebtedness outstanding as at 31st December 2021.

On the same date, part of this indebtedness, € 2,076,923 as at 31st December 2021, at floating rate, is accompanied by non-speculative purely hedging interest rate swap agreements.

With reference to the residual interest rate risk, the Group prepared a sensitivity analysis to determine the impact on the income statement (result before taxes) that would result from a hypothetical positive/negative change in interest rates compared to those actually recorded in each period.

The following table shows the results of the analysis carried out.

<i>in euro</i>	Case A)	Case B)
Sensitivity analysis	-10 basis points	+10 basis points
Financial year ended 31 st December 2021	7,599	- 7,599

The objective of the CAP Group is to limit its exposure to the increases in the interest rates keeping the loan costs acceptable. The risks related to the increase in the interest rates are monitored as non-speculative.

There is no guarantee that the hedging policy adopted by the Group, intended to reduce to a minimum the losses associated with fluctuations in the interest rates in the event of floating rate indebtedness transforming them into fixed rate borrowing, will have the effect of reducing any of these losses. If the above does not take place on an absolutely remote basis, negative effects could come about on the activities of the Group, on the financial situation and on the results of the operations.

(b) Liquidity risk

The liquidity risk represents the risk that, due to the inability to procure new funds or liquidate assets on the market, the CAP Group is unable to meet its payment commitments, causing an impact on the economic result in the event that it is forced to incur additional costs to meet its commitments or a situation of insolvency.

The objective of the CAP Group is the maintenance over time of a balanced management of its financial exposure, aimed at ensuring a liability structure balanced with the composition of the financial statement assets and capable of ensuring the necessary operating flexibility by using the liquidity generated by the current operating activities and the recourse to bank loans.

The ability to generate liquidity from the core operations, together with the borrowing capacity, permits the Group to adequately satisfy its operating requirements, those for financing the working capital and investment needs, as well as the observance of its financial obligations.

The CAP Group is characterised by a policy involving the use of temporary liquidity in financial instruments with a low and/or average-to-low level of risk.

In particular, the parent company adopted a regulation for the use of liquidity as early as 2013 and updated it by a resolution of the board of directors on 18th February 2021, which excludes investments in high-risk financial assets. Please see the notes to the financial statements with regard to the loans existing at the end of reporting period.

Thus, the CAP Group also takes steps to hedge the liquidity risk by means of taking out a number of short-term credit facilities with banks.

The facilities for liquidity amounted as at 31 December 2021 to € 52.55 million, of which € 17.55 million have not yet been used.

As from June 2014, with the need of defining internal procedures aimed at optimising the allocation of the total financial resources at CAP Group level and endowing itself with a sole direction in the financial field for the purpose of rendering the financial operations of the entire group more efficient and rational, a sweeping cash pooling agreement was entered into between CAP Holding S.p.A. and Amiacque S.r.l., or rather an agreement for the centralisation of the handling of the liquidity, also operative for 2021 and extended until 30th November 2022.

As at 31st December 2021, CAP Holding S.p.A. owed € 6,000,000, in principal, to Amiacque s.r.l. (it was zero as at 31st December 2020).

As regards the uncertainties due to the coronavirus event, refer to the section on business outlook.

Finally, on 11st April 2022, CAP Holding S.p.A. signed a new loan agreement with the European Investment Bank worth € 100 million to support part of the investments of the business plan for the years from 2022 to 2025.

(c) Credit risk

The credit risk represents the company's exposure to potential losses that may arise if a commercial or financial counterparty does not meet their obligations.

The main credit risks for the CAP Group derive from the trade receivables from the supply of the integrated water services, collected by the Group or by other companies (Operators of other ATOs, where CAP Holding S.p.A. is the "wholesale operator").

The CAP Group tries to deal with this risk adopting policies and procedures that regulate the monitoring of the expected funding flows, the granting of extended credit terms and if necessary the implementation of suitable recovery measures, both with regard to the users directly managed and with regard to the operators which it is the Wholesaler of. For the majority of the latter, specific and direct agreements have been reached.

Notwithstanding the foregoing, a general increase in default rates could have a substantial negative effect on the Group's business, financial situation and results of operations as well as on the Group's ability to fulfil its payment obligations.

Trade receivables are recognised in the financial statements net of the write-down calculated on the basis of the risk of default of the counterparty, determined considering the available information on the solvency of the customer and considering past and future data. The positions, if individually significant, for which there is an objective condition of partial or total non-payment, are subject to individual write-down.

As regards the uncertainties due to the coronavirus event, refer to the section on business outlook.

(d) Covenants and Negative pledges and similar.

Part of the CAP Group's indebtedness as at 31st December 2021 derives from loan agreements or from bonds that, in line with similar market transactions, envisage a number of restrictions and commitments for the Group. These include the commitment not to grant, unless within pre-established limits, to future lenders encumbrances on its assets (negative pledge), change of control, *pari passu* and cross default clauses. A number of restrictive clauses are also envisaged on the accomplishment of specific extraordinary transactions and on the disposal of assets. Financial covenants are also envisaged, the possible non-observance of the which may lead to the operation of the acceleration clause to the detriment of the Group.

Use of financial instruments

As at 31st December 2021, the CAP Group used certain financial instruments. In 2008, the CAP Group entered into an Interest Rate Swap position with BNP Paribas and in 2015 acquired a second one from the merged Idra Milano S.r.l. (of which Banca Nazionale del Lavoro S.p.A. is the counterparty).

All refer to underlying liabilities of a financial type.

In detail, the CAP Group entered into two Interest Rate Swap (IRS) agreements that can be listed in terms of timing as follows (those still outstanding as at 31st December 2021 are shown below):

1. 22nd January 2008: IRS for a nominal of € 20,000,000 (in repayment) expiring on 31st December 2026.
2. 16th May 2011 (agreement entered into by Idra Patrimonio S.p.A., which CAP Holding took over further to the merger of Idra Milano S.r.l. that took place in 2015): IRS for a nominal of € 6,000,000 (in repayment) expiring on 16 May 2026.

A further position opened on 17th February 2006: IRS with a nominal value of € 55,313,163 (in repayment) and with Banca Innovazione Infrastrutture e Sviluppo was extinguished in 2021.

While the second position in the list is pure (and at least partial) hedge with respect to the interest rate fluctuation risk, the first position was created for the purpose of transforming and standardising, in terms of current value, debt repayment schemes. By its dynamics, it generally transforms the distribution of the underlying instalments over a period of time. In particular, in the case of a fixed interest rate loan (underlying), it had the purpose of mitigating the rates of the first years in exchange for a progressive increase in said rates as the expiry date of the loan approaches. Transformation on the payment dates in the implementation of the Duration Swap is not achieved free of charge: the bank that is counterparty to the swap applies a spread in its favour on the interest rate curve used for the rescheduling of the instalment plan. This spread is the bank's remuneration.

In other words, in general, a Duration swap is similar to a loan that, under the risk conditions mentioned in the Directors' Management Report at the time when it was entered into, also due to the uncertainty linked to the tariffs, allowed the CAP Group to obtain a saving in terms of the repayment of the principal and interest on the first repayment dates, with a higher disbursement on the later repayment dates.

Ultimately, the duration swap in question is characterised by the exchange of fixed amounts over time (the underlying amount is fixed-rate and the swap is fixed-rate).

However, this swap also includes a Floating rate clause (with reference to the trend of a Euribor rate). Should the possibility established by it occur, the CAP Group would benefit from a theoretical total maximum positive flow of € 1,200,000 from 31st December 2024 to 31st December 2026 (which leaves the CAP Group the opportunity to benefit from a subsequent - with respect to the time of closing - theoretical rate reduction).

type of derivative contract	interest rate swap with BNP Paribas	interest rate swap with BNL
	1	2
contract date	22 nd January 2008	16 th May 2011
purpose	loan hedging	rate hedging
contract number	10706142	5963433
notional value	19,389,639	6,000,000
existing principal	6,918,690	2,076,923
settlement date	31 st December 2026	16 th May 2026
financial risk	variability of interest rates	
mark to market as at 31/12/2021	-156,204	-14,878
hedged asset/liability	Intesa loan (formerly Banca OPI 2006)	BNL loan (formerly Idra Patrimonio)

It is possible to add that:

- there are no significant concentrations of liquidity risk;
- there are no risks related to the trend in exchange rates;
- there are no significant risks related to the trend in interest rates;
- the trend in the prices of the services provided is linked to the tariffs and the Tariff Method determined by the sector Authority (ARERA).

Relations with affiliated companies and other investees

With regard to transactions with Neutalia S.r.l. and Zeroc S.p.A., Rocca Brivio Sforza S.r.l. in liquidation, refer to what has already been discussed above and the other details summarised in the notes to the financial statements.

*The Chairman of the Board of Directors
Alessandro Russo*



**FINANCIAL
STATEMENTS OF
THE CAP GROUP
AS AT 31st
December 2021**

**Prepared in accordance with IFRS adopted by the
European Union ("EU IFRS").**

Statement of financial position

Statement of financial position	Notes	Value as at 31/12/2021	Value as at 31/12/2020	Change	% change
ASSETS					
Non-current assets					
Rights on assets under concession	7.1	844,830,100	787,762,189	57,067,911	7%
Rights of use	7.2	3,632,883	4,535,262	(902,379)	-20%
Other intangible assets	7.3	12,341,511	12,161,324	180,187	1%
Tangible fixed assets	7.4	20,472,601	18,713,655	1,758,946	9%
Deferred tax assets	7.5	21,535,091	35,146,593	(13,611,502)	-39%
Other receivables and other non-current financial assets	7.6	39,591,952	42,138,510	(2,546,558)	-6%
Total non-current assets		942,404,137	900,457,533	41,946,605	5%
Current assets					
Trade receivables	7.7	233,055,075	232,926,350	128,725	0%
Inventories	7.8	2,528,753	3,712,587	(1,183,834)	-32%
Contract work in progress	7.9	5,414,991	5,396,530	18,461	0%
Cash and cash equivalents	7.10	34,728,710	42,374,335	(7,645,624)	-18%
Other receivables and other current financial assets	7.11	14,471,770	15,276,524	(804,755)	-5%
Total current assets		290,199,299	299,686,325	(9,487,026)	-3%
Non-current assets intended for sale	7.12	0	0	0	0%
TOTAL ASSETS		1,232,603,436	1,200,143,858	32,459,578	3%
SHAREHOLDERS' EQUITY					
Share capital	7.13	571,381,786	571,381,786	0	0%
Other reserves	7.13	250,511,878	237,868,719	12,643,159	5%
FTA reserve	7.13	(989,327)	(989,327)	0	0%
Net result for the year	7.13	27,206,773	18,568,952	8,637,821	47%
Total consolidated shareholders' equity		848,111,110	826,830,131	21,280,979	3%
LIABILITIES					
Non-current liabilities					
Provision for risks and charges	7.14	61,786,233	67,909,045	(6,122,812)	-9%
Employee Benefits	7.15	4,454,572	4,813,473	(358,901)	-7%
Non-current payables to banks and other lenders	7.16	99,300,103	107,172,663	(7,872,560)	-7%
Other non-current payables	7.17	62,098,502	64,575,501	(2,476,999)	-4%
Total non-current liabilities		227,639,410	244,470,681	(16,831,272)	-7%
Current liabilities					
Trade payables	7.18	77,647,376	66,597,618	11,049,758	17%
Current payables to banks and other lenders	7.16	43,857,655	26,036,728	17,820,927	68%
Other current payables	7.19	35,347,885	36,208,700	(860,815)	-2%
Total current liabilities		156,852,916	128,843,046	28,009,870	22%
Non-current liabilities intended for sale	7.20	0	0	0	0%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,232,603,436	1,200,143,858	32,459,578	3%

Statement of Comprehensive Income

Statement of comprehensive income	Notes	Value as at 31/12/2021	Value as at 31/12/2020	Change	% change
Revenues	8.1	240,721,687	236,650,408	4,071,279	2%
Increases for internal work	8.2	3,929,367	4,181,035	(251,668)	-6%
Revenues for work on assets under concession	8.3	110,811,283	88,134,590	22,676,693	26%
Other revenues and income	8.4	26,835,089	15,769,216	11,065,873	70%
Total revenues and other income		382,297,426	344,735,249	37,562,178	11%
Costs for raw materials, consumables and goods	8.5	(13,769,673)	(10,651,430)	(3,118,243)	29%
Costs for services	8.6	(136,825,949)	(130,134,391)	(6,691,558)	5%
Costs for work on assets under concession	8.7	(64,464,772)	(51,133,406)	(13,331,367)	26%
Personnel costs	8.8	(48,673,621)	(45,737,339)	(2,936,282)	6%
Amortisation, depreciation, provisions and write-downs	8.9	(58,387,194)	(57,154,222)	(1,232,972)	2%
Other operating costs	8.10	(14,219,905)	(9,481,805)	(4,738,100)	50%
Non-recurring operations	8.11	0	(9,939,434)	9,939,434	-100%
Total costs		(336,341,115)	(314,232,028)	(22,109,087)	7%
Operating result		45,956,312	30,503,221	15,453,091	51%
Financial income	8.12	1,784,960	1,248,392	536,568	43%
Financial expense	8.12	(5,131,826)	(5,672,593)	540,767	-10%
Result before taxes		42,609,446	26,079,020	16,530,426	63%
Taxes	8.13	(15,402,673)	(7,510,067)	(7,892,605)	105%
Profit (loss) from assets held for sale or disposed of	8.14	0	0	0	0%
Net result for the year (A)		27,206,773	18,568,952	8,637,821	47%
Components of the statement of comprehensive income that will not be subsequently reclassified in the income statement					
Actuarial gains/(losses) for employee benefits	7.15	(73,010)	12,670	(85,680)	-676%
Tax effect on actuarial gains/(losses) for employee benefits		17,522	(3,041)	20,563	-676%
Components of the statement of comprehensive income that will be subsequently reclassified in the income statement					
Fair value change deriving from cash flow hedge (IRS)		706,295	812,481	(106,186)	-13%
Tax effect on fair value change deriving from cash flow hedge		(179,848)	(206,887)	27,039	-13%
Total components of the statement of comprehensive income, net of tax effect (B)		470,959	615,223	(144,264)	-23%
Total comprehensive income for the year (A)+(B)		27,677,732	19,184,176	8,493,556	44%

Cash Flow Statement

CASH FLOW STATEMENT OF THE CAP HOLDING SPA GROUP YEAR (*)	Value as at 31/12/2021	Value as at 31/12/2020
Schedule No. 1: Operating cash flow determined using the indirect method		
A. Cash flows from operating activities (indirect method)		
Profit (loss) for the year	27,206,773	18,568,952
Income taxes	15,402,673	7,510,067
Interest expense/(interest income)	3,292,824	4,362,118
Interest expense IFRS 16	54,042	62,083
(Dividends)	0	0
Capital (gains)/losses deriving from disposal of assets	2,061,170	0
1. Profit (loss) for the year before income taxes, interest, dividends and capital gains/loss on disposal	48,017,482	30,503,221
<i>Adjustments for non-monetary elements that were not offset in net working capital</i>		
Accruals to provisions	6,175,065	5,069,972
Amortisation/depreciations of fixed assets	48,240,130	47,579,046
Write-downs for impairment losses	112,881	138,688
Other adjustments for non-monetary elements	(14,022,089)	(3,064,367)
2. Cash flow before changes in NWC	40,505,987	49,723,338
<i>Changes in net working capital</i>		
Decrease/(increase) in inventories	1,165,373	(642,965)
Decrease/(increase) in receivables from customers	(5,543,376)	(20,274,506)
Increase/(decrease) in trade payables	32,796,661	(3,743,839)
Decrease/(increase) in accrued income and prepaid expenses	0	0
Increase/(decrease) in accrued expenses and deferred income	0	0
Other changes in net working capital	(19,842)	1,631
3. Cash flow after changes in NWC	28,398,816	(24,659,678)
<i>Other adjustments</i>		
Interest collected/(paid)	(3,382,480)	(4,589,255)
(Income taxes paid)	7,193,444	(12,687,155)
Dividends collected	0	0
Use of provisions	(4,936,321)	(580,896)
4. Cash flows after the other adjustments	(1,125,357)	(17,857,306)
Cash flow of income management (A)	115,796,928	37,709,575
B. Cash flow from investment activities		
<i>Tangible fixed assets</i>		
(Investments)	(4,743,111)	(2,652,364)
Realisable value of divestments	55,414	0
<i>Intangible fixed assets</i>		
(Investments)	(7,544,498)	(6,282,129)
Realisable value of divestments	0	0
<i>Fixed assets under concession</i>		
(Investments)	(114,954,907)	(96,397,324)
Realisable value of divestments	31	0
<i>Financial fixed assets</i>		
(Investments)	(3,006,449)	0
Realisable value of divestments	0	2,326,680
<i>Current financial assets</i>		
(Investments)	0	0
Realisable value of divestments	430,678	437,840
Cash flow from investment activities (B)	(129,762,843)	(102,567,297)
C. Cash flow from financing activities		
<i>Loan capital</i>		
Increase (decrease) in short-term payables to banks	25,000,000	0
Loans taken out	10,000,000	0
Loans repaid	(25,842,981)	(24,497,374)
Repayment of financial payables IFRS 16	(2,836,728)	(3,001,278)
<i>Shareholders' equity</i>		
Share capital increase against payment	0	0
Sale (purchases) of own shares	0	0
Dividends (and interim dividend payments) paid	0	0
Cash flow from financing activities (C)	6,320,290	(27,498,652)
<i>Increase (decrease) in cash and cash equivalents (a ± b ± c)</i>		
Cash and cash equivalents as at 1 January	42,374,335	134,730,710
Cash and cash equivalents as at 31 December	34,728,710	42,374,335
change	(7,645,624)	(92,356,375)

(*) for the sake of simplicity, the change in payables for investments remained included in the change in trade

Changes in shareholders' equity

Shareholders' equity 31/12/2020	571,381,786	(989,327)	(158,428)	238,027,148	18,568,952	826,830,132
Allocation of result 31/12/2020	0	0	0	18,568,952	(18,568,952)	0
Fair value change deriving from cash flow hedge net of tax effect	0	0	526,446	0	0	526,446
Actuarial gains (losses) on employee benefits, net of the tax effect	0	0	0	73,171	0	73,171
Adjustment of deferred tax assets "FoN"	0	0	0	(6,525,412)	0	(6,525,412)
Profit (loss) for the year 31/12/2021	0	0	0	0	27,206,773	27,206,773
Shareholders' equity 31/12/2021	571,381,786	(989,327)	368,018	250,143,860	27,206,773	848,111,110

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

1. General information

CAP Holding S.p.A. (hereinafter “CAP” or the “Company”) is a company subject to Italian law, established and domiciled in Italy, with registered offices and administrative headquarters in Via Rimini, 38, Milan (MI), enrolled in the Milan Companies' Register with tax code, VAT number and enrolment No. 13187590156 and under No. MI-1622889 of the Administrative and Economic Index.

The Company and its subsidiaries (jointly the “Group”) operate in the water services sector and is one of the leading Italian operators (in terms of inhabitants served and cubic m raised) among the “mono-utility” operators (or rather operators that do not provide other significant industrial activities).

The company is entirely publicly owned: its shareholding structure as at 31 December 2021 is solely made up of local territorial bodies.

The management of the Integrated Water Service of the ATO of the Metropolitan City of Milan, in which it operates as the CAP Group, is regulated by the Agreement entered into on 20 December 2013 and adapted on 29 June 2016 to the provisions contained in the Resolution of the Italian Authority for Electricity, Gas and Water System No. 656/2015/R/IDR, between the company CAP Holding S.p.A. and the ATO Office of the Province of Milan, effective from 1 January 2014 until 31 December 2033.

These consolidated financial statements were approved by the Company's Board of Directors on 12 May 2022.

2. Summary of the Accounting Standards

2.1 Declaration of compliance with the international accounting standards and transition to the IAS/IFRS

European Regulation (EC) No. 1606/2002 dated 19 July 2002 introduced the obligation, as from 2005, to apply the IFRSs for drafting the financial statements of companies that have equities and/or debt securities listed with one of the regulated markets of the European Community. On 2 August 2017, CAP Holding S.p.A. issued a bond for a nominal amount of € 40 million subscribed by the institutional investors and took steps to list it with the Irish Stock Exchange. In accordance with the legislative provisions referred to above, CAP Holding S.p.A. is therefore obliged to draw up the consolidated and separate financial statements in accordance with the international accounting standards - International Financial Reporting Standards (hereinafter indicated as the IFRS or IAS) adopted by the European Union (“EU IFRS”) starting from the financial year ended 31 December 2017, the date of transition to IFRS was therefore 1 January 2016 (the “Transition Date”).

Therefore, these consolidated financial statements for CAP Holding S.p.A. were drawn up for the first time in accordance with the “EU IFRS”.

The Consolidated financial statements include the consolidated statement of financial position as at 31 December 2021 and 31 December 2020, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in shareholders' equity for the year ended 31 December 2021 and the related explanatory notes.

The EU IFRS includes all the “International Financial Reporting Standards”, all the “International Accounting Standards” (IAS), all the interpretations of the “International Reporting Interpretations Committee” (IFRIC), previously known as the “Standing Interpretations Committee” (SIC) which, at the end of the reporting period of the consolidated financial statements, were subject to approval by the European Union according to the procedure envisaged by Regulation (EU) No. 1606/2002 of the European Parliament and the European Council on 19 July 2002.

These consolidated financial statements were drawn up in Euro, which represents the currency of the prevailing economic area in which the Group operates. All the amounts included in this document are presented in Euro units, unless otherwise indicated, rounded to the next unit for cents equal to or greater than 50.

The financial statement schedules and the related recognition criteria adopted by the Group, as part of the options envisaged by IAS 1 - Presentation of the financial statements, are indicated below:

- the consolidated statement of financial position was drawn up by classifying the assets and the liabilities according to the “current/non-current” approach;
- the consolidated statement of comprehensive income - whose presentation of the costs is carried out on the basis of their nature - includes both the result for the year and the other changes in the shareholders’ equity items attributable to transactions not entered into with the Company’s shareholders;
- the consolidated cash flow statement has been drawn up stating the cash flows deriving from the operating activities according to the “indirect method”.

2.2 Scope of consolidation and consolidation criteria

These Consolidated financial statements include the statement of financial positions as at 31 December 2021 and 31 December 2020 and the income statement for the year ended 31 December 2020 of the Company and the subsidiaries, approved by the respective management bodies. The list of the companies consolidated line-by-line by the Group as at 31 December 2021 is presented below:

- AMIACQUE S.r.l. of Milan, total share capital of € 23,667,606.16, owned for € 23,667,606.16, equal to 100.00% as at 31 December 2021 (equal to that held as at 31 December 2020 and unchanged to date).

The subsidiary companies are consolidated as from the date control was effectively transferred to the Group and cease to be consolidated as from the date the control is transferred outside the Group.

According to the provisions of IFRS 10, control is obtained when the Group is exposed, or has the right to variable returns deriving from the relationship with the investee company and has the ability, via the exercise of the power over the investee, to influence the related returns. The power is defined as the actual ability to direct the significant activities of the investee company by virtue of essentially existent rights.

The existence of control does not exclusively depend on the possession of the majority of the voting rights, but on the essential rights of the investors over the investee company. Consequently, the opinion of management is required to assess specific situations that lead to essential rights that assign the Group the power to manage the significant activities of the investee company so as to influence the related returns.

For the purposes of the assessment on the requirements of control, management analyses all the events and circumstances, including the agreements with the other investors, the rights deriving from other contractual agreements and from the potential voting rights.

These other events and circumstances may turn out to be particularly significant as part of this assessment especially in the cases where the Group holds less than the majority of the voting rights, or similar rights, of the investee company.

The Group reviews the existence of the conditions of control over an investee company when the events and circumstances indicate that there has been a change in one or more elements considered for checking its existence.

With regard to the scope of consolidation, only AMIACQUE S.r.l. is consolidated with CAP Holding S.p.A., considering that, with regard to Rocca Brivio S.r.l. in liquidation (whose corporate purpose involves the “

safeguarding and enhancement of the historic monumental complex of Rocca Brivio”), in accordance with IFRS 10, there is no effective control by Cap Holding S.p.A. due to the lack of material rights that assign the power to manage the significant activities of the investee company in such a way as to influence its returns. With regard to the presentation of the Statement of financial position and Income Statement figures of the subsidiary company as at 31 December 2021, please see the Explanatory notes included in the financial statements.

- with regard to the company ZERO C S.p.A., the local authority shareholders jointly exercise control over the company similar to that exercised over their own services and a decisive influence on the Company's strategic

objectives and significant decisions. In this sense, despite the majority shareholding held by CAP Holding S.p.A., ZEROC S.p.A. is not controlled by the latter.

- The company NEUTALIA S.r.l. is under the joint control of its shareholders (essentially as a joint venture) and is recognised in the financial statements of CAP Holding S.p.A. using the equity method (para. 10 of IAS 28), as permitted by IAS 31, para. 38.

The subsidiary companies are consolidated on a line-by-line basis in the theory of the entity as from the date when control was effectively acquired and cease to be consolidated as of the date the control is transferred to third parties. The end of the reporting period of the financial statements of all the subsidiary companies coincide with that of the parent company. The standards adopted for full consolidation are the following:

- the assets, liabilities, expenses and income of the subsidiaries are consolidated line-by-line, assigning the minority shareholders, if applicable, the portion of shareholders' equity and the net result for the period due to them; these portions are indicated separately as part of the shareholders' equity and the income statement;
- the business combination transactions by virtue of which control is acquired over an entity are recognised, in accordance with the provisions contained in IFRS 3 - Business combinations, according to the acquisition method. The acquisition cost is represented by the fair value on the date of acquisition of the assets disposed of, the liabilities undertaken and the equities issued. The identifiable assets acquired, the liabilities and the potential liabilities undertaken are recognised at the related current value on the date of acquisition, with the exception of the deferred tax assets and liabilities, the assets and liabilities for employee benefits and the assets held for sale that are recognised on the basis of the related reference accounting standards. The difference between the acquisition cost and the fair value of the assets and liabilities acquired, if positive, is recognised under the intangible assets as goodwill, or, if negative, after having rechecked the correct measurement of the fair values of the assets and liabilities acquired and the acquisition cost is recognised directly in the income statement, as income. The charges accessory to the transaction are booked to the income statement at the time they are incurred;
- the acquisition cost also includes the potential consideration, recognised at fair value on the date control is acquired. Subsequent fair value changes are recognised in the income statement or statement of comprehensive income if the potential consideration is a financial asset or liability. Potential considerations classified as shareholders' equity are not recalculated and the subsequent discharge is recognised directly under shareholders' equity;
- the portions of shareholders' equity and profit pertaining to the minority shareholders are recognised in specific financial statement items; they can be measured at fair value or in proportion to the minority holding in the identifiable assets of the entity acquired. The choice of the measurement method is carried out transaction by transaction. If the combination transactions via which control is acquired take place in several stages, the Group recalculates the interest holding that it previously held in the entity acquired at the respective fair value on the acquisition date and recognises an emerging gain or loss in the income statement;
- the changes in the interest holding of a subsidiary that do not represent an acquisition or a loss of control are treated as "equity transactions"; therefore, for subsequent acquisitions following the acquisition of control and for the partial disposals of subsidiaries without loss of control, any positive or negative difference between the acquisition cost/disposal price and the corresponding portion of shareholders' equity recorded in the accounts is recorded directly under the Group's shareholders' equity;
- in the event that the partial disposals of subsidiaries lead to the loss of control, the equity investment maintained is adjusted to the related fair value and the revaluation contributes to the formulation of the capital gain (loss) deriving from the transaction;
- the significant gains and losses, including the related tax effects, deriving from transactions carried out between companies consolidated line-by-line and not yet realised vis-à-vis third parties, are eliminated. The credit and debt transactions, the costs and the revenues, as well as the financial income and expense are also eliminated, if significant.

2.3 Measurement Criteria

The Consolidated financial statements have been drawn up with a view to the business as a going concern since there is the reasonable expectation that the Group will continue its operating activities in the foreseeable future, and in any event over a period longer than twelve months.

For a broader examination of the geopolitical crisis situation that led to the open armed conflict in Ukraine in February 2022 and, in particular, the consequent increase in the prices of raw materials, especially energy products, as well as the risk of possible "echoes" of the health emergency induced by the COVID-19 pandemic, please refer to the Management Report, which describes the plans implemented by the CAP Group in general to deal with it and the analysis of the effects that it could cause.

It is currently difficult as well as uncertain to assess the effects and repercussions of the continuing international crisis in the future, including from an accounting perspective. However, based on the current situation and the information available to date, no effects are expected to affect the measurement of items in the financial statements, nor the appropriate use of the going concern assumption. In this sense, even with the uncertainties mentioned above, the intangible and tangible assets of the CAP Group are not expected to be impacted by the deterioration of the economic outlook, nor is a significant worsening of the liquidity risk and/or expected losses on receivables of the CAP Group.

The general principal adopted in the preparation of these financial statements is that of cost, with the exception of the financial assets and liabilities (including the derivative instruments) measured at fair value.

The most significant accounting standards and measurement criteria used for the preparation of these consolidated financial statements are briefly described below.

Properties, plant and machinery

The tangible assets are recognised according to the cost approach and recorded at purchase cost or production cost inclusive of the directly attributable accessory costs necessary for making these assets ready to use. The cost also includes any estimated dismantling and removal charges that will be incurred consequent to contractual obligations that require returning the assets to the original conditions.

The charges incurred for maintenance and repairs of an ordinary and/or cyclical nature are directly booked to the income statement in the year they are incurred. The capitalisation of the costs inherent to the expansion, modernisation or improvement of the structural elements owned or used by third parties, is carried out exclusively within the limits in which the same comply with the requirements for being separately classified as assets or part of an asset applying the component approach.

The tangible fixed assets are depreciated systematically each year on a straight-line basis with reference to the economic-technical rates determined in relation to the estimated residual useful life of the assets. The depreciation rates for the various categories of properties, plant and machinery are listed as follows:

Depreciation rates of tangible fixed assets	
Sundry small equipment	10%
Generic equipment and plants	8%
Sundry equipment	25%
Specific equipment	19%
Motor vehicles	20%
Cars	25%
Furniture and fittings	12%
Electronic office machines - telephony systems	20%
Mobile phones	20%
Equipment with unit value below € 516	100%

The depreciation starts when the asset is available for use taking into account the actual time when this condition occurs.

Intangible assets

Intangible assets are made up of non-monetary elements, identifiable and lacking physical consistency, controllable and capable of generating future economic benefits. These elements are initially recognised at purchase and/or production cost, inclusive of the directly attributable expenses for preparing the asset for use. Any interest expense accrued during or for the development of the intangible assets are considered to be part of the purchase cost. In detail, as part of the Group the following main intangible assets are identifiable.

(a) Rights on assets under concession (IFRIC 12)

The "Rights on assets under concession" represent the right of the Group to use the assets under concession of the Integrated Water Service (so-called method of the intangible asset) in consideration of the costs incurred for the design and construction of the asset with the obligations to return the same at the end of the concession.

The value corresponds to the "fair value" of the design and construction activities increased by the capitalised financial expense, in observance of the requirements envisaged by IAS 23, during the construction phase. The fair value of the construction services of the Integrated Water Service is determined on the basis of the costs effectively incurred. The logic for determining the fair value stems from the fact that the concession holder must apply the matters envisaged by IFRS 15 and therefore if the fair value of the service received (in the specific case the right to exploit the assets) cannot be determined reliably, the revenue is calculated on the basis of the fair value of the construction services carried out.

The assets for construction services underway as of the period end date of the financial statements are measured on the basis of the work stage of completion and this measurement is recognised in the income statement item "Revenues for work on assets under concession". The assets under concession are amortised over the duration of the concession on the basis of the methods by means of which the company will obtain the future economic benefits deriving from the use of the asset itself.

The value to be amortised is represented by the difference between the acquisition value of the assets under concession and their residual value which one presumes to realise at the end of the useful life, according to the regulatory provisions currently in force (in particular this value is determined according to the rules defined by the Authority for the regulation of energy, networks and environment and is based on factors and estimates which may vary over time, and which may involve a change to this amount). If events take place which lead to the presumption of a reduction in the value of these intangible assets (impairment), the difference between the book value and the recovery value is booked to the income statement.

(b) Other intangible assets

The other intangible assets are recognised at cost, as previously described net of the accumulated amortisation and any impairment losses. The amortisation starts at the time the asset is available for use and is systematically allocated in relation to its residual possible useful life and in other words on the basis of the estimated useful life.

Reduction in value of the Tangible and Intangible Assets (impairment test)

At the end of each reporting period a check is carried out aimed at ascertaining whether there are indicators that the tangible and intangible assets may have suffered an impairment. For such purpose, both internal and external sources of information are considered.

With regard to the former (internal sources) the following is considered: the obsolescence or the physical deterioration of the assets, any significant changes in the use of the assets and the economic performance of the assets with respect to that envisaged. With regard to the external sources, the following is considered: the trend of market prices for the assets, any technological, market or legislative discontinuity, the trend of market interest rates or the cost of the capital used to assess the investments.

In the event that the presence of these indicators is identified, steps are taken to estimate the recoverable value of said assets, ascribing any write-down with respect to the related book value to the income statement. The recoverable value of an asset is represented by the fair value, net of the accessory sales costs, or the related value in use, whichever is the higher, the latter being the current value of the future cash flows estimated for these assets. When determining the value in use, the expected cash flows are discounted back using a discount rate gross of the taxes that reflects the current market valuations of the cost of money, placed

in relation to the period of the investment and the specific risks of the assets. With regard to an asset that does not generate abundantly independent cash flows, the recoverable amount is determined in relation to the cash generating unit to which this asset belongs.

A loss in value is recognised if the book value of the assets, or of the related CGU to which the same is assigned, is higher than its recoverable amount. The CGU value reductions are booked first of all to decrease the book value of any goodwill assigned to it and, then, to decrease the other assets, in proportion to their book value and within the limits of the related recoverable value. If the reasons for a write-down previously made cease to apply, the book value of the assets is reinstated with booking to the income statement, within the limits of the net book value that the asset in question would have had if the write-down had not been made and the related amortisation had been applied.

Right of use

These are assets recognised in relation to leases falling within the scope of IFRS 16. The *right of use of the leased asset and the commitment undertaken are shown in the financial figures of the financial statements (IFRS 16 applies to all transactions that provide for a right of use, regardless of the contractual form, i.e. lease, rent or hire).*

Trade Receivables and other Current and non-Current receivables

The assets deriving from the contract are recognized, in accordance with IFRS 15, para.31, in correspondence with the revenues from which they originate, gradually that the Group fulfils the obligation to do, transferring control over the asset or service to the customer performed. Where the service has not been definitively completed or formally accepted definitively by the customer, it nonetheless gives rise to the registration of the activity as a result of a reasonable evaluation of the progress made towards the complete fulfilment of the obligation to do, on the basis of reliable information and in light of the contractual conditions

If the customer has paid the fee or if the Group is entitled to an unconditional amount (i.e. a credit), before transferring the good or service to the customer, in accordance with para.106 of IFRS 15, presents the contract as a liability arising from the contract at the time the payment is made or (if earlier) at the time the payment is due.

In the statement of financial position, the assets deriving from the contract are presented, together with any credits for unconditional rights, under the item "trade receivables". These trade receivables also include the invoices to be issued for regulatory adjustments of a regulatory nature (which will be applied to future water consumption).

Trade receivables and other financial assets are initially recognised at fair value and subsequently measured at amortised cost based on the effective interest rate method. Trade receivables and other financial assets are included in current assets, with the exception of those with a contractual maturity of more than twelve months compared to the end of the reporting period, which are classified as non-current assets.

Impairment losses on receivables are accounted for in the financial statements when there is objective evidence that the Group will not be able to recover the credit due from the counterparty based on the contractual terms.

The amount of the write-down is measured as the difference between the book value of the asset and the present value of the estimated future cash flows and is recognised in the income statement. If the reasons for the previous write-downs cease to exist in subsequent periods, the value of the assets is reinstated up to the value that would have derived from the application of the amortised cost.

The estimate of bad debt provision is based on expected losses (IFRS 9), measured using available information without unreasonable charges or efforts, which include historical, current and prospective data relating to the economic conditions of the reference debtors.

Financial assets relating to non-derivative financial instruments with fixed or determinable payments and fixed maturity that the Group intends and is able to hold until maturity are classified as "financial assets held to maturity". These assets are valued according to the amortised cost method, using the effective interest rate criterion, adjusted in the event of impairment. In the case of impairment losses, the same principles are applied as described above in relation to loans and receivables.

Equity investments

Equity investments in subsidiaries, jointly controlled companies, associates and other companies, not classified as held for sale, are measured at purchase cost, possibly reduced in the presence of impairment losses, converted into euro at historical exchange rates if referring to equity investments in foreign companies whose financial statements are prepared in currencies other than the euro.

The cost is reinstated in subsequent years if the reasons that gave rise to the write-downs no longer exist.

Write-downs and write-backs are recognised in the income statement.

The other assets available for sale, including equity investments in other companies that make up financial assets available for sale, are measured at fair value, if determinable, and the profits and losses deriving from the changes in the fair value are charged directly to the other components of the overall profit (loss) as long as they are sold or have suffered a loss in value; at that time, the other components of the overall profit (loss) previously recognised in equity are recognised in the income statement for the period. Other unlisted equity investments classified as "available-for-sale financial assets" for which the fair value cannot be reliably determined are measured at cost adjusted for write-downs to be recorded in the consolidated income statement, in accordance with IFRS 9.

Inventories

Inventories are stated at purchase cost, determined using the weighted average cost method, or the realisable value determined on the basis of the market trend, whichever is the lower.

Obsolete and slow-moving inventories are valued in relation to their possibility of use or realisation by means of the establishment of a specific provision, recorded to directly decrease the corresponding asset item.

Contract work in progress

Contract work in progress is recognised using the work stage of completion method in relation to the job costs incurred at the end of the reporting period.

Cash and cash equivalents

The liquid funds include the petty cash, also under the form of cheques and revenue stamps, bank current accounts, demand deposits and other short-term and high liquidity financial investments, which are promptly convertible into cash and are subject to an insignificant risk of change in value.

Financial liabilities, Trade and Other payables

The financial liabilities (with the exclusion of the derivative financial instruments), the trade payables and the other payables are initially recognised at *fair value*, net of the directly attributable accessory costs, and are subsequently measured at amortised cost, applying the effective interest rate approach. If there is an estimable change in the expected cash flows, the value of the liabilities is recalculated to reflect this change on the basis of the current value of the new expected cash flows and the internal rate of return initially determined. Financial liabilities are classified under current liabilities, unless the Group has an unconditional right to defer their payment for at least 12 months after the reference date.

Financial liabilities are derecognised at the time of their discharge and when the Group has transferred all the risks and the charges relating to said instrument.

Derivative financial instruments

The financial derivatives are assets and liabilities recognised at fair value. The Group uses certain derivative financial instruments to hedge the interest rate risk. As at 31 December 2021, the Group also a derivative instrument that belongs to the category of duration swaps, lacking speculative intent, taken out in 2008 with the purpose of transforming the debt repayment profile standardising, in terms of Current Value, the repayment of said debt.

Derivative financial instruments can be recognised according to the methods established for hedge accounting only when:

- the hedging relationship consists only of eligible hedging instruments and eligible hedging items;
- the hedge must be designated as such at the beginning and there must be a formal documentation (hedging instrument, hedged element, nature of the risk hedged, methods of assessing the effectiveness);

- the hedging relationship meets the hedge effectiveness requirements, i.e.: there is an economic relationship between the hedged item and the hedging instrument, verifiable both in qualitative and quantitative terms;
- the effect of credit risk does not prevail over changes in the value of the economic relationship;
- the coverage ratio is determined

When derivative instruments have the characteristics to be recognised in *hedge accounting*, the following accounting treatments are applied:

- if the derivatives cover the risk of changes in the fair value of the hedged assets or liabilities (fair value hedge; e.g. hedging of the variability of the fair value of fixed rate assets/liabilities), the derivatives are recognised at fair value with the allocation of effects on the income statement; consistently, the hedged assets or liabilities are adjusted to reflect the changes in fair value associated with the hedged risk;
- the derivatives cover the risk of changes in the cash flows of the hedged assets or liabilities (cash flow hedge; e.g. hedging of the variability of the cash flows of assets/liabilities due to fluctuations in interest rates), changes in fair value of derivatives are initially recognised in equity and subsequently recognised in the income statement consistently with the economic effects produced by the hedged transaction.

If hedge accounting cannot be applied, the gains or losses deriving from the fair value measurement of the derivative instrument are immediately recognised in the income statement.

Conversion of transactions Denominated in Currency other than the Reporting Currency

The transactions in currency other than the reporting currency of the entity that established the transaction are converted using the exchange rate in force on the transaction date. The exchange gains and losses generated by the closure of the transaction or by the conversion carried out at year end of the assets and liabilities in currency other than Euro are recognised in the income statement.

Own shares

The purchase cost of own shares is recognised as a reduction of shareholders' equity. The effects of any subsequent transactions on these shares are also directly recognised under shareholders' equity.

Employee Benefits

Short-term benefits are represented by wages, salaries, related social security charges, indemnities replacing holiday entitlement and incentives paid under the form of bonuses payable in the twelve months as from the end of the reporting period. These benefits are recognised as components of the personnel costs in the period in which the working activities were provided.

The benefits subsequent to the termination of the employment relationship are divided into two types: plans with defined contribution and plans with defined benefits.

- In the defined contribution plans, the contribution charges are booked to the income statement when they are incurred, on the basis of the related nominal value.
- In the defined benefit plans, which also include the employee severance indemnity in accordance with Article 2120 of the Italian Civil Code ("TFR"), the amount of the benefit to be disbursed to the employee is quantifiable only after the termination of the employment relationship, and is linked to one or more factors such as age, length of service and remuneration; therefore, the related liability is booked to the pertinent statement of comprehensive income on the basis of an actuarial calculation.

The liability recognised in the financial statements for the defined benefit plans corresponds to the current value of the obligation at the end of the reporting period. The obligations for the defined benefit plans are determined annually by an independent actuary using the projected unit credit method. The current value of the defined benefits plan is determined by discounting the future cash flows back to an interest rate equal to that of the bonds (high-quality corporate) issued in Euro and which takes into account the duration of the related pension plan.

As from 1 January 2007, the 2007 finance act and the related implementing decrees introduced significant changes to the discipline of the TFR, including the choice of the workers with regard to assignment of their accrued TFR. In detail, the new TFR flows can be assigned by the worker to pension schemes chosen beforehand or maintained in-house. In the event of assignment to external pension schemes, the company is required only to pay over a defined contribution to the chosen fund, and as from that date the newly accrued portions are defined contribution plans in nature not subject to actuarial valuation.

Further to the adoption, as from 1 January 2013, of the revised version of IAS 19 (Employee benefits), the recognition of the changes in the actuarial gains/losses is recorded among the other components of the consolidated statement of comprehensive income.

Provisions for risks and charges

Provisions for risks and charges are provided to cover known or likely losses or liabilities, the timing and extent of which however could not be determined at the end of the reporting period. Recognition takes place only when a current obligation exists (legal or implicit) for a future outgoing of economic resources as the result of past events and it is probable that said outgoing is required to fulfil an obligation. This amount represents the best discounted estimate of the expense required to discharge the obligation. When the financial effect of time is significant and the payment dates of the obligations can be reliably estimated, the provisions are measured at the current value of the outlay envisaged using a rate which reflects the market conditions, the change in the cost of money over time and the specific risk linked to the obligation. The increase in the value of the provisions, determined by changes in the cost of money over time, is recorded as interest expense.

Contributions

The grants and contributions obtained for investments in plant, both from public bodies and private third parties, are recognised at fair value when there is the reasonable certainty that they will be received and the envisaged conditions will be observed.

The water connection contributions are recognised under other non-current liabilities and released to the income statement over the duration of the investments to which they refer, if linked to an investment, and recognised in full as income if linked to pertinent costs.

Operating grants (granted for the purpose of providing immediate financial aid to the company or as compensation for the costs and the losses incurred in a previous accounting period) are recognised in full in the income statement at the time the recognition conditions are satisfied.

Note that as from the 2020 financial year, the special component of the annual water service tariff called "FoNi" (which must be earmarked for investments), is treated in accounting terms as a grant related to assets. Essentially, FoNi is deducted from the cost of individual assets entering service from year to year, in the same way as public grants related to assets).

Previously (until 2019), it was included in the income for the year. The Group made a voluntary change in accounting policy, with retroactive application from 1 January 2020. As required by IAS No. 8, the effects of retroactive application were adjusted against equity as at 1 January 2020 (with a balancing entry for affected fixed assets and deferred tax assets).

It should be noted that the share paid to CAP Holding S.p.A. for the area of the Metropolitan City of Milan alone by way of FoNi amounts to € 14,823,722 for 2021, in addition to the FoNi component of the wholesale purification tariff arrangement for the area of Monza and Brianza amounting to € 1,186,498.

Discontinued operations

Discontinued operations classified as held for sale, if any, have been measured in observance of the following two phases:

- Redetermination of the assets and liabilities of the Group subject to disposal as held for sale;
- Measurement of the assets of the Group subject to disposal at the book value of the assets or their fair value (net of the selling costs), whichever is the lower

Revenue recognition

The revenues are initially recognised at the fair value of the amount received net of any decreases and discounts. The revenues relating to the sale of goods are recognised when the Group has transferred the significant risks and the benefits associated with ownership of the goods to the purchaser. Revenues from the provision of services are recognised with reference to the value of the service provided at the end of the reporting period. Reference should also be made to the previous paragraph "Trade receivables and other current and non-current receivables".

In accordance with the matters envisaged by the IFRS, the payments collected on behalf of third parties, as in the agency dealings that do not lead to an increase in the shareholders' equity of the Group, are excluded from the revenues that are by contrast exclusively represented by the premium accrued on the transaction, if envisaged.

Costs for the purchase of goods and provision of services

The costs for the purchase of goods and provision of services are recognised in the income statement according to the accruals principle.

Taxes

Current taxes are calculated on the basis of the taxable income for the period, applying the tax rates in force at the end of the reporting period.

Deferred tax assets and liabilities are calculated for all the differences that emerge between the tax-related value of an asset or liability and the related book value. Deferred tax assets, with regard to the portion not offset by the deferred tax liabilities, are recognised to the extent that it will be probable that future taxable income is available against which they can be recovered. Deferred tax assets and liabilities are determined using the tax rates that are expected to be applicable in the period in which the differences will be realised or discharged, on the basis of the tax rates in force or essentially in force at the end of the reporting period.

Current taxes, deferred tax assets and liabilities are recognised in the income statement, with the exception of those relating to items directly charged against or credited to shareholders' equity in which case the related tax effect is recognised directly under shareholders' equity. The taxes are offset when they are applied by the same tax authorities and there is a legal right to offset

2.4 Recently issued accounting standards

On 15 December 2020, the EU approved the following document:

- Extension of temporary exemption from applying IFRS 9 - Amendments to IFRS 4 Insurance Contracts

On 13 January 2021, the EU approved the following document:

- Interest rate benchmark reform - phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The two documents must be adopted obligatorily as from the financial statements for the financial years starting on 1 January 2021. With regard to the document Interest rate benchmark reform - Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, early application is permitted.

The accounting standards and amendments issued by the IASB are shown in the following tables:

New documents issued by IASB and approved by the EU to be adopted mandatorily starting from the financial statements of the financial years as from 1 January 2021.

Document title	comment	Issue date	Effective date	Date of approval	EU Regulations and Publication date
Interest rate benchmark reform - phase 1 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).	Focuses on the effects for the entity when a reference interest rate is replaced by a different one- No impact is assessed for the CAP Group	August 2020	1 January 2021	13 January 2021	(EU) 2021/25 14 January 2021
Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)	A practical expedient for covid rent reductions is provided. To date, the CAP Group has not benefited from any discounts or rebates of lease payments due in connection with the Covid19 pandemic, so this practical expedient is not applicable.	March 2021	1 April 2021 (1)	30 August 2021	(EU) 2021/1421 31 August 2021
Extension of the Temporary Exemption From Applying IFRS 9 (Amendments to IFRS 4)	Concerns temporary exemption until 2023 from IFRS 9 for issuers of insurance contracts. It does not affect the CAP Group.	June 2020	1 January 2021	15 December 2020	(EU) 2020/2097 16 December 2020

(1) The IASB document becomes effective for financial years beginning on or after 1 April 2021, but early application is also permitted for financial statements not authorised for publication by 31 March 2021 (date of publication of the amendment to IFRS 16). The European Union's endorsement regulation published in August 2021 envisages that the amendment to IFRS 16 must be applied no later than 1 April 2021 for financial years beginning on or after 1 January 2021.

**IAS/IFRS and related IFRIC interpretations applicable to the financial statements of the financial years as from 1 January 2021
Documents approved by the EU as at 30 November 2021**

Document title	Issue date	Effective date	Date of approval	EU Regulations and Publication date
Improvements to IFRSs (2018-2020 cycle) [Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41]	May 2020	1 January 2022	28 June 2021	(EU) 2021/1080 2 July 2021
Properties, plant and machinery – Income before intended use (Amendments to IAS 16)	May 2020	1 January 2022	28 June 2021	(EU) 2021/1080 2 July 2021
Onerous Contracts - Costs required to fulfil a contract (Amendments to IAS 37)	May 2020	1 January 2022	28 June 2021	(EU) 2021/1080 2 July 2021
Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)	May 2020	1 January 2022	28 June 2021	(EU) 2021/1080 2 July 2021

IFRS 17 – Insurance contracts (including amendments published in June 2020)	May 2017 June 2020	1 January 2023	19 November 2021	(EU) 2021/2036 23 November 2021
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**IAS/IFRS and related IFRIC interpretations applicable to the financial statements of the financial years as from 1 January 2021
Documents STILL to be approved by the EU as at 31 December 2021**

It should be noted that these documents will be applicable only after the approval by the EU.

Document title	Issue Date by IASB	Effective date of the IASB document	Date of expected approval by the EU
Standards			
IFRS 14 Regulatory Deferral Accounts	January 2014	1 January 2016	Approval process suspended pending the new accounting standard on "rate-regulated activities".
Amendments			
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment to IFRS 10 and IAS 28)	September 2014	Postponed until completion of the IASB project on the equity method	Approval process suspended pending the conclusion of the IASB project on the equity method
Classification of Liabilities as Current or Non-current (Amendments to IAS 1), including subsequent amendment issued in July 2020	January 2020 July 2020	1 January 2023	TBD
Disclosure of Accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2)	February 2021	1 January 2023	TBD
Definition of Accounting Estimates (Amendments to IAS 8)	February 2021	1 January 2023	TBD
Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)	May 2021	1 January 2023	TBD
Initial Application of IFRS 17 and IFRS 9— Comparative Information (Amendment to IFRS 17)	December 2021	1 January 2023	TBD

3. Financial risk management

As part of the carrying-out of its activities, the Group is exposed to certain financial risks such as the interest rate risk, the liquidity risk and the credit/counterparty risk.

The financial risks to which the Group is exposed and the formalities by means of which they are managed are listed in greater details below.

(a) Interest Rate Risk

The portion of financial indebtedness that has a floating rate is however somewhat contained. As at 31 December 2021, it totalled 31,720,740, equal to around 22% of the total indebtedness outstanding as at 31 December 2021.

On the same date, part of this indebtedness, € 2,076,923 at a floating rate, was accompanied by a non-speculative purely hedging interest rate swap agreement.

With reference to the residual interest rate risk, the Group prepared a sensitivity analysis to determine the impact on the income statement (result before taxes) that would result from a hypothetical positive/negative change in interest rates compared to those actually recorded in each period. The following table shows the results of the analysis carried out.

in euro	Ipotesi A)	Ipotesi B)
Sensitivity analysis	-10 basis points	+10 basis points
Esercizio chiuso al 31.12.2021	7.599	(7.599)

The objective of the Group is to limit its exposure to the increases in the interest rates keeping the loan costs acceptable. The risks related to the increase in the interest rates are monitored as non-speculative.

There is no guarantee that the hedging policy adopted by the Group, intended to reduce to a minimum the losses associated with fluctuations in the interest rates in the event of floating rate indebtedness transforming them into fixed rate borrowing, will have the effect of reducing any of these losses. If the above does not take place on an absolutely remote basis, negative effects could come about on the activities of the Group, on the financial situation and on the results of the operations.

(b) Liquidity risk

The liquidity risk represents the risk that, due to the inability to procure new funds or liquidate assets on the market, the Group is unable to meet its payment commitments, causing an impact on the economic result in the event that it is forced to incur additional costs to meet its commitments or a situation of insolvency.

The objective of the Group is the maintenance over time of a balanced management of its financial exposure, aimed at ensuring a liability structure balanced with the composition of the financial statement assets and capable of ensuring the necessary operating flexibility by means of the use of the liquidity generated by the current operating activities and the recourse to bank loans.

As at 31 December 2021, deposits with banks satisfy the liquidity requirements.

The ability to generate liquidity from the core operations, together with the borrowing capacity, permits the Group to adequately satisfy its operating requirements, those for financing the working capital and investment needs, as well as the observance of its financial obligations.

The company policy with regard to the financial risk is aimed at guaranteeing a balance between average maturity of the loans, flexibility and diversification of the sources.

With regard to the diversification of the sources, the Group chose in 2017 to resort to the issue of a Bond so as to increase the transparency on the credit worthiness of the Group, enter a market in which international investors usually operate, also admitting the Bond to listing with the Irish Stock Exchange, which represents the reference point for the European bond market.

These measures might not be sufficient for completely eliminating the financial risk: the ability of the Group to obtain new sources of funding may be influenced by contractual clauses of existing loans (for example: negative pledge clauses aimed at limiting the guarantees in favour of other lenders).

In accordance with IFRS 7 and with reference to the liquidity risk, the maturity analysis of the financial liabilities is presented below. The following table contains indication of the exposure of the Group to the liquidity risk and an analysis of the maturities based on the contractual repayment obligations not discounted back. The flows are included in the first timing range in which they might occur.

Loans	Amount disbursed	Repayable within 12 months	Repayable between 12 months and 5 years	Repayable beyond 5 years	Total repayable beyond 12 months	Total residual principal as at 31/12/2021
Payables to Banks and Bonds	211,692,510	41,923,877	63,934,651	33,825,972	97,760,624	139,684,501

The Group takes steps to hedge the liquidity risk also by means of taking out a number of short-term credit facilities care of other banks.

The facilities for liquidity amounted as at 31 December 2021 to € 52,550,000 million, of which € 17,550,000 million have not yet been used.

For further considerations, please refer to the section "Significant events after the reporting period".

(c) Credit risk

The credit risk represents the Group's exposure to potential losses that may arise if a commercial or financial counterparty does not meet their obligations.

The main credit risks for the Group derive from the trade receivables from the supply of the integrated water service, collected by the Group or by other companies (Operators of other ATOs, where the Group is the "wholesale operator").

The Group tries to deal with this risk adopting policies and procedures that regulate the monitoring of the expected funding flows, the granting of extended credit terms and if necessary the implementation of suitable recovery measures, both with regard to the users directly managed and with regard to the operators for which it is the Wholesaler.

Notwithstanding the foregoing, a general increase in default rates could have a substantial negative effect on the Group's business, financial situation and results of operations as well as on the Group's ability to fulfil its payment obligations.

Trade receivables are recognised in the financial statements net of the write-down calculated on the basis of the counterparty default risk, determined by considering the information available on the customer's solvency and considering historical data. The positions, if individually significant, for which there is an objective condition of partial or total recoverability are subject to individual write-down.

For further considerations, please refer to the section "Significant events after the reporting period".

(d) Price risk

The Group mainly operates in a regulated market (integrated water service). The trend of the prices for the services provided (tariff) is therefore linked to the tariff regulation (by the EGA and by the national sector Authority ARERA). In this sense, the risk of change in the prices of the services provided by the Group is mitigated by the tariff regulation that leads to a correlation, even if indirect and partial, between its purchase prices and its sales prices.

Despite the above, a general increase in the prices of the production factors used by the Group could have a negative economic effect on the results of the Group's operations.

Accordingly, the Group constantly monitors the main markets on which it carries out its procurement for its production input, also resorting to competitive comparison procedures for the related procurements, what is more in accordance with Italian Legislative Decree No. 50/2016.

4. Going concern

The financial statements of the Cap Group as at 31 December 2021 have been prepared under the assumption that the business is a going concern. Reference should be made to paragraph 2.3 above, noting that the Group is deemed to continue to have the capacity to constitute a functioning economic complex for the production of income.

5. Estimates and assumptions

The drawing up of these consolidated financial statements requires the directors to apply the accounting standards and methods that, under certain circumstances, lie on difficult and subjective valuations and estimates based on past experience and assumptions that are from time to time considered reasonable and realistic in relation to the related circumstances. The application of these estimates and assumptions influences the amounts indicated in the financial statement formats as well as the disclosure provided. The final results of the financial statement items for which the afore-mentioned estimates and assumptions have been used could differ from those indicated in the financial statements that reveal the effects of the occurrence of the event subject to estimation, due to the uncertainty which characterises the assumptions and the conditions on which the estimates are based.

The areas that require more than others a greater subjectivity by the directors when drawing up the estimates and for which a change in the conditions underlying the assumptions used could have a significant impact on the financial data, are briefly described below.

(a) Amortisation and depreciation of intangible and tangible assets

The cost of the tangible and intangible assets is depreciated/amortised on a straight-line basis over the estimated useful life of each asset. The economic useful life of the tangible and intangible assets is determined at the time when they are acquired and is based on past experience for similar assets, market conditions and advances with regard to future events that could have an impact, including changes in technology. Therefore, the effective economic life may differ from the estimated useful life. The Group annually assesses the technological and sector changes, any changes in the contractual conditions and current legislation linked to the use of the tangible and intangible assets and the recoverable value so as to update the residual useful life. The result of this analysis may change the amortisation/depreciation period and therefore also the amortisation/depreciation charge for the year and future ones.

(b) Residual value at the end of the Concession

The Group will receive an indemnity at the end of the Concession for an amount parameterised to the residual regulatory value of the work and the assets realised during the concession period. This value, determined according to the rules defined by ARERA (Italian Regulatory Authority for Energy, Networks and Environment, formerly AEEGSI), is based on factors and estimates that may vary over time, and that may involve a change to this amount.

(c) Write-down/Write-back of fixed assets

Non-current assets are subject to monitoring for the purpose of ascertaining an impairment that, in the presence of indicators that foresee difficulties in terms of recovery, is recognised via a write-down of the related net book value. Verification of the existence of the above-mentioned indicators requires subjective assessments based on the information available within the Group and on the market, as well as past experience. Furthermore, when it is deemed that a potential impairment has been generated, steps are taken to determine it using suitable assessment techniques. The correct identification of the elements indicating the existence of potential impairment, as well as the estimates for its determination depend on factors that may vary over time, reflecting in the assessments and estimates made. Similar considerations in terms of existence of indicators and use of the estimates in the application of the assessment techniques can be found in the assessments to be made with reference to any reinstatement of the write-downs made in previous periods.

(d) Deferred tax assets

The recognition of deferred tax assets is carried out on the basis of the income expectations in future periods. The measurement of the expected income for the purposes of the recognition of deferred tax assets depends on factors that may vary over time and leads to significant effects on the measurement of this financial statement item.

(e) Provisions for risks and charges

The Group records the probable liabilities attributable to disputes with staff, suppliers, third parties and, in general the liabilities deriving from obligations undertaken in the provisions for risks and charges. The determination of these provisions leads to the undertaking of estimates based on the current awareness of the factors that may change over time, thus being able to generate final outcomes also significantly different to those taken into account when drafting the financial statements.

(f) Bad debt provision

The bad debt provision reflects the estimates relating to the losses on the receivables portfolio. The provisions for the expected losses express the estimate of the credit risk that arises from past experience for similar receivables, from the analysis of the past due amounts (current and past) of the losses and the collections, and finally from the monitoring of the performance of the current and forecast economic conditions of the reference markets.

(g) Measurement of derivative financial instruments

The determination of the fair value of unlisted financial assets, such as the derivative financial instruments, takes place by means of commonly used financial assessment techniques that require basic assumptions and estimates. These assumptions might not occur within the timescales and in the manner envisaged. Therefore, the estimates of these derivative instruments could diverge from the final figures.

Financial assets and liabilities by category

A classification of the financial assets and liabilities by category as at 31 December 2021 follows:

In €	Financial assets and liabilities at fair value with change to OCI	Loans and receivables/payables at nominal value	Available-for-sale financial assets	Financial assets/liabilities at amortised cost	Total
ASSETS:					
Other non-current assets	-	25,446,590	-	14,145,361	39,591,952
Trade receivables	-	233,020,755	-	34,320	233,055,075
Cash and cash equivalents	-	34,728,710	-	-	34,728,710
Other current assets	-	12,848,885	-	1,622,885	14,471,770
LIABILITIES:					
Non-current financial liabilities	-	77,674,236	-	21,625,867	99,300,103
Other non-current liabilities	-	55,174,238	-	6,924,264	62,098,502
Trade payables	-	77,647,376	-	-	77,647,376
Current financial liabilities	171,082	34,366,212	-	9,320,362	43,857,655
Other current liabilities	-	34,566,519	-	781,366	35,347,885

Financial instruments

IFRS 7 and IFRS 13 require that the classification of the financial instruments measured at fair value be carried out on the basis of the quality of the sources of the inputs used in the determination of the fair value itself. In particular, IFRS 7 and IFRS 13 define 3 fair value levels:

- level 1: this level contains the classification of the financial assets/liabilities whose fair value is determined on the basis of prices listed (unchanged) on active markets, both Official and Over the Counter of identical assets or liabilities;
- level 2: this level contains the classification of the financial assets/liabilities whose fair value is determined on the basis of inputs other than the listed prices as per level 1, but that for these assets/liabilities said inputs are observable directly or indirectly on the market;
- level 3: this level contains the classification of the financial assets/liabilities whose fair value is determined on the basis of market data that cannot be observed. The category includes the instruments measured on the basis of internal estimates, carried out using proprietary methods on the basis of the sector best practices.

The following table summarises the assets and liabilities that are measured at fair value as at 31 December 2021, on the basis of the level that reflects the inputs used to determine the fair value:

in €	As at 31 December 2021		
	Level 1	Level 2	Level 3
Derivative financial instruments (IRS)		171,082	

In 2008, the Group - insofar as it still exists as at 31 December 2021 - entered into an interest rate swap agreement with BNP Paribas. In 2015, it acquired a second one from the merged company Idra Milano S.r.l., of which Banca Nazionale del Lavoro S.p.A. is the counterparty.

All the positions indicated refer to underlying liabilities of a financial type, specifically:

- The position acquired from the company IDRA Milano S.r.l. is a hedge against the risk of interest rate fluctuations.
- The other position belongs to the category of "Duration Swap", i.e. financial instruments created for the purpose of transforming the debt repayment profile standardising, in terms of current value, the repayment of said debt.

6. Disclosure by operating segments

The disclosure relating to the sectors of activities has been prepared according to the provisions of IFRS 8 "Operating segments", which envisage the presentation of the disclosure on a consistent basis with the methods adopted by management for the adoption of the operational decisions. Therefore, the identification of the operating segments and the disclosure presented are defined on the basis of the internal reporting used by management for the purpose of the allocation of the resources to the various segments and for the analysis of the related performances.

An operating segment is defined by IFRS 8 as a component of an entity: i) that undertakes entrepreneurial activities generating revenues and costs (including the revenues and costs regarding transactions with other components of the same entity); ii) whose operating results are periodically reviewed at the highest operational decision-making level of the entity for the purpose of the adoption of decisions regarding the resources to be allocated to the sector and the assessment of the results; iii) in relation to which separate financial statement information is available.

Management has identified the following operating segments:

- Integrated Water Service (IWS): it includes the integrated water services mainly for the population of the Metropolitan City of Milan (excluding the capital);

The operating segments are monitored on the basis of: i) revenues; ii) EBITDA and iii) EBIT.

The "gross operating margin" (EBITDA) is calculated as the difference between operating revenues and costs before non-monetary costs relating to depreciations, write-downs (net of any write-backs) of current and non-current assets and provisions, recognised in any item.

The EBIT is defined as the net profit/loss for the year, adjusted by the following items: i) taxation and ii) financial income and expense.

7. Notes to the consolidated statement of financial position

7.1. Rights on assets under concession

The changes in the item "Rights on assets under concession" for the period from 1 January 2021 to 31 December 2021 are shown below:

In €	Value as at 31/12/2020	Increases	Account transfers	Decreases- Account transfers of assets in use	FoNI 2020 adjustment	FoNI account transfer	Contributions	FoNI	FoNI uses	Amortisation/ depreciation	Value as at 31/12/2021
Rights on assets under concession in use	676,898,524	115,725,352	401,421	(2,602,003)	677,044	(241,937)	(10,646,611)	(14,438,244)	5,100,704	(42,005,888)	728,868,360
Rights on assets under concession in progress	110,863,664	114,812,311	0	(109,714,237)	0	0	0	0	0	0	115,961,739
Rights on assets under concession	787,762,188	230,537,664	401,421	(112,316,240)	677,044	(241,937)	(10,646,611)	(14,438,244)	5,100,704	(42,005,888)	844,830,099

In accordance with IFRIC 12, rights on assets under concession for € 844,830,099 as at 31 December 2021 and € 787,762,188 as at 31 December 2020 were recognised. These rights are amortised on a straight-line basis over the duration of the concession, and then destined to be assigned to the assignor on conclusion of the concession.

The investments for 2021 amounted to € 114,812,311.

Moreover, the item "Rights on assets under concession" is stated net of the grants related to assets amounting to € 10,464,611 accrued for 2021; it is also stated net of the FoNi tariff component, assimilated to grants related to assets, amounting to € 14,438,244 accrued for 2021.

FoNi uses in 2021 represent the portion of FoNi allocated over the years to depreciable assets, accrued in 2021, deducted from item 8.9 of the income statement.

Impairment test on rights on assets under concession

The Group carried out an impairment test in order to assess the existence of any permanent losses in value with reference to the amounts accounted for among the rights on assets under concession.

The test is performed by comparing the carrying value of the asset or group of assets that form the cash-generating unit (C.G.U.) with its recoverable amount, given by the greater between fair value (net of any sales charges) and the value of the net cash flows that are expected to be generated by the asset or group of assets that make up the C.G.U. (value of use).

For the purpose of performing the impairment test, the cash flows for the duration of the Concession were used as extrapolated from the economic-financial plan drawn up by the Group, as well as the envisaged residual value of the works and assets achieved during the concession period that the Group envisages it will obtain at the end of the Concession.

For the purposes of the impairment test, the Group determined a single CGU coinciding with the Integrated Water Service (IWS) operating segment.

The discounted cash flow rate (WACC) used, which reflects the market valuations of the cost of money and the specific risks of the sector of activities and the geographic area of reference, is equal to 2.74%.

The impairment test carried out did not reveal any permanent losses in value with reference to the amounts recorded under rights on assets in concession for the 2021 financial year and, consequently, no write-downs were made on these assets.

7.2 Right of use

The item "Rights of use" concerns the ROU of long-term rental contracts based on the application of the new accounting standard IFRS 16. The effect of the application of the above standard concerned long-term rental contracts relating to tangible fixed assets, with a special reference to vehicle and truck rentals, and real estate leases.

In 2021, the generated depreciation amounted to € 418,263.

The changes that occurred in 2021 are shown below:

In €	Value as at 31/12/2020	Increases	Decreases	Depreciations	Value as at 31/12/2021
Right of use	4,535,262	1,984,819	99,506	2,787,692	3,632,883
Total Right of use	4,535,262	1,984,819	99,506	2,787,692	3,632,883

7.3. Other intangible assets

The changes in the item "Other intangible assets" for the period from 31 December 2021 to 31 December 2020 are shown below:

In €	Value as at 31/12/2020	Increases	Account transfers	Decreases/tra nsfer to asset	FoNi 2020 adjustment	FoNi account transfer	FoNi	FoNi uses	Amortisation	Value as at 31/12/2021
Other intangible assets in use	11,750,739	7,544,416	(457,052)	0	34,032	241,937	(1,023,097)	1,017,808	(7,177,941)	11,930,843
Other intangible assets in progress	410,586	6,936,239.40	0	(6,936,157)	0	0	0	0	0	410,668
Other intangible assets	12,161,324	14,480,655	(457,052)	(6,936,157)	34,032	241,937	(1,023,097)	1,017,808	(7,177,941)	12,341,511

The amount of € 12,241,511 net of the related FoNi component includes € 5,642,766 equal to the residual value of the amount resulting from the recognition in the financial statements of the purchase value of the business unit of Genia, which took place on 1 July 2011 (for an initial value of € 5,813,250, subsequently revised to € 5,698,014 when adjusted and subsequently increased by € 1,654,770 following the merger in 2013 of the company T.A.S.M. S.p.A. which had a similar financial statement item).

The agreement entered into between Genia S.p.A., transferor, and CAP Holding S.p.A., Amiacque S.r.l. and T.A.S.M. S.p.A., purchasers, envisaged that the ownership of the assets remains with Genia S.p.A. The purchase value has been recognised with open balances and is amortised on a straight-line basis with reference to the rates referable to the underlying asset.

The rest refers to capitalised ERP business software.

FoNi uses in 2021 represent the portion of FoNi allocated over the years to depreciable assets, accrued in 2021, deducted from item 8.9 of the income statement.

7.4. Properties, plant and machinery

As at 31 December 2021, the tangible fixed assets amount to € 20,472,601, with a difference compared to the balance as at 31 December 2020 of € 1,758,946 (€ 18,713,657 in 2020).

In €	Value as at 31/12/2020	Increases	Decreases	Account transfers	FoNI 2020 adjustment	FoNI	FoNi uses	Depreciations	Value as at 31/12/2021
Other tangible assets in use	9,057,201	5,910,760	(56,408)	0	17,620	(548,879)	362,285	(2,749,406)	11,993,173
Other tangible assets in progress	9,656,456	116,417	(9,378)	(1,284,068)		0	0	0	8,479,427
Other intangible assets	18,713,657	6,027,177	(65,786)	(1,284,068)	17,620	(548,879)	362,285	(2,749,406)	20,472,601

FoNi uses in 2021 represent the portion of FoNi allocated over the years to depreciable assets, accrued in 2021, deducted from item 8.9 of the income statement.

Some fixed assets owned by the Group are outside the scope of the "Group's water service". They have a book value as at 31 December 2021:

- amounting to € 630,627 and have been given for use to unrelated parties: these include, in particular, the Casalpusterlengo (LO) warehouse, rented to the company SAL S.r.l., contractor for the management of the integrated water service in the Province of Lodi (contract renewed until 31 December 2027). The related fees are parameterised to the ISTAT revaluation rate.
- amounting to € 1,234,398 also outside the Group's water service concession perimeter and are destined to be given in the future to investee companies. In particular, it concerns the area and the related building, located in Sesto S. Giovanni, Via Manin, acquired in 2020, at a consideration supported by a recent appraisal dated 23 December 2020; for the portion earmarked for the construction of a "Forsu" treatment plant to be leased to the company ZEROC S.p.A. In conclusion, it is believed that, as a whole, sufficient future economic benefits are generated to recover the carrying amount recognized by the Group.

7.5 Deferred tax assets

The breakdown of the item "Deferred tax assets" for the period from 31 December 2020 until 31 December 2021 is presented below:

DEFERRED TAX ASSETS	Value as at 31/12/2020	Increases	Decreases	Value as at 31/12/2021
For connection contributions from users	3,502,904	0	(1,382,348)	2,120,556
For amortisation of goodwill	28,134	0	(6,525)	21,609
For bad debts exceeding the tax limit	5,776,297	1,299,648	(2,138)	7,073,807
For provisions for lawsuits pending	1,326,753	689,793	0	2,016,546
For provisions for amicable settlements	439,478	0	(215,196)	224,281
For provisions for other risks	155,402	0	(117,378)	38,024
For provision for future plant decommissioning costs	1,317,144	89,349	0	1,406,493
For provision for future tank reclamation costs	1,498,326	0	(661,752)	836,574
For provision for future purification plant area reclamation costs	6,513,300	276,580	0	6,789,880
For provision for damages from sewerage percolation	1,765,656	0	(726,550)	1,039,106
For provision for environmental damages	182,045	37,560	(1,800)	217,805
For provision for municipal asphalt costs	50,195	10,465	(36,140)	24,520
For asbestos disposal expenses	1,184,058	0	0	1,184,058
For provision for expected financial hedge transactions	54,413	0	(54,413)	0
For provision for sundry charges	20,527	0	(15,448)	5,079
For undeducted excess amortisation/depreciation	212,595	0	0	212,595
Allocations for adjustments IAS 1 Jan. 2017	680,095	0	0	680,095
For foni 2012-2019 contribution	11,055,738	0	(5,553,542)	5,502,197
For tax loss that can be carried forward	3,963,068	27,352	0	3,990,421
For ACE that can be carried forward	169,784	58,926	0	228,711
For provision for risks on personnel costs	1,197,357	0	(1,134,958)	62,400
TOTAL IRES (COMPANY INCOME TAX)	41,093,270	2,489,674	(9,908,187)	33,674,756
For connection contributions from users	581,921	0	(242,276)	339,645
For foni 2012-2019 contribution	1,934,754	0	(971,870)	962,884
For provision for sundry charges	-	0	(990)	(990)
For amortisation of goodwill	(1,142)	0	(1,142)	(2,284)
For provision for future tank reclamation costs	262,207	0	(115,807)	146,400
For provision for future purification plant area reclamation costs	1,139,828	48,401	0	1,188,229
For provision for damages from sewerage percolation	308,990	0	(127,146)	181,844
For provision for municipal asphalt costs	8,784	1,831	(6,325)	4,291
For asbestos disposal expenses	238,662	0	0	238,662
For undeducted excess amortisation/depreciation	38,194	0	0	38,194
For provisions for other risks	6,065	0	0	6,065
TOTAL IRAP (REGIONAL BUSINESS TAX)	4,518,263	50,233	(1,465,556)	3,102,940
	45,611,533	2,539,906	(11,373,743)	36,777,697
DEFERRED TAX LIABILITIES				
For default interest receivable to be collected	(284,261)	(296,774)	206,539	(374,497)
For tax amortisation	(10,091,828)	(4,544,791)	13,523	(14,623,097)
Allocations for adjustments IAS 1 Jan. 2017	(88,852)	0	0	(88,852)
For revaluation of Zeroc equity investment	0	(30,726)	0	(30,726)
For provision for expected financial hedge transactions	0	(125,435)	0	(125,435)
TOTAL IRES (COMPANY INCOME TAX)	(10,464,941)	(4,997,726)	220,061	(15,242,606)
TOTAL DEFERRED TAX ASSETS	35,146,593	(2,457,820)	(11,153,682)	21,535,091

In accordance with IAS 12, deferred tax assets and liabilities are offset only if the entity has a legally exercisable right to offset the current tax assets with the current tax liabilities and the deferred tax assets and liabilities relate to income taxes applied by the same tax jurisdiction.

Note that, in 2020, CAP decided to make a voluntary change of the accounting standards in accordance with IAS 8 in relation to the FoNI tariff component.

In particular, this component was qualified until the 2019 financial year as revenue and was recognised in the income statement together with the other components of the tariff, while from 2020 it was assimilated to a grant related to assets.

In accordance with IAS 8, which envisages that a voluntary change in the accounting standard must be recognised retroactively with the effects being shown directly in shareholders' equity, CAP restated all effects on the income statement and balance sheet as from 2012, the year in which FoNi was first applied in the tariff. In particular, CAP as at 1 January 2020 recognised an adjustment to the opening balance of shareholders' equity of € 49,780 thousand, net of the related deferred tax effect, and recognised deferred tax assets of € 14,038 thousand.

In order to clarify the tax consequences of the voluntary change in the accounting standard for the representation of the FoNi component, CAP filed a request for a tax ruling pursuant to Article 11 of Italian Law no. 212/2000 and Italian Ministerial Decree no. 209 of 26 April 2001.

The Agency in its answer to the request for tax ruling, received in April 2022, considers that the previously taxed income may be recovered by filing defence supplementary returns for reducing the income already taxed for IRES and IRAP purposes, limited to the financial years 2016 to 2019. Accordingly, as a matter of prudence, and without prejudice to further procedures under study to recover taxable income previously taxed from 2012 to 2015, the deferred tax assets related to the retrospective application of the FoNi tariff component were adjusted.

The reduction, totalling € 6,525,411, was booked directly to the equity reserve that had been recognised at the time of the retroactive application of the change in the accounting standard.

Amounts receivable as at 31 December 2021 for deferred tax assets, offset by deferred tax liabilities, amounted to € 21,535,091.

The Group envisages having future taxable income capable of absorbing the deferred tax assets recognised.

7.6. Other non-current assets

The item "Other non-current assets" as at 31 December 2021 refers to:

Other receivables and other non-current financial assets	Value as at 31/12/2021	Value as at 31/12/2020	Change
Equity investments in companies	18,968,524	15,121,868	3,846,655
Accrued income and prepaid expenses	7,747,143	8,761,919	(1,014,776)
Sundry receivables	6,476,825	8,029,266	(1,552,441)
Tax receivables	2,999,436	6,351,846	(3,352,410)
Receivables from companies with minority investments	524,533	640,671	(116,138)
Bank and postal deposits	0	104,100	(104,100)
Guarantee deposits	846,922	786,407	60,515
Receivables from social security institutions	98,036	125,480	(27,444)
Financial receivables	720,694	80,063	640,632
Other non-current financial receivables	1,209,839	2,136,890	(927,051)
Total Other non-current receivables and other financial assets	39,591,952	42,138,510	(2,546,558)

The changes made in 2021 with regard to the equity investments held in Pavia Acqua S.c.a r.l., Rocca Brivio Sforza S.r.l. in liquidation, Water Alliance – Acque di Lombardia, network contract for companies with legal status, Neutalia S.r.l e ZeroC S.p.A., are shown below:

In €	Value as at 31/12/2020	Increases/re valuations	Decreases/w rite-downs	Value as at 31/12/2021
<i>Pavia Acque Scarl</i>	14,392,813	-	-	14,392,813
<i>Rocca Brivio Sforza Srl in liquidation</i>	717,387	-	(96,566)	620,821
<i>Water Alliance - acqua di Lombardia, network contract</i>	11,669	17,513	(16,315)	12,867
<i>ZeroC S.p.A</i>	-	2,952,023	-	2,952,023
<i>Neutalia S.r.l</i>	-	990,000	-	990,000
Total equity investments	15,121,868	3,959,536	(112,881)	18,968,524

The stake in Pavia Acque S.c.a.r.l. with headquarters in Pavia, total share capital € 15,048,128, owned for € 1,519,861, equal to 10.1%, as at 31 December 2021 (equal to that held as at 31 December 2020 and unchanged to date). Pursuant to Article 2359 of the Italian Civil Code, the company is not related to CAP Holding S.p.A.

It should also be noted that on 15 July 2008 CAP Holding S.p.A. carried out a first assignment to the company Pavia Acque S.c.a.r.l., assigning to it company branches related to the water networks of various municipalities located in the Pavia area, with a second conferral of water properties in 2016 for a net value of € 5,451,715.

A third contribution of € 315,078 relating to receivables of CAP Holding S.p.A. from Pavia Acque S.c.a.r.l., was made with deed dated 1 February 2018, notary public Trotta index 140.125/54.195.

The assets of Pavia Acque S.c.a.r.l., in addition to a share capital of € 1,520,000 held by CAP Holding S.p.A., include a capital reserve "registered" with reference to the same entity, amounting to € 12,872,828 as at 31 December 2020.

CAP Holding S.p.A.'s shareholding in Water Alliance - Acque di Lombardia, a network contract of companies with legal subjectivity pursuant to Italian Law no. 33 of 9 April 2009, VAT No.: 11150310966, with registered office in Milan, is equal to 20.7% as at 31 December 2021 (€ 166,771.68 vs. the total fund of € 805,259.10). The value as at 31 December 2021, net of the coverage of operating expenses, is € 12,867.

The equity investment is measured based on the percentage of contribution to the network's equity fund, as defined in the network contract, and takes into account the accounting results as at 31 December 2021 submitted by the network.

The investment in Rocca Brivio Sforza S.r.l. in liquidation derives from the merger in 2013 of the company T.A.S.M. S.p.A. into CAP Holding S.p.A. The value of the investment decreased by € 96,566 as a result of the losses incurred in 2021. The percentage held is equal to 51.036% of the shareholders' equity of Rocca Brivio Sforza S.r.l. itself.

CAP Holding S.p.A. does not have effective control over Rocca Brivio Sforza S.r.l. in liquidation since it does not possess essential rights that assign it the power to manage the significant activities of the investee company so as to influence the related returns. The equity investment is measured using the equity method and takes into account the draft financial statements as at 31 December 2021 submitted by the liquidator on 11 April 2022.

Pursuant to IFRS 10, the company was not subject to consolidation since the Group does not have actual control because the parent company owns the substantial rights that attribute it the power to manage the relevant activities of the investee thereby influencing the returns.

Moreover, CAP Holding S.p.A., in order to better achieve its corporate purpose, established NEUTALIA S.r.l. in the summer of 2021, in partnership with the AMGA Group of Legnano and AGESP of Busto Arsizio, and took over 80% of the capital of ZEROC S.p.A.

- ZEROC S.p.A. (formerly CORE), with registered office in Sesto San Giovanni (MI), share capital of € 2,000,000.00 fully paid up, owned for € 1,600,000, equal to 80% as at 31 December 2021. The equity investments were acquired during 2021. 20% of the capital is owned by the municipalities of Sesto San Giovanni (MI), Cologno Monzese (MI), Cormano (MI), Pioltello (MI), Segrate (MI) and Cinisello Balsamo (MI). The company's main corporate purpose is waste management.
- NEUTALIA S.r.l., with registered office in Busto Arsizio (VA) enrolled in the Varese Companies' Register under E&A Index No. VA-383041, tax code and VAT no. 03842010120, with share capital fully paid-up equal to € 500,000 owned for € 165,000, equal to 33% as at 31 December 2021. The shares were acquired during 2021. The remaining capital is distributed as follows: € 165,000.00 to AGESP S.p.A.

of Busto Arsizio (VA), € 165,000 to Alto Milanese Gestioni Avanzate S.P.A. (also known as Amga S.p.A.) of Legnano (MI), € 5,000 to AEMME LINEA AMBIENTE S.R.L. (also ALA SRL) of Magenta (MI) (the latter, in turn, 72% controlled by Amga S.p.A.). The company operates in the sector of circular economy management of municipal solid waste and its differentiated fractions, hazardous municipal waste, hazardous and non-hazardous special waste and all waste in general (including waste from plants connected to the integrated water service).

With regard to the sub-item "Sundry receivables", these are credit portions whose collectability was estimated over 12 months in 2021, and relating to:

- € 6,163,068 to the company BrianzAcque S.r.l. for the sale of the business unit;
- € 283,545 other receivables;
- € 30,212 to social security institutions.

With regard to the sub-item "Financial receivables", these are mainly portions of receivables whose collectability was estimated as beyond 12 months in 2021, and relating to:

- € 80,063 mainly consisting of deposits made for € 22,498 by the merged company I.A.No.Mi. S.p.A. and for € 43,032 directly by CAP Holding S.p.A., at the Provincial Treasury Section of Milan – Servizio Cassa Depositi e Prestiti - as indemnity for various properties subject to occupation and/or expropriation for the acquisition of the areas necessary to build the plants.
- Non-interest-bearing loan to Neutalia S.r.l. of € 640,632.
In this regard, in November 2021, the shareholders granted Neutalia S.r.l. a total shareholder loan of € 2,030,000 (of which € 670,000 by CAP Holding S.p.A. on 8 November 2021).

With regard to the sub-item "Other non-current financial receivables" of € 1,493,088, these are portions of receivables whose collectability was estimated as beyond 12 months in 2021, and relating to:

- € 524,533 for receivables from Pavia Acque S.c.a.r.l.;
- € 692,036 for receivables from Municipalities for works and services;
- € 351,981 for trade receivables with collectability beyond 12 months;
- € 165,823 for advances to public bodies.

The item "Receivables from companies with minority investments" of € 524,533 is related to receivables from Pavia Acque S.c.a.r.l.

The item "Tax receivables" is related to:

- € 2,719,952 for receivables due from the state for direct taxes for the year 2007. Said receivable was registered in 2008 subsequent to a payment made by the incorporated company CAP Gestione, for IRES (Corporate Income Tax) and IRAP (Regional Business Tax) plus interests and reduced sanctions, and for which a rebate has been requested by an application pursuant to art.38 of Presidential Decree no. 602/1973. For said receivable, a provision for risks of the same amount has been allocated;
- € 279,484 for receivables due from the state relative to the reimbursement, pursuant to art. 2, paragraph 1-quarter, of Italian Decree Law no. 201/2011, converted by Italian Law no. 214 of 22 December 2011, of IRES for non-deduction of IRAP on the costs of employees and equivalent personnel in the years 2007-2011, including interests accrued, € 646,356 was collected in the year 2020.

The item "Prepaid expenses" includes an amount of € 3,659,530 (as a non-current portion) recognised as a matching balance to the payable due to Cassa Depositi e Prestiti S.p.A. as guarantee commissions on the loan issued by the European Investment Bank backed by Cassa Depositi e Prestiti itself. The current portion is recognised under item 7.11 for an amount of € 898,879.

7.7. Trade receivables

Following is the breakdown of the item "Trade receivables" as at 31 December 2021:

TRADE RECEIVABLES	Value as at 31/12/2021	Value as at 31/12/2020	Change
Receivables from civil users	190,699,412	182,190,699	8,508,713
For invoices issued	157,897,784	144,044,233	13,853,550
For invoices to be issued	59,101,777	59,675,687	(573,910)
Bad debt provision	(26,300,149)	(21,529,222)	(4,770,927)
Receivables from productive users	10,026,495	15,435,424	(5,408,929)
For invoices issued	10,650,335.77	11,643,049	(992,713)
For invoices/Credit notes to be issued	1,758,859.78	5,571,711	(3,812,851)
Bad debt provision	(2,382,700)	(1,779,337)	(603,364)
Receivables from other operators for tariffs	17,967,708	20,157,255	(2,189,548)
For invoices issued	76,812	175,025	(98,213)
For invoices to be issued	17,890,896	19,982,230	(2,091,335)
Bad debt provision	0	0	0
Receivables from other wholesale operators	10,323,594	10,183,340	140,254
For invoices issued	0	0	0
For invoices to be issued	10,323,594	10,183,340	140,254
Bad debt provision	0	0	0
Other trade receivables	3,699,428	4,137,031	(437,603)
For invoices issued	5,576,027	2,235,868	3,340,160
For invoices to be issued	1,250,677	4,602,183	(3,351,506)
Bad debt provision	(3,127,276)	(2,701,020)	(426,257)
Receivables from subsidiaries (Rocca Brivio Sforza)	0	2,584	(2,584)
For invoices issued	0	2,584	(2,584)
Receivables due from affiliates	123,892	0	123,892
For invoices issued	114,350	0	114,350
For invoices to be issued	9,542	0	9,542
Receivables from municipalities	214,546	820,017	(605,471)
For invoices issued	158,812	188,593	(29,781)
For invoices to be issued	310,355	916,411	(606,056)
Bad debt provision	(254,622)	(284,987)	30,366
Total	233,055,075	232,926,350	128,725

Trade receivables mainly refer to amounts set aside for invoices issued and to be issued to civil users, production users and other customers. The balance also includes the amounts set aside for invoices to be issued deriving from tariff adjustments.

The amount of the receivable from civil users for invoices to be issued, referring to regulatory adjustments for 2019-2020-2021, is € 30,537,847.

The invoices to be issued for "guaranteed revenues" refer to the sums that, based on the agreements for the assignment of the water service and the "tariff" regulation of the sector Authority (ARERA) constitute regulatory financial assets accrued by the date of 31 December 2021, but which may be applied to users on consumption after that date. These are the regulatory adjustments for the years 2019 - 2020 and 2021.

7.8. Inventories

The detail of the item "Inventories" is shown below.

INVENTORIES	Value as at 31/12/2021	Value as at 31/12/2020	Change during the year
Raw materials and consumables	2,528,753	3,712,587	(1,183,834)
Total inventories	2,528,753	3,712,587	(1,183,834)

The inventories item is composed of electrical and hydraulic components, electrical pumps for wells, raw materials for purification, meters and other consumable materials held in the warehouse at 31 December 2021.

7.9. Contract work in progress

The item amounting to € 5,414,991 includes the value of the contracts for work in progress, inherent to the planning, works management and construction of works for the hydraulic repairs of the Cagnola water source, on behalf of the Lombardy regional authority, entrusted to the company I.A.No.Mi. S.p.A. incorporated by CAP Holding S.p.A. in 2013.

For advances received up to 31 December 2021, see the comment on liabilities, item 7.19.

The amount as at 31 December 2021 represents the gross value of the stage of completion of said contract.

7.10. Cash and cash equivalents

Following is the breakdown of the item "Cash and Cash Equivalents":

CASH AND CASH EQUIVALENTS	Value as at 31/12/2021	Value as at 31/12/2020	Change
Bank and postal deposits	34,716,156	42,369,309	(7,653,153)
Cash and equivalents on hand	12,555	5,025	7,529
Total liquid funds	34,728,710	42,374,335	(7,645,624)

Note that as at the date of these financial statements there are no liens, pledges and/or encumbrances on the deposits listed above.

7.11. Other current assets

Following is the detail of the item "Other current assets":

OTHER RECEIVABLES AND OTHER CURRENT FINANCIAL ASSETS	Value as at 31/12/2021	Value as at 31/12/2020	Change
VAT tax receivables	1,533,818	7,254,679	(5,720,861)
Receivables from companies with minority investments	2,840,371	2,611,955	228,416
Receivables for operating grants	6,324,729	1,335,656	4,989,073
Receivables from banks	977,187	1,137,008	(159,821)
Other sundry receivables	2,511,936	2,564,926	(52,990)
Receivables from social security institutions	15,098	53,801	(38,703)
Receivables from employees	49,064	61,769	(12,705)
Accrued income and prepaid expenses	219,567	256,730	(37,164)
TOTAL OTHER CURRENT RECEIVABLES AND OTHER FINANCIAL ASSETS	14,471,770	15,276,524	(804,755)

The tax receivables essentially comprise:

- € 597,903 from the VAT credit related to previous years, 2012-2013, in July 2021 a request was sent for the suspension of the limitation period;
- € 32,235 for receivables for VAT refund already being settled
- € 610,228 for IRES credit to be used as compensation in the following year;
- € 115,088 for IRAP credit to be used as compensation in the following year;
- € 21,204 for 2021 VAT credit;
- € 157,160 for other receivables for direct and indirect taxes.

The other items are broken down below:

- Receivables from public bodies in which the major part consists of receivables from the ATO of the Metropolitan City of Milan, for a sum equal to € 6,324,729, regarding grants related to assets and/or financing amounts to cover expenses relating to projects included in the Excerpt Plans;
- Receivables from the investee company Pavia Acque S.c.a.r.l. of € 2,340,832 related to commercial contracts and other receivables of € 499,539;
- Receivables for sale of BrianzAcque s.r.l. branch for € 770,000 related to two business branches sold in the past, for the current portion;
- Receivables from banks of € 977,187 mainly refer to prepaid expenses on guarantees; see item 7.6 for further details;
- Receivables from social security institutions of € 15,098;
- Receivables from employees of € 49,064;
- Other sundry receivables of € 2,511,936 of which € 836,940 to the compensation fund of the electrical sector for social bonus.

7.12 Available-for-sale assets

This item shows no change from 31 December 2020 and amounts to zero euro.

7.13. Shareholder's equity

Share capital

The share capital (referring to the consolidating company CAP Holding S.p.A.) is made up of 571,381,786 ordinary shares with a par value of € 1 each, fully subscribed and paid up.

Reserves

The change in the shareholders' equity reserves is shown in these financial statements.

7.14. Provisions for risks and charges

The changes in the item "Provisions for risks and charges" are shown below:

PROVISION FOR RISKS AND CHARGES	Value as at 31/12/202 0	Provision	Use/surplus	Value as at 31/12/2021
Provision for risks for future losses	622,033	0	(489,076)	132,957
Provision for risks on personal INPS contributions	4,988,991	0	(4,728,991)	260,000
Provisions for lawsuits pending	5,528,139	2,874,136	0	8,402,275
Provision for amicable settlements	1,907,206	0	(896,651)	1,010,554
Provision for risks relating to request for 2007 tax refund	2,719,952	0	0	2,719,952
Provision for sundry charges	23,576	0	(23,576)	0
Total provision for other risks	15,789,896	2,874,136	(6,138,295)	12,525,738
Provision for sundry charges	52,725	1,400,000	(40,787)	1,411,939
Provision for environmental damage from sewers	784,000	156,500	(7,500)	933,000
Provision for asphalt expenses	209,145	43,604	(150,583)	102,166
Provision for future tank reclamation costs	6,243,024	0	(2,757,298)	3,485,726
Provision for purification plant area reclamation	27,138,750	1,152,415	0	28,291,166
Provision for damages from sewerage percolation	7,356,900	0	(3,027,292)	4,329,608
Provision for expenses for asbestos disposal for water network	4,933,576	0	0	4,933,576
Provision for future plant decommissioning	5,401,028	372,287	0	5,773,315
Total provision for future expenses	52,119,149	3,124,807	(5,983,460)	49,260,495
Total provision for risks and charges	67,909,045	5,998,943	(12,121,755)	61,786,233

Some notes on the most significant provisions as at 31 December 2021 are shown below:

- € 8,402,275 for the provision for "lawsuits pending", which refers to various cases including disputes with social security institutions; disputes concerning compensation for damages in the vicinity of an area adjacent to a purification plant; for disputes arising from the takeover of business units by former operators; for reserves entered by the contractor for the works for the new headquarters in the site accounting records, for three pending cases with INAIL, the judgement of which is pending the fixing of the hearing for discussion; for the dispute regarding personnel for the reabsorption of ad personam allowances; for an IMU dispute and other minor claims for damages.
- € 1,010,554, for the provision of "amicable settlements". It was formed, especially in 2010 and 2011, in compliance with article 12 of the Presidential Decree No. 207 of 5 October 2010 "Regulation for the execution and implementation of Legislative Decree No. 163 of 12 April 2006" (Procurement Code) which, following the repeal of Legislative Decree 163/2006, and with it expired for contracts subsequent to April 2016. Article 12 provided for the mandatory pre-formation of an equal fund at 3% of the "economic framework" for the risks associated with "disputes relating to subjective rights deriving from the execution of public works contracts". As the works for which it was set aside close, the fund is progressively released;
- € 132,957 for the provision for future expenses mainly refers to the recognition of a part of the tariff by the operator of another territorial area and various disputes;
- € 28,291,166 for the provision for reclamation and environmental restoration intervention related to the purification plant site, following the assessment, which will be the reasonably expected condition of the lands underlying the sections, in particular pre-treatment and anaerobic digestion at the end of their useful life, as well as the estimate of the charges necessary to eliminate the statistically occurring contaminations;
- € 4,329,608 for the provision for reclamation of sewerage percolation damage, through which it is believed that it is possible to face the probable costs of reclamation of the soil polluted by the drainage of wastewater from deteriorated sewage networks;
- € 5,773,315 for the provision for expenses for the disposal of buildings. This mainly refers to buildings in Milan, Via Rimini 34/36. These buildings are being demolished in 2022 and a new building is erected to be used as the "headquarters" of the CAP Group;

- € 3,485,726 for the provision for expenses for the reclamation of floodwater culverts (environmental restoration). It was established in view of the termination of the life cycle of said tanks with consequent re-naturalisation and recovery of the areas occupied, for which it is necessary to remedy any environmental damages potentially due to percolation into the ground;
- € 4,933,576 for the provision for future removal of aqueduct networks granted to CAP Holding S.p.A., no longer in operation, which have asbestos cement among the building materials. This is essentially an estimate, as at 31 December 2019, of the cost of future excavations and removal of approximately 12 km of pipelines, surveyed in 2018 and decided as an alternative to the risk control and management activities envisaged by Article 12 of the Law No. 257 of 27 March 1992. In December 2018, the Group made a public commitment to this effect towards the relevant EGA;
- € 933,000 for the provision for future expenses for environmental damage (environmental restoration) due to the drainage of sewage discharges into the ground;
- € 102,166 for the provision for future expenses for "road repairs". The cost was quantified as the best estimate as at 31 December 2020 by the technicians of CAP Holding S.p.A. of the road sections for which, by the same date, the requirements that are imposed on the Operator of the IWS to intervene, in compliance with what is regulated by resolution no. 5 point 2 of the Area Office of the Metropolitan City of Milan of 25 May 2016. In summary, the Group must repair municipal roads (when defined tolerance margins are exceeded) that have been damaged more than once by works carried out as part of the integrated water service.
- € 260,000 for "provision for risks on personnel INPS contributions": includes the provision for the lawsuit brought by INPS to challenge the judgement of the Milan Court of Appeals no. 1148/2014 in favour of the Group and contesting a tax bill for the payment of certain types of contributions. The provision during 2021 was used to pay the contributions, penalties and interest on the tax-assessment notices in relation to which, the Court of Cassation with judgement no. 21532/19 and with judgement no. 91/2020 upheld the appeal of INPS, repealed the judgement of the Court of Appeal of Milan no. 456/13 and remanded to the same Court for reinstatement. which had then referred the parties to the final calculation of the sums due. In 2021, INPS defined the exact count of contributions, interest and penalties paid by the Group.
- € 2,719,952 for the 2007 risk provision for tax rebate: this includes the amount provided in 2008 for the recognition in the accounts of an amount receivable for the same amount due to the Tax Authorities, represented by taxes (IRES - company earnings' tax and IRAP - regional business tax) paid and not due and the related interest and reduced sanctions, paid on 30 September 2008 by the absorbed company CAP Gestione, and requested for rebate by means of application as per Article 38 of Italian Presidential Decree No. 602/1973, presented on 11 May 2009 care of the Italian Inland Revenue Agency, and subsequent appeal to the Milan Provincial Tax Commission, rejected by means of sentence No. 78/47/12. An appeal was brought against this judgement before the Regional Tax Commission that, with judgement No. 110/28/13, filed on 19 September 2013, declared the appeal inadmissible. The Group has therefore decided to appeal sentence No. 110/28/13 with appeal for revocation. Against its rejection, it was decided to lodge an appeal with the Court of Cassation. At the same time, an appeal to the Supreme Court is still pending on the merits of the case. The public hearing date has not been set as yet.
- € 1,411,939 for the provision for sundry charges set aside for 1,400,000 Provision for possible assessments of local taxes relating to previous years.

Finally, the following "possible" liabilities, but which in the Group's opinion are not probable, should be noted:

- case of Bioh Group Filtrazione SRL/Court of Milan, Civil Section VII - G.R. no. 13910/2021- Bioh Filtrazioni Group brought a civil lawsuit before the Ordinary Judge to assess the unlawfulness of the contractual termination for serious breach ordered by Amiacque and to obtain the consequent compensation for damages quantified in € 252,540.34;
- case of COGET soc. Coop / Court of Cassation G.R. no. 26902/2021- opposition brought by Amiacque against the order of the court notified by COGET Soc. Coop for the amount of € 150,865.19 plus interest at the rate and with the starting dates pursuant to Italian Legislative Decree 231/2002. After losing the appeal, Amiacque appealed to the Court of Cassation (G.R. no. 26902/2021). Amount € 224,979.69 (already paid by Amiacque on 16 September 2021 enforcing the judgement of the Court of Appeal of Milan);
- Bankruptcy of Ecol Service s.r.l./ Court of Milan R.G. no. 56643/2019 - application for a summary order concerning Amiacque's non-payment of certain invoices in the amount of € 169,094.91. The parties filed their legal briefs and the time limit for filing reply briefs expired on 17 January 2022;
- case of ATP S.r.l./Court of Milan - G.R. no. 4305/2021 -Damages for contract termination of € 235,276.70, preliminary stage;

- Different registration tax transfer from AMGA (Alto Milanese Gestioni Avanzate) of ownership of networks, plants and assets. CAP AMGA - Revenue Agency - Court of Cassation G.R. no. 25613/2020 of € 923,261;
- On 28 May 2021, the writ of summons against PPT srl Tecnologie Ambientali concerning tender disputes was notified by certified email. At the hearing on 18 November 2021, the Judge granted the time limits pursuant to Article 183.6 of the Italian Code of Civil Procedure and adjourned the case to 12 April 2022. CAP/PPT. € 106,174;
- Edil Live Costruzioni/CAP- After CAP was notified of the appeal for expert review, CAP appeared before the court for a liability amount of less than € 200,000;
- Various proceedings under € 30 thousand for a total amount of about € 85,000.

7.15. Employee Benefits

The changes in the item "Employee benefits" for the period 31 December 2020 to 31 December 2021 are shown below:

Employee Benefits	Value as at 31/12/2020	Uses	Financial income (expense)	Actuarial gains (losses)	Other changes	Value as at 31/12/2021
Employee severance indemnity	4,813,473	(428,045)	(3,865)	73,010	0	4,454,572
Total Employee Benefits	4,813,473	(428,045)	(3,865)	73,010	0	4,454,572

The provision for employee severance indemnity reflects the effects of the discounting in accordance with the requirements of IAS 19.

The economic and demographic assumptions used for actuarial valuations are broken down below:

	2021	2020	2019
Inflation rate	1.50%	1.00%	1.50%
Discount rate	0.29%	0.08%	0.37%

7.16. Current and non-current financial liabilities

The breakdown of the items “Current financial liabilities” and “Non-current financial liabilities” as at 31 December 2021 and 31 December 2020 is shown below:

Current and non-current financial liabilities	Value as at 31/12/2021		Value as at 31/12/2020	
	Current portion	Non-current portion	Current portion	Non-current portion
Cassa depositi e prestiti mortgages	255,158	0	1,642,030	255,158
Intesa San Paolo mortgages	2,211,524	14,138,393	2,099,577	16,349,918
Banca nazionale del lavoro mortgages	461,538	1,615,385	461,538	2,076,923
Current account overdrafts	-	-	-	-
Monte dei paschi di siena mortgages	295,621	1,077,611	418,823	1,374,436
Finlombarda spa loans	97,115	361,829	97,115	458,944
Banca Popolare di Milano	417,699	2,991,942	397,513	3,409,641
European Investment Bank loans	6,174,984	52,483,424	5,349,610	58,658,408
Payable to Cassa Depositi e Prestiti as guarantee on EIB loan	898,879	3,659,530	989,403	4,558,409
2017 bond ISIN: IT1656754873	5,686,795	11,400,370	5,678,013	17,087,165
Payables to banks for derivatives	171,082	0	6,204,570	877,377
Payables to banks portion of interest and mortgages	224,347	0	283,077	0
Financial payables rights of use	1,962,913	1,571,620	2,415,459	2,066,285
Short- and medium-term loans	25,000,000	10,000,000	0	0
Current and non-current financial liabilities	43,857,655	99,300,103	26,036,728	107,172,663

The information on bank mortgage loans, short-term loans, EIB loans and bond issues are summarised in the following table:

in €	Maturity	Total	Due within one year	Due in 2 to 5 years	Due over 5 years
EIB (I tranche)	2029	13,286,077	1,603,076	6,575,454	5,107,547
EIB (II tranche)	2030	7,843,484	881,166	3,634,004	3,328,314
EIB (III tranche)	2030	9,891,225	1,066,318	4,346,219	4,478,687
EIB (IV tranche)	2031	10,409,219	1,068,384	4,337,255	5,003,580
EIB (V tranche)	2032	17,228,404	1,556,039	6,398,976	9,273,389
2017 Bond issue	2024	17,087,165	5,686,795.34	11,400,370	0
BANCA INTESA EX TASM	2029	9,435,028	958,570	4,428,664	4,047,795
BNL (IDRA merger)	2026	2,076,923	461,538	1,615,385	0
MPS	2022	139,055	139,055	0	0
Cdp	2022	255,158	255,158	-	0
Finlombarda	2026	239,677	53,262	186,416	0
Finlombarda	2026	219,266	43,853	175,413	0
Mediobanca short-term loan	2022	10,000,000	0	10,000,000	0
CREDEM short-term loan	2023	10,000,000	10,000,000	0	0
Stand-by Loan Intesa Sanpaolo Ex UBI Banca	2022	15,000,000	15,000,000	0	0
Banco BPM (Amiacque)	2028	3,409,641	417,699	1,893,925	1,098,017
MPS (Amiacque)	2029	1,234,176	156,566	634,781	442,830
TOTAL LOANS		134,669,388	40,600,435	61,288,794	32,780,158

Bank mortgage loans

We mention that the payables to banks include a loan from Monte dei Paschi Siena S.p.A. signed on 14 December 2011 by the company T.A.S.M. S.p.A. (then merged into CAP Holding S.p.A. deed of merger of 22 May 2013, Volume No. 23262 file No.10176 Notary Public Ferrelli Milan), originally of € 2,000,000, with repayment beginning December 2012 and ending December 2022, which is guaranteed with the release of a voluntary mortgage to guarantee a loan, for a total of € 4,000,000 on real estate units in Rozzano (sheet 15, parcel 995 sub-parcel 701, category E3, Via dell'Ecologia, 8), on which a treatment plant owned by the former T.A.S.M., now CAP Holding S.p.A. (public notary deed 6 March 2012 volume 22358/9707 Notary Public Ferrelli of Milan). The nominal value of the residual debt of this loan as at 31 December 2021 amounted to € 139,055.

Payables to banks also include a loan from Banca Infrastrutture Innovazione e Sviluppo S.p.A., which has now become Intesa San Paolo S.p.A., taken out on 14 October 2010 by the company T.A.S.M. S.p.A. (later merged into CAP Holding S.p.A. by merger deed dated 22 May 2013, volume No. 23262, file No. 10176, Notary Public Ferrelli of Milan), originally for € 16,000,000, with repayments from 1 January 2013 until 30 November 2029. The value of this mortgage loan was fully credited in 2021. The nominal value of the residual debt of said loan as at 31 December 2021 amounted to € 9,435,028.

The payables to banks as at 31 December 2021 also include:

- € 1,234,176 at nominal value for a loan with Monte dei Paschi di Siena, acquired in 2013 by Amiacque S.r.l., with the business unit of AMAGA together with the Abbiategrosso headquarters, which was purchased with the loan in question. A voluntary mortgage is registered as security for the loan on the Abbiategrosso building. The redemption plan expires on 1 September 2029.

Note also that the amounts due to banks also include the residual debt as principal for:

- portions of loans transferred by conferment of business unit pursuant to Article 2560 of the Italian Civil Code, in Pavia Acque S.c.a r.l. (deeds of 15 July 2008 and 23 December 2016) for which it has not yet been possible to make innovations, due to a residual debt as at 31 December 2020 of a nominal amount of € 685,199 and the recognition of the residual receivable from Pavia Acque S.r.l. for the same amount at the nominal value as at 31 December 2021, of which € 160,666 among current financial assets (item 7.11) and € 524,533 among non-current financial assets (item 7.6);

- portions of loans transferred by partial demerger to Patrimoniale Idrica Lodigiana S.r.l. (deed of 28 May 2014 May 12) for a residual nominal value of € 159,822, not yet innovated, and the recognition as an asset of the receivable from Patrimoniale Idrica Lodigiana for a nominal value of € 273,750 (the company P.I.L. S.r.l. with deed of 14 December 15 vol. 94891 collection No. 24276 Notary Public Mattea of Lodi was merged into the SAL Società Acqua Lodigiana, S.r.l.), of which € 142,900 under current financial assets (Item 7.11) and € 130,850 under non-current financial assets (Item 7.6);
- portions of loans transferred for the sale of a business unit to the company BrianzAcque S.r.l. for residual nominal value of € 346,324, not yet innovated. and the recognition as an asset of the receivable from BrianzAcque S.r.l. for the same amount as at 31 December 2021. The receivable is of recognised for € 62,780 under current financial assets (Item 7.11) and € 283,544 under non-current financial assets (Item 7.6).

Payable to Cassa Depositi e Prestiti as guarantee on EIB loan

The item, amounting to € 4,558,409 as at 31 December 2021 (of which € 898,879 current portion and € 3,659,530 non-current portion), is related to the total charge linked to the guarantee commissions due to the Guarantor bank, calculated in proportion to the actual drawdowns on the guaranteed EIB loan, paid periodically until the guaranteed loan expires.

This payable is recognised as a balancing entry to the item Other Current and Non-current Assets (see Notes 7.6 and 7.11) which follows the allocation to the income statement on an accrual basis.

BEI loan

With regard to the amount due to the European Investment Bank, the tranches disbursed up until 31 December 2021 were:

- an initial disbursement of € 18,000,000 in May 2015, which will be repaid in straight-line (fixed rate) six-monthly instalments from June 2019 until December 2029;
- a second issue of Euro 10,000,000 in November 2015, which will be repaid in constant (fixed rate) six-monthly instalments from December 2019 until June 2030;
- in May 2016, a third of € 12,000,000, which will have a repayment period in constant six-monthly instalments (at a fixed rate) starting from June 2020 to December 2030;
- in July 2016, a fourth of € 12,000,000, which will have a repayment period in constant six-monthly instalments (fixed rate) starting from December 2020 to June 2031;
- in July 2017, a fifth of € 18,000,000 which will have a repayment period in constant six-monthly instalments (fixed rate) starting from December 2021 to June 2032.

As at 31 December 2021, the total amount due to the EIB amounted to a € 58,658,408.

Bonds

The item refers to:

- € 17,087,165 for the bond (ISIN code No. XS1656754873), for a nominal € 40,000,000 admitted for listing and trading on the regulated market of the Irish Stock Exchange on 2 August 2017. The bond was fully subscribed by institutional investors. The 7-year bonds (maturing August 2024) bear interest payable on an annual basis (first maturity in August 2018) at a fixed rate of 1.98%. The capital is repaid according to a redemption plan at constant principal, without prejudice to the cases of early repayment governed by the regulation of the Bonds.

The costs incurred by the Group to obtain the bond were initially recognised as a reduction of the financial liability and subsequently recorded in the income statement under the amortised cost method, in accordance with the provisions of IFRS 9.

As at 31 December 2021, the residual capital, at nominal value, amounted to € 17,142,864, and at amortised cost it amounted to € 17,087,165. The portion of interest pertaining to the year 2021 of € 169,714 due within the next financial year was entered among the financial liabilities.

The portion due within the following year is equal to € 5,856,509 (inclusive of the above mentioned interest portion recorded under financial liabilities); the portion due beyond the following year amounts to € 11,400,370.

The IAS derivative fair value

Reference is made to paragraph 5, point "derivative financial instruments". As at 31 December 2021, the value of the derivatives amounted to € 171,082, subdivided as shown in the following layout:

type of derivative contract	interest rate swap with BNP Paribas	interest rate swap with BNL
contract date	22/01/2008	16/05/2011
purpose	loan hedging	rate hedging
contract number	10706142	5963433
settlement date	46387	46158
underlying financial risk	variability of interest rates	
book value 31/12/2021	(156,204)	(14,878)
hedged asset/liability	Intesa loan (formerly Banca OPI 2006)	BNL loan (formerly Idra Patrimonio)
Type of derivative contract	interest rate swap with BNP Paribas	interest rate swap with BNL
Type of derivative contract		

Accessory charges on loans

The charges incurred by the Group to obtain bank loans were initially recognised as a reduction of financial liabilities and subsequently recognised in the income statement using the amortised cost method, in accordance with IFRS 9.

It should be noted that following the application of IFRS 16, financial payables were recorded in 2021. Details of current and non-current financial payables relating to the application of the accounting standard IFRS 16 are set out below.

In € IFRS 16 lease liability	Value as at 31/12/2020	Increases	Decreases	Value as at 31/12/2021	Due within the financial year	Due beyond the financial year
Long-term rentals of cars/trucks	3,142,098	1,634,648	1,945,780	2,830,965	1,687,895	1,174,359
Property leases	1,339,647	350,172	986,250	703,569	275,017	397,261
Total	4,481,745	1,984,819	2,932,030	3,534,534	1,962,913	1,571,620

7.17. Other non-current liabilities

Following is the detail of the item "Other non-current liabilities.

Other payables and non-current liabilities	Value as at 31/12/2021	Value as at 31/12/2020	Change
<i>Payables for contributions</i>			
Payables for ert.nert connection contributions and other third party financed projects	5,791,140	4,712,441	1,078,699
Payables for aqueduct connection contributions	1,416,448	5,727,319	(4,310,871)
Payables for sewer connection contributions	641,630	2,712,703	(2,071,074)
Payables for ATO/Regional contributions on work in progress	2,365,648	504,483	1,861,164
Total non-current liabilities for contributions	10,214,865	13,656,946	(3,442,082)
<i>Payables to others</i>			
Accrued expenses and deferred income	10,425,410	5,077,556	5,347,854
Loans taken over	16,163,487	18,464,860	(2,301,373)
Guarantee deposits from users and customers	24,594,514	26,606,403	(2,011,889)
Other non-current payables	700,227	769,736	(69,510)
Total non-current liabilities to others	51,883,637	50,918,555	965,083
Total other non-current payables and liabilities	62,098,502	64,575,501	(2,476,999)

Another significant sub-item is represented by amounts due to users for the utility guarantee deposits of the integrated water services of € 24,594,514.

€ 10,425,410 refers to deferred income for contributions/connections, etc. and includes the portion of contributions received from users for the completion of aqueduct and sewer connections that will be posted under the revenues in periods after 31 December 2021 in connection with the depreciation of the related assets.

In conclusion, with regard to the loans undertaken, € 16.163.487, this involves the portions due beyond 12 months, for:

€ 14,860,259 for payables to the ATO for "take over" corresponding to the loan taken out by the Province of Milan from Cassa Depositi e Prestiti, Ref. No. 4492128/00, required for financing decree No. 3/2009 of the ATO Authority of the Province of Milan, that CAP Holding S.p.A. took over in 2013. The portion due beyond 5 years amounted to € 6,692,084;

- € 762,352 for a debt to the Metropolitan City of Milan, recorded during 2015, for the taking over of the Cddpp loan position No. 4430124, based on agreements signed by the then Idra Patrimonio S.p.A. to finance the "Idra Fanghi" (plant sold during 2015 by Idra Milano S.r.l.). It reached CAP Holding S.p.A. due to the merger of Idra Milano S.r.l. in 2015.;

- € 540,876 for other mortgages and/or financial loans taken over, transactions which mainly took place further to the conferrals in kind in CAP Holding S.p.A. (or its assignors, by CAP Gestione S.p.A. to CAP Impianti S.p.A., to its incorporated companies in 2013) of the assets of the water service by EELL, now a shareholder. The portion due beyond five years amounted to € 300,937

The portions of these payables for the assumption of loans due within 12 months are shown under "other current liabilities".

The short-term portions of loan assumptions represent the sums due within 12 months of the loans taken over of € 2,343,802, the latter already commented on in greater detail in the item "current and non-current payables to banks and other lenders", section 7.16

7.18. Trade payables

This item includes payables relating to the normal performance of commercial activities by the Group, relating to the supply of goods, fixed assets and services of € 77,647,376. As at 31 December 2021, there were no payables in the financial statements with a residual duration of more than five years.

7.19. Other current liabilities

Following is a breakdown of the item "Other current liabilities".

Other current payables and liabilities	Value as at 31/12/2021	Value as at 31/12/2020	Change
Payables to minority companies	8	-	8
Payables to minority companies	8	0	8
Payables to municipalities for services and other	795,211	956,517	(161,305)
Payables to municipalities for invoices to be received	1,140,503	1,140,553	(50)
Payables to municipalities for services and other	1,935,714	2,097,070	(161,355)
Payables to local authorities for tariff quotas	236,698	428,278	(191,580)
Payables to companies and consortiums for tariff quotas	2,738,824	3,928,725	(1,189,900)
Payables to consortium villoresi for reclamation grants	2,820,370	2,763,384	56,986
Payables to EGA for tariff quotas write-off law	793,605	793,660	(55)
Payables to others for tariff quotas	6,589,498	7,914,048	(1,324,550)
Guarantee deposits from users and customers			0
Advances	3,564,140	4,684,617	(1,120,477)
Other payables to users and customers	462,035	520,442	(58,407)
Advances from users	1,426,077	1,284,714	141,364
Advances from municipalities for services and other	576,271	430,350	145,921
Advances on ato Mi/Lombardy region contract contributions	8,623,368	8,622,068	1,300
Other payables to employees	3,760,983	3,545,425	215,558
Loans taken over	2,343,802	2,507,657	(163,855)
Tax payables	2,661,989	1,580,522	1,081,467
Payables to social security institutions	3,021,537	2,541,591	479,946
Other liabilities	382,462	480,196	(97,735)
Payables to others	26,822,665	26,197,583	625,082
Total Other current liabilities	35,347,885	36,208,700	(860,815)

With regard to comments on the sub-items "for tariff portions" as well as utility guarantee deposits, reference is made to the matters already indicated in section 7.17 where the portions due beyond 12 months of said liabilities are indicated.

Advances amount to € 9,199,640 as of 31 December 2021 and mainly regard advance payments for work in progress commissioned by private entities and public bodies (€ 576,271) and the Lombardy Regional Authority (€ 8,623,638).

It should be noted that part of this amount of € 8,528,005 refers to the long-term order "arrangement of the Cagnola Fontanile". Since these are advance payments, the value of work in progress on order has not been deducted from the total amount of advances.

The short-term portions of loan assumptions represent the sums due within 12 months of the loans taken over, already commented on in greater detail in the item "other current liabilities", section 7.16.

Tax payables mainly refer to the VAT payable on the fourth quarter balance paid in 2022 of € 1,620,400 and employees' IRPEF withholdings of € 1,022,405.

The above table illustrates the breakdowns of the amounts by individual item.

7.20 Liabilities available for sale

As at 31 December 2021, no liabilities held for sale are recognised.

8. Notes to the consolidated statement of comprehensive income

8.1 Revenues

As at 31 December 2021, revenues amounted to € 240,721,687.

The revenues achieved in relation to sales and services carried out during the year 2021, divided by the main Area Authorities, are shown below.

The Revenues recognised in the financial statements mainly comprise:

- Revenues from sales and services for the Area of the Metropolitan City of Milan.

Revenues for tariffs of the IWS within the Metropolitan City of Milan area determined as part of the Guaranteed Revenue Bonds (VRG) amounted to € 218,729,212.

- Revenues from sales and services in the Monza Brianza area.

On the whole, revenues for the integrated water system tariffs within the province of Monza and Brianza determined as part of the relevant VRG amounted to € 12,432,087 for 2021, entirely relating to the share of "wholesaler" services.

- Revenues from sales and services for the Pavia area

For the Pavia area, the entire tariff as at 1 January 2014 is due to the consortium company Pavia Acque S.c.a.r.l. pursuant to the agreement assigning the service entered into by said companies and the Pavia ATO Office on 20 December 2013.

Therefore the Group has no income from tariffs for that ATO. The CAP Holding S.p.A., as a member of S.c.a.r.l. was appointed to carry out various infrastructure activities in some municipalities of Pavia, consequently registering among their income a consideration arising from the prices recognised to it by Pavia Acque S.c.a.r.l. For 2021, the income amounted to € 4,495,576 (plant operation and maintenance).

- Other areas

These are residual presences of CAP Holding S.p.A., which acts by offering certain service segments (and managing them through an exchange rate) relating to the following cases:

- purification service carried out through the CAP Holding S.p.A. purifier located in the municipality of San Colombano al Lambro (enclave of the Metropolitan City of Milan in the territory of Lodi) for 3 municipalities in the Lodi area (Borghetto Lodigiano, Graffignana and Livraga) in which the main Operator is SAL S.r.l.;
- purification service rendered to 2 municipalities of the ATO of Como (Cabiato and Mariano Comense, for the latter case there are very few utilities) through the Pero purifier located in the Metropolitan City of Milan;
- purification service carried out by the Peschiera Borromeo plant (located in the Metropolitan City of Milan) that also serves the eastern districts of the City of Milan, where the main Operator is MM S.p.A.

In 2021, revenues for the province of Lodi amounted to € 405,494, those for the province of Como amounted to € 192,870 while those for the Metropolitan City of Milan amounted to € 2,445,198.

The management of the water service in the Municipality of Castellanza (VA) (aqueduct, wastewater treatment and sewerage) is also to be considered as metropolitan "tariff" (see Board of Directors resolution of the EGA of the Metropolitan City of Milan No. 1 of 31 May 2016 - Annexe A)

Some contingent assets, amounting to € 1,121,158, are also listed under item 8.1 and include:

- fire-fighting penalties and fixed fees in the amount of € 600,093;
- domestic users of € 398,917.

The most significant amounts are also summarised under item 8.1 other income:

- € 531,420 for sludge and third-party wastewater disposal;
- € 211,926 for fixed charges;
- € 36,451 for joining the provision for hidden losses;
- € 30,837 for water discharge authorisation examination fees;
- € 18,461 for contract work in progress for the planning, site supervision and construction of works for the hydraulic repairs of the Cagnola water source, on behalf of the Lombardy Region, assigned to the company I.A.No.Mi. S.p.A. merged in 2013.

8.2 Increases for internal works

The value of the item in 2021 amounts to € 3,929,367, a change of € 251,668 compared to 2020 (€ 4,181,035). This concerns staff hours capitalised on investment orders.

8.3 Revenues for works on assets under concession

Revenues for work on assets under concession amounted to € 110,811,283 for financial year ended 31 December 2021 (€ 88,134,590 in 2020). These revenues correspond, in accordance with IFRIC 12, to the work carried out on the assets under concession owned and used by the Group for its core activities. In terms of operating costs, this item corresponds to items 8.7 for the portion realised directly by the parent company and the investee company (€ 64,464,772), item 8.5 (€ 2,437,770), item 8.6 (€ 42,340,226) and item 8.8 (€ 1,568,515) for the portions realised by Amiacque in favour of Cap Holding.

8.4 Other revenues and income

Following are the details of the item "Other revenues and income" for the year ended 31 December 2021:

Other revenues and income	Value as at 31/12/2021	Value as at 31/12/2020	Change	% change
Sundry				
Reversal of provisions	8,732,885	3,366,395	5,366,489	159%
Other revenues and income	5,798,469	3,146,705	2,651,765	84%
Other contingent assets/liabilities	1,945,074	4,476,905	(2,531,831)	-57%
Reimbursement for seconded personnel	1,462,159	306,115	1,156,045	378%
Penalties from suppliers and customer	1,148,008	309,963	838,044	270%
Compensation for damages and other	860,439	764,155	96,284	13%
Rental fees received	558,183	539,948	18,235	3%
Revenues from design services	473,292	0	473,292	100%
R&D receivable	107,145	373,212	(266,067)	-71%
Total sundry	21,085,655	13,283,398	7,802,257	59%
Operating grants				
Operating grants	1,309,293	680,680	628,613	92%
Total contributions	1,309,293	680,680	628,613	92%
Considerations				
Considerations from private parties and	4,440,142	1,805,138	2,635,004	146%
Total considerations	4,440,142	1,805,138	2,635,004	146%
Total other revenues and income	26,835,089	15,769,216	11,065,873	70%

Note that the item "Reversal of provisions" includes the reversal for adjustment of unused portions of the provisions including:

- "sewerage percolation damage" of € 3,027,292;
- "tank reclamation costs" of € 2,757,298;
- "amicable settlements" of € 896,651 (see also paragraph 7.14 above);
- "future losses" of € 489,076;
- "adjustment decreasing bad debt provisions" of € 1,128,281;
- "adjustment decreasing the provision for risks for contributions to be paid to INPS" of € 410,710;
- "adjustment decreasing the provision for sundry charges" of € 23,577.

The item "Other revenues and income" includes income for sundry works and services in favour of Water Alliance companies, the network itself and other companies of € 4,186,183, capital gains from the decommissioning/disposal of fixed assets of € 551,110.

The item "Other contingent assets/liabilities" mainly includes non-existent assets for lower sundry costs from previous years of € 473,566, collections from domestic and production users of € 363,458, collections from reversed bills of € 220,929 and grants on assets of € 188,093.

The item "Compensation for damages and other reimbursements" includes indemnities from insurance companies for damages of € 265,032, various other chargebacks to Water Alliance and network companies of € 75,875, to ATO and other companies of € 93,091, compensation for damages of € 50,000 and reimbursement of legal costs of € 127,624.

8.5 Costs for raw materials, consumables and goods

A breakdown of the item "Costs for raw materials, consumables and goods" for the year ended 31 December 2021 is show below:

Costs for raw materials, consumables and goods	Value as at 31/12/2021	Value as at 31/12/2020	Change	% change
Materials destined for works	7,540,386	6,302,477	1,237,910	20%
Electrical and hydraulic components	1,866,550	1,636,493	230,057	14%
Change in inventories	1,183,834	(130,694)	1,314,527	-1006%
Consumption metres	1,054,182	556,200	497,981	90%
Fuels and combustibles	778,653	689,551	89,101	13%
Consumable materials	668,031	640,667	27,364	4%
Consumable materials for safety in the workplace	416,719	522,001	(105,282)	-20%
Electrical pumps	258,464	246,839	11,626	5%
Conditioning filters and raw materials for conditioning water	2,854	825	2,030	246%
Wholesale water provisioning	0	187,071	(187,071)	-100%
Total costs for raw materials, consumables and goods	13,769,673	10,651,430	3,118,243	29%

This item mainly includes the costs for the purchase of consumables and maintenance of the Integrated Water Service.

8.6 Costs for services

A breakdown of the item "Costs for services" for the year ended 31 December 2021 is shown below:

Costs for services	Value as at 31/12/2021	Value as at 31/12/2020	Change	% change
Costs for industrial services	49,285,208	47,719,373	1,565,835	3%
Works carried out for CAP, private individuals	41,973,998	35,104,648	6,869,349	20%
Routine maintenance	15,466,507	16,814,755	(1,348,247)	-8%
Demolition of tanks	10,963	14,076	(3,113)	-22%
Work on plant and water houses	9,353	21,145	(11,793)	-56%
Total cost for industrial services	106,746,028	99,673,997	7,072,031	7%
Other administrative, general and commercial costs	20,739,491	21,689,742	(950,251)	-4%
Allocation to provision for future expenses	1,196,020	2,023,488	(827,468)	-41%
Total other administrative, general, commercial costs and provisions	21,935,510	23,713,230	(1,777,719)	-7%
Repayments of loans and concession fees	3,553,412	4,076,965	(523,554)	-13%
Rental and licence fees	2,317,181	621,058	1,696,123	273%
Fee for use of well and crossings	2,011,653	1,883,603	128,050	7%
Hiring	261,797	164,328	97,469	59%
Contingent liabilities - fees	368	1,210	(842)	-70%
Total costs for use of third party assets	8,144,411	6,747,164	1,397,247	21%
Total costs for services	136,825,949	130,134,391	6,691,558	5%

The services item includes € 1,196,020 in annual provisions for risks and charges: Provisions under this item are:

- € 1,152,415 for the provision for expenses for the future reclamation of the areas of the purification plants;
- € 43.605 for the provision for asphalt expenses.

The item "costs for industrial services" is broken down in the following table:

Costs for industrial services	Value as at 31/12/2021	Value as at 31/12/2020	Change	%
Electricity	29,330,465	29,813,718	(483,253)	-2%
Costs for sludge disposal	11,991,995	10,353,709	1,638,286	16%
Other industrial costs	3,356,691	2,493,044	863,647	35%
Cleaning networks and plants	1,678,626	1,915,401	(236,775)	-12%
Regeneration with active carbons	1,577,339	1,744,785	(167,446)	-10%
Wholesaler's purification contract costs	1,350,092	1,398,716	(48,624)	-3%
Total cost for industrial services	49,285,208	47,719,373	1,565,835	3%

The breakdown of "administrative, general and commercial costs" is shown below.

Other administrative, general and commercial costs	Value as at 31/12/2021	Value as at 31/12/2020	Change	% change
Maintenance on equipment, sw, hw, vehicles and premises	4,597,275	5,444,634	(847,358)	-16%
Other costs	3,267,241	2,823,739	443,501	16%
Operating expenses for premises, cleaning and s	2,306,655	1,944,061	362,594	19%
Personnel costs	2,164,643	1,878,758	285,884	15%
Insurances	1,940,747	1,898,053	42,694	2%
Advertising and propaganda expenses	1,626,242	918,541	707,701	77%
Specialist consultancy fees	1,517,703	1,494,324	23,379	2%
Meter reading	620,533	382,526	238,007	62%
Administrative and technical professional services	593,634	595,579	(1,944)	0%
Connectivity and social networking services	550,124	515,992	34,132	7%
Bank charges and commissions	534,694	537,676	(2,982)	-1%
Fees and costs for corporate bodies and SBs	483,613	489,833	(6,219)	-1%
Seadrome sponsoring and maintenance	286,555	1,818,049	(1,531,493)	-84%
Other contingent assets	171,067	558,955	(387,889)	-69%
Water houses	63,741	254,430	(190,689)	-75%
Hydraulic risk study	15,024	134,593	(119,569)	-89%
Total Other administrative, general and commercial costs	20,739,491	21,689,742	(950,251)	-4%

8.7 Costs for work on assets under concession

Costs for work on assets under concession amounted to € 64,464,772 for financial year ended 31 December 2021 (€ 51,133,406 in 2020). They represent charges relating to works carried out on the assets under concession by third parties. Capitalised internal costs are recognised by nature within the specific Income Statement items.

8.8 Personnel costs

The breakdown of the item "Personnel costs" for the year ended 31 December 2021 is shown below:

Personnel costs	Value as at 31/12/2021	Value as at 31/12/2020	Change	% change
Salaries and wages	34,664,457	32,691,503	1,972,955	6%
Social security charges	10,422,673	9,826,780	595,893	6%
Employee severance indemnity	2,328,702	2,140,411	188,291	9%
Retirement benefits	286,310	256,437	29,874	12%
Other costs	971,479	822,210	149,270	18%
Total costs for personnel	48,673,621	45,737,339	2,936,282	6%

The following table shows the number of employees of the Group, broken down by category:

Level	Employed as at	Recruits	Leavers	Employed as at
<i>Executives</i>				
Permanent contracts	1	0	0	1
Term contracts	9	1	0	10
Total executives	10	1	0	11
<i>Personnel with permanent contracts / apprenticeships</i>				
Middle managers	28	11	2	37
Level 8	54	2	11	45
Level 7	61	19	6	74
Level 6	134	37	22	149
Level 5	187	40	40	187
Level 4	166	15	23	158
Level 3	147	25	19	153
Level 2	84	1	24	61
Level 1	1	0	1	0
Total permanent contracts and apprenticeships	862	150	148	864
Total term contracts	15	19	18	16
Total Gas-Water Sector CCNL	877	169	166	880
Total Employees	887	170	166	891

8.9 Amortisation, depreciation, write-downs and provisions

The breakdown of the item "Amortisation, depreciation, write-downs and provisions" for the year ended 31 December 2021 is presented below:

Amortisation, depreciation, provisions and write-downs	Value as at 31/12/2021	Value as at 31/12/2020	Change	% change
Concession amortisation	36,905,184	36,304,410	600,774	2%
Amortisation of intangible fixed assets	6,160,132	6,194,749	(34,617)	-1%
Depreciation of tangible fixed assets	2,387,122	2,117,604	269,518	13%
Depreciations of rights of use	2,787,693	2,962,282	(174,590)	-6%
Write-down of receivables	6,744,139	6,595,396	148,743	2%
Total depreciation, amortisation and write-downs	54,984,270	54,174,441	809,829	1%
Provisions	3,402,923	2,979,781	423,143	14%
Total depreciation, amortisation and write-downs	3,402,923	2,979,781	423,143	14%
Total depreciation, amortisation, provisions and write-downs	58,387,194	57,154,222	1,232,972	2%

Note that amortisation/depreciation is shown net of utilisation of FoNi.

The amount relating to other provisions, amounting to € 3,402,293 refers to the adjustment of the provision for risks and future charges of:

- € 2,448,732 for the provisions for legal disputes;
- € 425,404 for accrual to provisions for IMU assessment;
- € 372,287 for provision for facility decommissioning for the headquarters of via Rimini;
- € 156,500 for provision for adjustment of sewerage discharge fund.

The bad debt provision in 2021 amounted to € 6,744,139.

8.10 Other operating costs

The item "Other operating costs" for the year ended 31 December 2021 is broken down below:

Other operating costs	Value as at 31/12/2021	Value as at 31/12/2020	Change	% change
Other contingent assets/liabilities	3,323,874	5,678,184	(2,354,310)	-41%
Capital losses on fixed assets	2,612,481	0	2,612,481	100%
Taxes and duties	2,181,304	1,302,794	878,511	67%
Provisions for indirect taxes	1,400,000	0	1,400,000	100%
Operating expenses for ATO-AEEG entities	1,225,066	1,215,282	9,785	1%
Additional water bonus	977,224	363,236	613,988	169%
Expense reimbursements to third parties	957,437	344,737	612,700	178%
Other sundry operating expenses	824,534	124,782	699,752	561%
Membership fees	356,667	186,210	170,457	92%
Costs for social welfare and donations	163,144	45,455	117,689	259%
Sundry rights	131,505	129,867	1,637	1%
Fines and penalties	41,152	65,447	(24,295)	-37%
Books, magazines and newspapers	19,940	25,631	(5,691)	-22%
Losses on loans	5,578	180	5,398	2999%
Total other operating costs	14,219,905	9,481,805	4,738,100	50%

The item "other contingent liabilities/non-existent liabilities" refers to adjustments from tariffs of € 2,147,246, lower revenues of € 663,403, higher costs from previous years of € 273,876, miscellaneous of € 241,691.

The item "Capital losses on fixed assets" is mostly related to the demolition of part of the ZERO C (former CORE) real estate and plant compendium purchased by the Cap Holding Group for the purpose of reconversion through demolition and reconstruction for the construction of the infrastructure forming part of the Bioplatfrom.

The item "Provision for indirect taxes" of € 1,400,000 refers to the provision for possible assessments of local taxes for previous years

8.11 Non-recurring operations

There are no cash donations in 2021. In 2020, the cost of the measures to combat the Covid-19 epidemiological emergency in favour of local authorities and Aziende Socio-Sanitarie Territoriali (ASST) in the area of reference amounted to € 9,939,434.

8.12 Financial income and expense

The balance of the financial income and expense totalled € (3,346,866).

Financial income as at 31 December 2021 totalled € 1,784,960.

Financial income	Value as at 31/12/2021	Value as at 31/12/2020	Change	% change
Other interest income	1,652,935	1,240,612	412,322	33%
Revaluation of equity investments	128,023	0	128,023	100%
Bank interest income	4,002	7,780	(3,777)	-49%
Total financial income	1,784,960	1,248,392	536,568	43%

As at 31 December 2021, the financial expense amounted to € 5,131,826.

The breakdown of interest and other financial expense, relating to bonds, bank payables and others, is shown below:

Financial expense	Value as at 31/12/2021	Value as at 31/12/2020	Change	% change
Bank loans and mortgages	1,848,818	2,082,742	(233,924)	-11%
EIB loan charges	989,403	1,059,805	(70,402)	-7%
Assumption of loans	772,119	865,093	(92,974)	-11%
Swaps (to banks)	780,029	786,528	(6,499)	-1%
Bonds	395,829	509,029	(113,200)	-22%
Other	291,586	307,312	(15,727)	-5%
Financial expenses on rights of use	54,042	62,084	(8,041)	-13%
Total financial expenses	5,131,826	5,672,593	(540,767)	-10%

8.13 Taxes

The item "Taxes" for the year ended 31 December 2021 is broken down below:

Taxes	Value as at 31/12/2021	Value as at 31/12/2020	Change	% change
IRES	6,973,721	3,632,665	3,341,057	92%
IRAP	1,882,052	1,625,046	257,006	16%
Recovery of deferred tax assets of previous financial years	4,793,919	2,866,516	1,927,403	67%
Deferred tax assets for the year	(2,539,906)	(3,232,196)	692,289	-21%
Recovery of deferred tax liabilities of previous financial years	(180,389)	(85,027)	(95,361)	112%
Deferred tax liabilities for the year	4,832,619	2,697,854	2,134,766	79%
Tax from previous years	(359,343)	5,210	(364,553)	-6997%
Total taxes	15,402,673	7,510,067	7,892,606	105%

The description of the temporary differences that implied the recognition of deferred and prepaid taxes is provided in the schedules included in section 7.5 "Deferred tax assets", respectively

9. Related party transactions

The consolidating company CAP Holding S.p.A. is entirely publicly owned. As at 31 December 2020, there are 197 Shareholders, of which 195 municipalities divided as follows: 133 municipalities of the Metropolitan City of Milan, 40 municipalities of the Province of Monza and Brianza, 20 municipalities of the Province of Pavia, 1 municipality of the Province of Como, 1 municipality of the Province of Varese. The Province of Monza and Brianza and the Metropolitan City of Milan (former province of Milan) complete the shareholders' register of CAP Holding S.p.A.

Note that the municipality of Cabiato (CO) by letter dated 19 October 2020 prot. 12856 requested the liquidation of the shareholding pursuant to articles 20 and 24 of Italian Legislative Decree no. 175/2006. CAP Holding S.p.A. contested and rejected to all legal effects this declaration of withdrawal in a note dated 6 November 2020.

With judgement no. 1213/2021 of 19 May 2021, the Lombardy Administrative Court cancelled all the deeds challenged by CAP Holding S.p.A. against the Municipality of Cabiato insofar as they did not include the maintenance of the equity investment in CAP Holding S.p.A. in the review of the corporate equity investments. On 9 September 2021, the Municipality of Cabiato appealed against the aforementioned first instance judgement, in accordance with the summary procedure pursuant to Article 119 of the c.p.a. The appeal was filed on 1 October 2021.

CAP Holding S.p.A. and the Area Office of the Province of Milan appeared in the appeal proceedings on 15 October 2021. Following the waiver of the appellant's request for suspension, a hearing is currently scheduled for 12 May 2022.

At the time we draft this report, the Municipality of Cabiato, which belongs to the province of Como, is also a shareholder of CAP.

The same can be said for the municipalities of the Province of Monza and Brianza, Nova Milanese and Veduggio al Lambro, which resolved to "proceed with the disposal of the equity investment in CAP Holding S.p.A." since, in their opinion, it is a company with the same or similar corporate purpose to other bodies invested in by the Body (the reference is to the company Brianzacque S.r.l.).

The Company is under joint control (known as in house providing) of said public bodies, pursuant to article 2, paragraph 1, letter d) of Italian Legislative Decree No. 175 of 19 August 2016.

The Company made use of the exemption provided by paragraph 25 of IAS 24, and therefore is exempt from the information requirements referred to in paragraph 18 of IAS 24 relating to transactions with related parties and outstanding balances, including commitments, with respect to the served territorial bodies.

The main transactions that took place in 2021 between the Group and the local entities that jointly control CAP Holding S.p.A. are not individually relevant. As a whole, they are almost entirely related to the invoicing of tariffs for the integrated water service by the Group to these local authorities.

With regard to other transactions, note that as at 31 December 2021, the Group had payables due to shareholder bodies for invoices to be received totalling € 1,682,145 relating to works and services performed by municipalities.

Paragraph 10 provides, among other things, information on other commitments vis-à-vis shareholder local authorities.

- With reference to the investee company NEUTALIA S.r.l., the following transactions took place in 2021:
- shareholders' loan payment totalling € 670,000 by CAP Holding S.p.A. on 8 November 2021, maturing on 5 November 2026.

- capital subscription and payment in June 2021 in the amount of € 3,300. Subsequent contribution in kind (of a piece of machinery) of € 546,000 (after having prepared an expert's report pursuant to Article 2465 of the Italian Civil Code) and in cash of € 440,700.
- contract for the final disposal service of special screened waste from urban waste water treatment signed on 2 September 2021 and running from the date of signing to 31 December 2032, for fees accrued during 2021 equal to € 0.
- secondments of personnel from CAP Holding S.p.A. to NEUTALIA S.r.l. of 3 employees from September to December 2021 for € 3,333.

With reference to the investee company ZERO C S.p.A., the following transactions took place in 2021:

- secondment of personnel from ZERO C S.p.A. to CAP Holding S.p.A. of 6 employees from May to December 2021, amount to be repaid € 166,983;
- secondment of personnel from CAP Holding S.p.A. to ZERO C S.p.A. of 3 employees from June to December 2021, amount to be repaid € 33,664.
- the achievement as at 31 March 2021 of the real effect envisaged by the sale and purchase agreement (public notary deed of 3 September 2020 - under the hand and seal of notary P. Sormani of Milan volume 67111) whereby CAP Holding S.p.A. purchased the property of the area occupied by the waste-to-energy plant and service appurtenances to be used for the construction of a "bio-platform" industrial project for a total consideration of € 5,095,506.09. On this point, note that the contract was concluded before CAP Holding S.p.A. became a shareholder of CORE S.p.A. (later ZERO C S.p.A.).

10. Contractual commitments, guarantees and concessions

There are various commitments, recourse obligations and sureties payable. Details follow.

Commitments amounting to € 27,258,943 of which:

- € 16,500,379 for residual instalments of mortgages to be repaid to shareholder local authorities for the use of their networks and plants in the period from 2021 to 2033; of which € 16,894,225 expiring beyond twelve months;
- € 10,758,564 as the estimated amount of the interest expense paid to lenders in the period after 1 January 2021, on loans taken out and/or taken over and to be repaid at the end of the reporting period.

Obligations vis-à-vis third parties of € 1,147,001 of which:

- € 406,276 for with-recourse obligations deriving from the demerger of Idra Patrimonio S.p.A. to the benefit of Idra Milano S.r.l. (this latter merged into CAP Holding S.p.A. in 2015) and BrianzAcque S.r.l.;
- € 725,457 for with-recourse obligations deriving from the granting to Pavia Acque S.r.l. of the business unit pursuant to Article 2560 of the Italian Civil Code (transfer deed dated 2016);
- € 15,268 for with-recourse obligations deriving from the granting to Pavia Acque S.r.l. of the business unit pursuant to Article 2560 of the Italian Civil Code (transfer deed dated 15 July 2008).

Sureties payable of € 82,493,323, of which:

- € 72,020,384 for guarantees issued by banks in favour of various entities in the interest of the Group (including the guarantee issued by Cassa Depositi e Prestiti on EIB financing for a residual amount of € 67,457,170 as at 31 December 2021);
- € 10,472,939 as insurance sureties issued in the interest of Cap Holding for assignment conventions of the IWS in favour of the AATO of Milan and the AATO of Monza and Brianza.

Other

Finally, the following are noted:

- Plants granted for use by local authorities of € 174,875,183 relating to networks, collectors and plants of the IWS owned by the Entities and used by the Group;
- € 63,666,210 for sureties receivable (received) for works.

11. Fees to directors and statutory auditors, SBs.

For the year ended 31 December 2021, the fees due to directors and statutory auditors amounted to € 231,765 and € 136,789, respectively. The fee due to the SB amounted to € 104,517.

Allowance for corporate bodies	Value as at 31/12/2021	Value as at 31/12/2020	Change	% change
Board of Directors' allowance	231,765	239,403	(7,638)	-3%
Board of Statutory Auditors' allowance	136,743	132,789	3,954	3%
Fees of the supervisory body	104,517	110,639	(6,123)	-6%
Total allowances	473,024	482,831	(9,806)	-2%

12. Independent Auditors' fees

For the financial year ended 31 December 2021, the cost incurred by the Group for the external audit in 2021 amounted to € 46,257.

The external audit of these financial statements is entrusted to the company BDO Italia S.p.A. appointed, with approval of the relevant fee, by the Shareholders' Meeting of CAP Holding S.p.A., in the meeting of 1 June 2017, on a justified proposal of the Board of Statutory Auditors for the years ending on 31 December 2017 to 31 December 2025 (subject to the acquisition by CAP Holding S.p.A. of the status of Public Interest Entity, following the issue and listing, which then took place on 2 August 2017, of the ISIN bond loan XS1656754873, already commented on). The fee was then adjusted by resolution of the shareholders' meeting of 25 May 2021.

The Shareholders' Meeting of Amiacque S.r.l. of 27 May 2021 resolved to confirm the mandate for the external audit to BDO Italia S.p.A., for the period from 2021 to 2023, pursuant to article 13 of Italian Legislative Decree No. 39/2010 and Article 2409 bis of the Italian Civil Code, fixing the relative fee.

In addition to these, in 2021, the following costs will be paid to these independent auditors:

- costs attributable to the Company's obligations pursuant to AEEGSI Resolution No. 137/2016/R/COM of 24 March 2016 (auditing of the "regulatory" annual separated accounts, for the purpose of unbundling, inseparably entrusted with the external audit mandate) of € 6,000;
- costs for research and development certification activities of € 6,000;
- costs for certification of expenses incurred for advertising investments of € 2,500.

13. Transparency obligations for those who receive public funding

Article 1, paragraph 125, third period, of Italian Law No. 124/2017, as amended by Article 35 of Italian Decree Law 34 of 30 April 2019 (converted into Italian Law no. 58 of 28 June 2019) "Decreto crescita" (growth decree), requires Italian companies to indicate the amounts received (cash) in the previous year of "grants, subsidies, advantages, contributions or aid, whether in cash or in kind, which are not of a general nature and are not of a reciprocal, remunerative or compensatory nature," of an amount equal to or greater than € 10,000, by the public administrations and other subjects (certain public companies) indicated in the first period of the aforementioned paragraph 125.

Specifically, from an objective point of view, the information concerns disbursements that are "contributions", i.e. disbursements that do not refer to synallagmatic relationships, and also excludes advantages received by the beneficiary on the basis of a general scheme, such as tax benefits and contributions that are granted to all persons who meet certain conditions.

In conclusion, only sums (or utilities, in kind) received in the context of selective "donations" to the Group would be subject to publication.

However, State aid and *de minimis* aid contained in the National Register of State aid referred to in Article 52 of the Italian Law No. 234 of 24 December 2012 are expressly excluded (from Article 3-quarter, paragraph 2, of Italian Decree Law 135/2018), if they are declared to exist and must be published as part of the said Register.

Note that, given the very wide reference to the “lenders” made by the first period of the aforementioned paragraph 125, objective difficulties may exist in knowing the subjective social situation of some lenders (referring to the case of “companies in public participation”, for which there is no comprehensive public list that can be consulted).

The information to be provided is:

- the identifiers of the lender;
- the amount of the economic advantage received;
- a brief description of the type of advantage/title at the base of the assignment (cause)

With regard to the above, even though in our opinion they do not fall within the case referred to in Italian Law 124/2017, we inform you that CAP Holding S.p.A. has received the following contributions:

Issuing body	Amount	Description
ATO AREA OFFICE OF THE METROPOLITAN CITY OF MILAN	693,910	Grants related to assets
Total	693,910	

Finally, it should be recalled that the above rules still present numerous difficulties of interpretation, which lead to the conclusion that regulatory clarifications are desirable. In their absence, the above is our best interpretation of the rule.

14. Events after the reporting period (if not already commented on in previous sections)

With regard to the continuation of the crisis on the commodities and energy procurement markets and the risk of the resurgence of the covid emergency also for 2022, as far as can be assessed today, there are no significant uncertainties regarding the continuity of the CAP Group.

However, it cannot be entirely ruled out that the aforementioned events and risks still in place may affect the CAP Group in the future as a reflection of crisis-induced effects on the Group's cash and cash equivalents.

Finally, on 11 April 2022, CAP Holding S.p.A. signed a new loan agreement with the European Investment Bank worth € 100 million to support part of the investments of the business plan for the years from 2022 to 2025.

No further significant events occurred after the reporting period.

The Chairman of the Board of Directors
Alessandro Russo

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING OF CAP HOLDING S.P.A.

Pursuant to Article 2429.2 of the Italian Civil Code

Dear Shareholders,

During the financial year ended 31 December 2021, we conducted our work in accordance with legal requirements and with the Rules of behaviour of the Board of Statutory Auditors issued by the National Board of Accountants; we carried out the self-assessment on each member of the Board of Statutory Auditors according to these laws and rules and the outcome was always positive.

Supervisory activities pursuant to Article 2403 et seq. of the Italian Civil Code

We monitored the compliance with the law and with the Articles of Association and the observance of the principles of proper administration.

We attended the Shareholders' Meetings and the meetings of the Board of Directors, in relation to which, based on the available information, we did not note any violations of the law or the articles of association, or transactions that were manifestly imprudent, hazardous, in potential conflict of interest or such as to compromise the integrity of the company's assets.

During the meetings held, we acquired information on the general trend in operations and the outlook for the future as well as on the most significant transactions in terms of size or characteristics, carried out by the company and its subsidiaries.

We met with the company BDO appointed to audit the accounts and no significant data or information emerged that needs to be highlighted in this report.

We did not receive any significant data or information from the Board of Statutory Auditors of the subsidiary company Amiacque S.r.l. that needs to be highlighted in this report.

We did not receive from the Supervisory Bodies of the company and its subsidiary Amiacque S.r.l. any critical issues with respect to the correct implementation of the organisational model that need to be highlighted in this report.

We acquired knowledge and monitored, to the extent of our remit, the adequacy and operation of the organisational structure of the company, also via the gathering of information from the heads of the divisions and departments and we have no particular observations to report in this regard.

Finally, we monitored, to the extent of our remit, the adequacy and operation of the administrative and accounting system as well as its reliability to correctly represent the operating events, by obtaining information from the heads of the divisions and examining company documents. We have no special observations to make in this regard.

No complaints were received from the shareholders pursuant to Article 2408 of the Italian Civil Code.

During the supervisory activity, as described above, no further significant facts emerged that need to be detailed in this report.

Comments on the financial statements

The financial statements of CAP Holding S.P.A. for the year ended 31 December 2021 were drawn up in accordance with the International Accounting Standards as envisaged for "Public Interest Bodies" pursuant to Italian Legislative Decree 39/2010.

The financial statements were approved by the meeting of the Board of Directors held on 12 May 2022 and show a net profit of € 24,369,148.

The appointed company BDO on 27 May 2022 issued the Additional Report for the Internal Control and Audit Committee as per Article 11 of Regulation (EU) no. 537/2014, which will be duly forwarded to the Board of Directors.

In the said report, BDO illustrated, inter alia:

- the annual confirmation of the independence of the independent auditors;
- the main aspects of the audit;
- the levels of significance for the consolidated and separate financial statements;
- the Audit Plan;
- the scope and method of consolidation;

- the audit method and the methods applied to the consolidated and separate financial statements;
- the areas of the consolidated and separate financial statements;
- the activities carried out by the audit team dedicated to the CAP Holding S.p.A. Group.

In the same document, BDO also certified that no significant differences were reported in the auditing of the separate and consolidated financial statements, nor any significant shortfalls were identified in the internal control system and in the financial statements in relation to the financial reporting process; BDO listed the mandatory communications to the Board of Statutory Auditors and concluded acknowledging that the checks on the due keeping of the company accounts and the correct recognition of the operating events on the accounting records did not reveal significant aspects to be reported.

On 27 May 2022, we have received from BDO the reports envisaged by Articles 14 of Italian Legislative Decree No. 39/2010 and 10 of said Regulation, with regard to the separate and consolidated financial statements as at 31 December 2021, in which the independent auditors expressed a positive opinion, without remarks or requests for information.

In the opinion of the Independent auditors, the management report is consistent with the separate and consolidated financial statements, drawn up in compliance with the legal provisions with no significant errors.

For the three-year period from 2021 to 2023, the company entrusted PWC with the Certification of the Consolidated Non-financial Statement for 2021 pursuant to Article 3.10 of Italian Legislative Decree 254/2016 and Article 5 of CONSOB Regulation no. 20267.

We received this certificate on 27 May 2022. It shows that the non-financial statement of the CAP Group for the financial year ended 31 December 2021 was drawn up in compliance with the provisions of Articles 3 and 4 of the Decree and the GRI Standards.

Since we are not entrusted with the official audit of the financial statements, we ascertained, via direct checks and information gathered care of the independent auditors, the observance of the legal provisions pertaining to the formation and layout of the annual and consolidated financial statements, and the management report accompanying the same.

Furthermore, we examined the measurement criteria adopted for the formation of the financial statements presented so as to check their compliance with the legal requirements and the economic and business conditions.

The Board of Statutory Auditors did not come across any atypical or unusual transactions, including those with related parties or intra-group transactions.

Conclusions

Considering that the results of the activities carried out by the Independent auditors contained in the audit report on the financial statements, which were made available to us on 27 May 2022, the Board of Statutory Auditors proposes to the Shareholders' Meeting to approve the separate financial statements of CAP Holding S.p.A. and the related proposal for the allocation of the operating result for the year, as well as to approve the consolidated financial statements of the CAP Group, for the period ended 31 December 2021, as proposed by the Board of Directors.

Milan, 27 May 2022

The Board of Statutory Auditors

Raffaele Zorloni, Chairman of the Board of Statutory Auditors;

[Illegible signature]

Nicola Tufo, Standing Statutory Auditor;

[Illegible signature]

Rosa Maria Lo Verso, Standing Statutory Auditor.

[Signature] Rosa Maria Lo Verso



CAP Holding S.p.A.

Independent auditor's report pursuant
to article 14 of Legislative Decree n. 39,
dated January 27, 2010 and article 10 of
EU Regulation n. 537/2014

*Consolidated financial statements at
December 31, 2021*

This report has been translated into English from the original, which was prepared in Italian and represents the only authentic copy, solely for the convenience of international readers.

Independent auditor's Report

pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010 and article 10 of EU Regulation n. 537/2014

To the Shareholders of
CAP Holding S.p.A.

Report on the financial statements

Opinion

We have audited the consolidated financial statements of Gruppo CAP (the Group), which comprise the statement of financial position as at December 31, 2021, the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended; and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements give a true and fair view of the the financial position of the Group as at December 31, 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Gruppo CAP (the Group) in accordance with the ethical and independence requirements applicable in Italy to the audit of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to the information provided by Management in Note 7.5 "Prepaid tax assets" regarding the prudential adjustment of advance tax receivables following the reply received by the Italian Tax Authority in April 2022, to the request of application for assessment submitted by the Group on the recovery of the difference in taxation on the FoNI component for the period 2012-2019; subject to initial recognition due to the voluntary change of accounting policy and to the accounting of the related provision applied in the 2020 financial statements.

Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement art. 9 of Legislative Decree No. 38/05 and, within the terms provide by the law, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Parent Company Cap Holding S.p.A. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also have:

- Identified and assessed the risks of material misstatement of consolidated the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 Group's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluded on the appropriateness of management's 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to 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 Group to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Other information communicated pursuant to article 10 of Regulation (EU) 537/2014

We were initially engaged by the shareholders meeting of CAP Holding S.p.A. on June 1, 2017 to perform the audits of the financial statements of each fiscal year starting from December 31, 2017 to December 31, 2025.

We declare that we did not provide prohibited non audit services, referred to article 5, paragraph 1, of Regulation (EU) 537/2014, and that we remained independent of the company in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this audit report is consistent with the content of the additional report prepared in accordance with article 11 of the EU Regulation n. 537/2014, submitted to those charged with governance.

Report on other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, letter e), of Legislative Decree n. 39/10

The directors of CAP Holding S.p.A. are responsible for the preparation of the report on operations and of the corporate governance report of Group Cap as at December 31, 2021, including their consistency with the financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and of specific information of the corporate governance report as provided by article 123-bis, paragraph. 4, of Legislative Decree n. 58/98, with the consolidated financial statements of Group Cap as at December 31, 2021 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the report on operations and the above-mentioned specific information of the corporate governance report are consistent with the consolidated financial statements of Group Cap as at December 31, 2021 and are compliant with applicable laws and regulations.

With reference to the assessment pursuant to article 14, paragraph. 2, letter e), of Legislative Decree n. 39/10 based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of December 30, 2016

The directors of Cap Holding S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of December 30, 2016. We have verified that the directors approved the non-financial statement.

In accordance with article 3, paragraph 10, of Legislative Decree No. 254 of December 30, 2016, the non-financial statement is the subject of a separate statement of compliance issued by other auditor.

Milan, May 27, 2022

BDO Italia S.p.A.
signed by Claudio Tedoldi
Partner

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