A2A, RESULTS AT JUNE 30, 2021

Strong growth in margins and investments continued

- **Revenues at 4,060 million euro**: +28% compared to the first half of 2020
- **EBITDA at 690 million euro**, up by more than 130 million euro (+23%) vs June 30, 2020 (559 million euro) thanks to significant organic growth and M&A transactions
- **Net profit of 340 million euro**, +121% compared to last year (154 million euro in the first half of 2020), thanks to the positive non-recurring effects of Legislative Decree 104/2020 (the "Decreto Agosto") and organic growth of over 30%
- **Capex for 413 million euro**, +65% compared to the same period of the previous year
- **Net Financial Position of 3,745 million euro**, up by 273 million euro compared to December 31, 2020. Net of changes in the scope of consolidation and the impact of the new ESMA guidelines (totalling 437 million euro), the NFP was down by 164 million euro to 3,308 million euro
- **Significant acceleration of Sustainable Finance**: inaugural issuance of a Sustainability-Linked bond in July 2021 for 500 million euro; subscription of a 500 million euro Sustainability-Linked credit line with donation mechanism to Banco dell'Energia Onlus and first Share Buyback programme with social implications.
- **Sustainability indicators improvement** compared to the first half of 2020:
  - +15% of waste recovered as material or energy and consequently not landfilled
  - +16% of net production of electricity from renewable sources

The Board of Directors of A2A S.p.A. has examined and approved the half year financial report at June 30, 2021

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Milan, 30 July 2021 – At today's meeting of the Board of Directors of A2A S.p.A., chaired by Marco Patuano, the Board examined and approved the Half year financial report at 30 June 2021.

"The results for the first six months of 2021 are excellent in every respect and consolidate the positive trend of the first quarter. The strength and quality of our people and our assets have enabled us to achieve a double-digit growth in revenues and gross operating income, and an unprecedentednet profit" - commented **Renato Mazzoncini**, **Chief Executive Officer of A2A** - "*We are continuing in the direction outlined in our Strategic Plan: the significant capex made during the period (over 410 million euro, +65% compared to the first half of 2020) and the latest acquisitions made in the field of renewables and environment are concrete evidence of our commitment to energy transition and circular economy. It is a crucial moment for the development of the Country and we want to contribute."*

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The **excellent economic and financial results** recorded in the first half of 2021 have been achieved thanks to a sustained organic growth of all the Group's Business Units and to the M&A transactions concluded in both previous year and current year.

Moreover, in the first half of 2021, A2A operated in a context of a recovery in consumption and a strongly bullish energy scenario, unlike the first half of 2020 which was earmarked, due to the Covid-19 epidemic, by a sharp fall in demand and a collapse in gas and energy prices. The different scenario, including the hedging adopted by the Group, had a major impact on some economic variables under review.

Prices of energy commodities grew up, with the PUN (Single National Price), PSV gas and CO2 prices doubling. During the first six months of 2021, the PUN (Single National Price) increased by +107.6% compared to the first half of 2020, reaching 66.9€/MWh as a result of the rise in gas and CO2 costs. The average price of gas to the PSV in the period under review amounted to 21.8€/MWh, up by 137.9% compared to the same period the previous year. CO2 quotations stood at an average price of 43.8€/tonne in H1 2021 (22€/tonne in H1 2020, +99%).

Rising prices and quantities, an excellent performance by all the Group's Business Units and the contribution of newly acquired companies brought to:

- substantial increase in turnover (+28%);
- significant growth in operating margins (+24%).

A **strong acceleration was given to capex**, with an increase of **+65%** compared to the same period in 2020, reaching **more than 400 million euro**. In particular, in line with A2A's strategic model based on circular economy and energy transition, development works has been carried out for over 250 million euro (+91% compared to the first half of 2020), aimed at recovering energy and materials, upgrading the distribution networks, water and sewage networks, purification plants, photovoltaic plants and digitalisation.

The acquisitions carried out in the first half of the year also demonstrate the Group's commitment to contribute to sustainable development, enabling, for example, a strengthening in the field of bioenergy and the increase in installed capacity from renewable sources by 173MW, which is added to the 111MW already held by A2A and the 8.2MW of wind power capacity acquired at the end of 2020 (Flabrum). At June 30, 2021, the Group has a total installed capacity from renewable sources (hydroelectric, photovoltaic and wind) of 2,235MW, an increase of 14% compared to the corresponding period in 2020.

The main indicators here below:

Millions of euro	**H1 2021**	**H1 2020**	**Δ**	**Δ%**
Revenues	**4,060**	**3,181**	+879	+27.6%
Gross Operating Margin – EBITDA	**690**	**559**	+131	+23.4%
Net Operating Income – EBIT	**355**	**281**	+74	+26.3%
Net profit	**340**	**154**	+186	+120.8%

In the first half of 2021, **Revenues** of A2A Group amounted to **4,060 million euro, up by 27.6%** compared to the first half of the previous year.
The increase mainly occurred in the wholesale energy markets and electricity in particular, due to both higher prices and higher volumes sold and brokered. Revenues in the retail market were also up thanks to higher unit prices and higher quantities sold to customers in the deregulated gas and electricity market. Finally, new companies acquired in 2020 (AEB group, consolidated on a line-by-line basis from November 2020, Agritre and Flabrum) and in 2021 (Octopus and Agripower) contributed for around 17% to the aforementioned positive change.

EBITDA reached **690 million euro, an increase of 131 million euro** compared to the first half of 2020 (+23.4%).
Net of non-recurring items (+4 million during the first half of 2021; +6 million euro in the corresponding period of 2020), the ordinary gross operating margin increased by 133 million euro. Furthermore excluding the contribution deriving from the consolidation of AEB and the other companies acquired (approximately 33 million euro), growth amounted to 100 million euro (+18%)

EBIT, amounting to **355 million euro, was up by +74 million euro** compared to the first six months of 2020 (281 million euro). The change was due to the following:

- increase in EBITDA, as described above (+131 million euro);
- increase in depreciation and amortisation (59 million euro) mainly related to investments made by all BUs in the period July 2020 - June 2021, the 1G electricity meter replacement plan and the amortisation/depreciation of the assets of the companies acquired described previously;
- decrease of 2 million euro in additions to provisions, net of reversals of excess provisions for risks and receivables.

Group Net Profit in the first half of 2021 amounted to **340 million euro, up 120.8%** compared to the corresponding period of 2020.
In addition to the increase in the Net Operating Result, this positive change of 186 million euro is due to:

- lower taxes recognised this year compared with the previous year, for a total of 119 million euro, resulting from the following factors:
    - 145 million euro, downward, related to the effects of the implementation of Decree Law no. 104/2020. A2A, in application of the above legislation, has realigned for some Group subsidiaries the differences between the higher book value and lower tax-base value of tangible and intangible assets: the net economic effects on the year of this operation amounted to 145 million euro, determined by the payment of a substitutive tax of approximately 23 million euro and the associated benefit of one-off reversal of deferred tax liabilities recognised in the financial statements on the book/tax-base value differences, amounting to 168 million euro.
    - 26 million euro in higher taxes as a result of improved earnings before taxes.
- the decrease of 10 million euro in net financial expense, due mainly to the improved conditions in the capital markets when refinancing maturing bonds;
- the increase of 21 million euro in the minority interest in net income, due in part to the consolidation of the AEB Group.

Excluding extraordinary items affecting the current year (reversal of deferred tax liabilities net of substitute tax and minority interests' profit on the realignment of AEB and ACSM AGAM's assets), ordinary Group net income for the first six months of the year amounts to 202 million euro, representing an organic increase of 48 million euro (+31%) compared with the same period of the previous year.

Consolidated Net Financial Position at June 30, 2021 amounted to 3,745 million euro (3,472 million euro as at December 31, 2020). Excluding changes in scope in the first 6 months of 2021 and the application of the new ESMA guidelines, NFP amounted to 3,308 million euro, recording cash generation of 164 million euro, after total capex of 413 million euro and dividends for 248 million euro.

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A2A Group – Results by Business Unit

The following table shows the composition of the Gross Operating Margin by Business Unit:

Millions of euro	**06.30.2021**	**06.30.2020**	**Change**	**Change %**
Generation and Trading	150	98	52	53.1%
Market	126	111	15	13.5%
Waste	164	143	21	14.7%
Networks	260	220	40	18.2%
Corporate	-10	-13	3	-23.1%
Total	**690**	**559**	**131**	23.4%

Generation and Trading

Revenues amounted to 2,378 million euro, up by 620 million euro (+35.3%) compared to the same period of the previous year. The change was caused by a significant increase in the prices of electricity and natural gas and by higher volumes sold and intermediated, in particular on the electricity market.

EBITDA amounted to 150 million euro, an increase of 52 million euro compared to the same period of the previous year. Net of the non-recurring items in the two periods considered (+2 million euro in 2021 and +8 million in 2020), the Ordinary EBITDA increased by 58 million euro.

The change was mainly due to the following:

- a sharp increase in the PUN, compared with the low levels of the previous year (more than double). This impact on the Group's margins was partially mitigated by the hedging transactions executed in previous months;
- higher volumes of hydroelectric production;
- contribution of newly acquired photovoltaic and wind power plants.
- excellent performance achieved in the ancillary services market (MSD), amounting to 99 million euro (+ +21 million euro compared to 2020).

These positive effects were partially offset by higher operating costs incurred during the first half of the year compared with the same period last year (hydroelectric licence fees and scheduled maintenance costs) and by the negative contribution of the natural gas portfolio.

Capex totalled approximately 37 million euro, including 16 million euro for developments (including upgrades of gas turbines and work on photovoltaic systems) and about 20 million euro for extraordinary maintenance at the Group's thermoelectric power plants and hydroelectric power plants.

Market Business Unit

Revenues amounted to 1,524 million euro (1,244 million euro at June 30, 2020), up 22.5% following the consolidation of the AEB Group and the increase in unit prices of the electricity segment and greater quantities sold of both gas and electricity.

EBITDA equalled 126 million euro (111 million euro at June 30, 2020).

The change of 15 million euro (+14%) is due to a significant increase in margins recorded in the retail segment for:

- the consolidation of the AEB group (10 million euro);
- the increase in the number of mass-market customers;
- higher volumes of sales to large customers;
- higher unit margins on sales in the free gas market.

The growth was reduced by a fall in unit margins on sales on the free electricity market and higher operating costs than those incurred last year due to a slowdown in activities following the introduction of COVID - 19.

In H1 2021, the Market Business Unit capex amounted to 39 million euro. These investments concerned:

- 26 million euro for the energy retail segment, mainly relating to ICT activities aimed at acquiring new customers and supporting billing and marketing activities;
- 7 million for energy efficiency and e-moving projects.
- 6 million allocated to the public lighting sector for the launch of projects in new municipalities.

Waste Business Unit

During the first half of 2021, the Waste Business Unit recorded revenues of 612 million euro, up 14.4% compared to the corresponding period of the previous year (535 million euro at June 30, 2020) mainly due to higher revenues from material recovery (in particular paper sales), to the sale of electricity and urban waste disposal in the Group's waste-to-energy plants, as well as to the contribution of the companies acquired in the previous year (Agritre consolidated since March 2020 and AEB since November 2020) and this year (Agripower consolidated since April 2021).

The Ebitda of the Waste Business Unit equalled 164 million euro (143 million euro at 30 June 2020), up 21 million euro compared to the previous year.
Both the municipal waste treatment segment (+20 million euro on the first half of 2020) and the industrial waste segment (+4 million euro on the first half of 2020) made a positive contribution, thanks to:

- greater quantities of electricity produced and waste disposed of;
- positive trend in prices for the sale of electricity and the delivery of waste, in particular waste similar to urban waste;
- increase in revenues from paper sales, mainly due to the sharp increase in the price of this material from the first lockdown (spring 2020) due to high demand on the European market;
- incremental contribution of the biomass and biogas generating plants acquired in the previous year (Agritre) and in the current year (Agripower).

These positive effects more than offset the reduction in margins recorded in the Collection segment, despite the contribution of the AEB Group..

Capex for the first half of 2021 amounted to 109 million euro and regarded:

- 87 million euro for plant development projects, mainly involving the construction of the new Parona waste-to-energy plant (44 million euro) and the organic waste treatment plants and SSF plants (for a total of 18 million euro)
- maintenance of 22 million euro relating to both treatment plants (waste-to-energy and other plants) and the collection sector.

Networks Business Unit

Revenues for the period amounted to 604 million euro (523 million euro at June 30, 2020, +15.5%). The change is attributable to the incremental contribution from the consolidation of AEB, to the higher revenues from district heating and the water cycle, the wider services provided compared to the same period of the previous year, which was penalised by the effects of the anti-COVID measures adopted from March 2020. The increased availability of white certificates, procured in view of the upcoming cancellation deadline (July), was also taken into account.

In the first half of 2021, EBITDA amounted to 260 million euro (220 million euro at June 30, 2020). Net of non-recurring items (+4 million euro in 2021; +1 million in 2020), the Ordinary EBITDA of the Business Unit reached 256 million euro, up 37 million euro (+17%) with respect to the first half of 2020. The change in margins is distributed as follows:

- electricity and gas distribution networks (+23 million euro): increase linked to the incremental contribution of AEB consolidation (11 million euro, including the contribution of the gas distribution assets sold by Unareti to Retipiù of the AEB group), greater revenues admitted for regulatory purposes in connection with the electricity grid, lower operating costs, higher connections and services for customers compared to the first half of 2020;
- district heating (+9 million euro): higher margins mainly thanks to higher volumes sold;
- water cycle (+7 million euro): higher revenues due to the tariff increases approved by the sector Authority;
- Smart City (-2 million euro): conclusion of activities started in previous years relating to the construction of infrastructure for the laying of fibre optic cables.

Capex in the period in question amounted to 209 million euro and regarded:

- the electricity distribution segment, with 74 million euro relating to development and maintenance work on plants and in particular the connection of new users, maintenance work on secondary cabins, the extension and refurbishment of the medium and low voltage network, the maintenance and upgrading of primary plants and investments in the launch of the 2G smart meter project;
- the gas distribution sector with 55 million euro, relative to development and maintenance work on plants relating to the connection of new users, the replacement of medium and low pressure pipes and meters and gas smart meters;
- the integrated water cycle sector with 45 million euro, relative to maintenance and development works on the water transport and distribution network, as well as works and restoration works on the sewer networks and purification plants;
- the district heating and heat management sector with 29 million euro, relative to development and maintenance works on the plants and networks;
- the Smart City segment, development and maintenance work on TLC projects (6 million euro).

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Balance sheet

The data of the Balance Sheet at June 30, 2021 is homogeneous with respect to the data of December 31, 2020, with the exception of the perimeter changes mainly relating to:

- acquisition and line-by-line consolidation by LGH S.p.A. of 100% of the shares in Agripower S.r.l., in turn holding 18 companies operative in the development and management of power generation plants from biogas;
- acquisition by A2A Rinnovabili S.p.A. and line-by-line consolidation of 15 companies with 17 plants and 173 MW of installed photovoltaic capacity, previously managed by Octopus Renewables;
- as part of the transaction that led to the acquisition of 27.7% of Saxa Gres S.p.A. by A2A Ambiente S.p.A., Energia Anagni S.r.l. and Bioenergia Roccasecca S.r.l., companies that will manage two organic waste treatment plants, currently under construction, were acquired and consolidated on a line-by-line basis. As part of the same transaction, A2A Ambiente S.p.A. set up two newco's with majority stakes: Waldum Tadinum Energia S.r.l. and Bioenergia Gualdo S.r.l., both consolidated on a line-by-line basis.

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

Millions of euro	**06.30.2021**	**12.31.2020**	**Change**
CAPITAL EMPLOYED			
Net fixed capital	**7,703**	**7,067**	**636**
- Tangible assets	5,387	5,162	225
- Intangible assets	2,911	2,737	174
- Shareholdings and other non-current financial assets (*)	65	32	33
- Other non-current assets/liabilities (*)	(72)	(99)	27
- Deferred tax assets/liabilities	407	265	142
- Provisions for risks, charges and liabilities for landfills	(734)	(752)	18
- Employee benefits	(261)	(278)	17
of which with counter-entry to equity	*(117)*	*(94)*	
Net Working Capital and Other current assets/liabilities	**219**	**507**	**(288)**
Net Working Capital:	***514***	***617***	***(103)***
- Inventories	162	139	23
- Trade receivables	1,806	2,030	(224)
- Trade payables	(1,454)	(1,552)	98
Other current assets/liabilities:	***(295)***	***(110)***	***(185)***
- Other current assets/liabilities (*)	(251)	(181)	(70)
- Current tax assets/tax liabilities	(44)	71	(115)
of which with counter-entry to equity	*90*	*7*	
Assets/liabilities held for sale (*)	**2**	**14**	**(12)**
of which with counter-entry to equity	*0*	*0*	
TOTAL CAPITAL EMPLOYED	**7,924**	**7,588**	**336**
SOURCES OF FUNDS			
Shareholders' equity	**4,179**	**4,116**	**63**
Total financial position after one year	3,402	3,907	(505)
Total financial position within one year	343	(435)	778
Total Net Financial Position	**3,745**	**3,472**	**273**
of which with counter-entry to equity	*23*	*31*	
TOTAL SOURCES	**7,924**	**7,588**	**336**

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

Net Fixed Assets

"**Net fixed assets**" amounted to 7,703 million euro, up 636 million euro compared to December 31, 2020.

Changes are detailed below:

- Tangible assets increased by 225 million euro due to:
    - capex made for 258 million euro due to interventions on waste treatment and waste-to-energy plants, on thermoelectric and hydroelectric plants and on renewable source energy plants for 132 million euro, to the development and maintenance of electricity distribution plants, the expansion and reconstruction of the medium and low voltage network, and the installation of new electronic meters for 60 million euro, the development of district heating networks for 25 million euro, the purchase of movable means to collect waste and other equipment for 9 million euro, investments focussed on developing the energy efficiency plan for 15 million euro, interventions on the optic fibre and gas transport network for 6 million euro and interventions on buildings for 11 million euro;
    - first-time consolidation of period acquisitions, accounting for 207 million euro increase;
    - net decrease for other changes of 13 million euro due mainly to reductions in the provision for decommissioning and costs for the closure and post-closure of landfills for 12 million euro, reclassifications from tangible assets to intangible assets for 6 million euro and increases in rights-of-use in application of the accounting standard IFRS16 of 4 million euro;
    - decrease of 1 million euro arising from disposals in the period, net of accumulated depreciation;
    - a decrease of 226 million euro for the depreciation charge for the period;

- Intangible assets increased by 174 million euro on December 31, 2020, due to:

    - capex for 155 million euro related to the implementation of computer systems for 47 million euro, plant development and maintenance work in the gas distribution area for 53 million euro, works on the water transport and distribution network, sewers and purification plants for 45 million euro, other residual investments for 10 million euro;
    - first-time consolidation of period acquisitions, accounting for an increase of 84 million euro;
    - net increase of 33 million euro for other changes mainly due to the increase in environmental certificates of the industrial portfolio for 26 million euro, reclassifications from tangible assets to intangible assets for 6 million euro and other increases for 1 million euro;
    - decrease of 1 million euro arising from disposals in the period, net of accumulated depreciation;
    - a decrease of 97 million euro for the depreciation charge for the period;

- Equity investments and other non-current financial assets, at 65 million euro, up by 33 million euro compared to December 31, 2020; The change is due for 8 million euro to the change in the consolidation method of Consul System S.p.A. following the exercise of the option to sell 26% of the shares, for 7 million euro to the consolidation at equity of Saxa Gres S.p.A. in relation to the acquisition of 27.7% of the shares during the half year and to the reclassification to non-current financial assets, following the request to deposit in a specific account, of the amounts seized by the Court of Taranto as part of the proceedings underway against the subsidiary Linea Ambiente S.r.l. for 14 million euro. There were also further positive changes amounting to 4 million euro;

- Other non-current assets and liabilities showed a net balance of -72 million euro, up 27 million euro on 31 December 2020, due to the reclassification, following the ESMA guideline applicable from 5 May 2021, in the statement of net financial position, of payables due after 12 months for deferred prices arising from acquisitions made in the photovoltaic sector, net of other increases in non-current liabilities of 4 million euro;

- Net prepaid tax assets amounted to 407 million euro (265 million euro at December 31, 2020), representing an increase of 142 million euro due to the release of deferred tax liabilities of 168 million euro following the exercise of the realignment option provided for in Legislative Decree no. 104/2020 exercised by some Group companies, offset in part by an increase of 26 million euro attributable mainly to changes in the cash flow hedge reserves;

- Provisions for risks, charges and liabilities for landfills evidenced a decrease of 18 million euro. The change represents the net result of: utilisations for the period of 12 million euro related to the incurring of decommissioning and landfill costs for 10 million euro and the settlement of certain disputes for 2 million euro; other decreases of 11 million euro due mainly to an increase in the discount rates used to estimate future decommissioning and remediation costs; and releases for surpluses provisions for 8 million euro. In addition, provisions for the period totalled 10 million euro and the contribution of the first-time consolidation amounted to 3 million euro;

- Employee benefits decreased by 17 million euro, due to disbursements during the half-year and payments to pension funds and actuarial valuations, net of allocations during the period.

Net Working Capital and Other Current Assets/Liabilities

"**Net Working Capital**", defined as the algebraic sum of trade receivables, inventories and trade payables, amounted to 514 million euro, down by 103 million euro compared to December 31, 2020. Comments on the main items are given below:

Inventories

Millions of euro	**Balance at 12.31.2020**	**First-time consolidation**	**Changes during the period**	**Balance at 06.30.2021**
- Materials	77	8	3	88
- Material obsolescence provision	(20)		(1)	(21)
- Fuel	73		4	77
- Others	9		9	18
Raw and ancillary materials and consumables	**139**	**8**	**15**	**162**
Total inventory	**139**	**8**	**15**	**162**

"**Inventories**" amounted to 162 million euro (139 million euro at December 31, 2020), net of the related obsolescence provision for 21 million euro, up 1 million euro compared to December 31, 2020. Net of the impact of first-time consolidation, amounting for 8 million euro, the increase is due mainly to an increase of 11 million euro in white certificates held for trading purposes and a rise of 4 million euro in fuel inventories.

Trade receivables

Millions of euro	Balance at 12.31.2020	First-time consolidation	Changes during the period	Balance at 06.30.2021
Trade receivables – invoices issued	831	8	26	865
Trade receivables – invoices to be issued	1,329		(254)	1,075
Bad debts provision	(130)		(4)	(134)
Total trade receivables	**2,030**	**8**	**(232)**	**1,806**

At June 30, 2021 “**Trade receivables**” amounted to 1,806 million euro (2,030 million euro at December 31, 2020), with a decrease, net of the first-time consolidation effect (8 million euro), of 232 million euro, mainly as a result of seasonality.

“**Bad debt provision**” of 134 million euro increased by 4 million euro on December 31, 2020, essentially due to a provision of 10 million euro during the period and uses for 6 million euro as a result of fully written-off receivables cancellation.

Trade receivables ageing is detailed here below:

Millions of euro	**06/30/2021**	**12/30/2020**
Trade receivables of which:	**1,806**	**2,030**
Current	**570**	**588**
Past due of which:	**295**	**241**
Past due up to 30 days	*74*	*55*
Past due from 31 to 180 days	*82*	*51*
Past due from 181 to 365 days	*25*	*40*
Past due over 365 days	*114*	*95*
Invoices to be issued	**1,075**	**1,331**
Bad debts provision	**(134)**	**(130)**

Trade payables

Millions of euro	Balance at 12.31.2020	First-time consolidation	Changes during the period	Balance at 06.30.2021
Advances	3	-	(3)	-
Payables to suppliers	1.549	13	(108)	1.454
Total trade payables	**1.552**	**13**	**(111)**	**1.454**

“**Trade payables**” amounted to 1,454 million euro, with a decrease of 111 million euro, net of the first-time consolidation effect, of 13 million euro, mainly as a result of sasonality.

“**Other current assets/liabilities**” recorded a net increase in liabilities of 185 million euro, due to:

- 127 million euro net increase in tax payables for VAT, excise duties and other indirect taxes;
- a net increase of 49 million euro in payables due to the Cassa per i Servizi Energetici e Ambientali, including payables for energy tariff components previously collected by the GSE;
- net increase in current tax payables for 115 million euro;
- net increase of 95 million euro in derivative assets, reflecting a change in fair value at the end of the period and in the quantities hedged;
- increase in receivables for security deposits for 12 million euro;
- net decrease in payables to employees for 3 million euro;
- other increases in current liabilities for 4 million euros.

"**Assets/liabilities held for sale**" were positive and equal to 2 million euro at June 30, 2021 and refer entirely to the equity investment in Ge.S.I. S.r.l. following the exercise of the put option for the entire shareholding on November 23, 2020.

”Capital Employed" at June 30, 2021 amounted to 7,924 million euro and was financed by Equity for 4,179 million euro and the Net Financial Position for 3,745 million euro.

Equity amounted to 4,179 million euro and showed a positive change for a total of 63 million euro. The positive change was partly due to the year result for 370 million euro (340 million euro pertaining to the Group and 30 million euro to minorities), offset by the distribution of dividends for 248 million euro and the purchase of treasury shares for 109 million euro. There was also a positive valuation of cash flow hedge derivatives and IAS 19 reserves for 68 million euro and other reductions for 18 million euro.

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Financial position

Net free cash flow	06.30.2021	06.30.2020
EBITDA	**690**	**559**
Changes in Net Working Capital	103	(121)
Changes in Other assets/liabilities	109	(26)
Utilization of provisions, net taxes and net financial charges	(77)	(78)
FFO	**825**	**334**
Capex	(413)	(250)
Dividends	(248)	(241)
Net free cash flow	**164**	**(157)**
Change in scope	(406)	(122)
Application of ESMA Directive	(31)	0
Change in Net Financial Position	**(273)**	**(279)**

Net Financial Position at June 30, 2021 amounted to 3,745 million euro (3,472 million euro at December 31, 2020).
The gross debt amounted to 4,054 million euro, down by 443 million euro compared to December 31, 2020.
Cash and cash equivalents amounted to 324 million euros, down by 688 million euros.
Other net financial assets and liabilities showed a negative balance of 15 million euro with a net decrease of 28 million euro compared to December 31, 2020 mainly as a result of the application of the new ESMA guidelines on the representation of financial debt which resulted in a worsening of the net financial position by 31 million euro, corresponding to deferred prices arising from M&A transactions finalized in previous years.

The fixed rate and hedged portion of the gross debt amounts to 73%. The duration is 5.5 years.

Period net cash flows generation was positive for 164 million euro, more than offset by a negative change of 437 million euro, consequent to the change in the perimeter and the application of the new ESMA Guidelines.

Regarding net cash flow generation:

- Net Working Capital, calculated as the sum of trade receivables, trade payables and inventories, generated an improvement of 103 million euro in the net financial position, due to the reduction of 224 million euro in receivables, 98 million euro in trade payables and the increase of 23 million euro in inventories. The above changes were mainly due to sasonality.

The Group occasionally performs non-recourse credit assignments. As at June 30, 2021, there were no receivables transferred by the Group. The Group has no revolving factoring programs.

- the change of 109 million euro in Other assets/liabilities refers mainly to an increase in amounts owed to CSEA[1], for taxes and VAT and excise taxes, offset in part by an increase in derivatives assets and customer deposits;

- payment of net financial charges, taxes and provisions absorbed cash for 77 million euro, while capex of the period absorbed 413 million euro and dividends payment 248 million euro.

The changes in the consolidation scope and application of the new ESMA Guidelines have worsened the net financial position by a total of 437 million euro.

Sustainable finance

In the first half of 2021 the A2A Group gave a strong boost to the development of its portfolio of financial instruments linked to sustainability objectives.
In May, the Group's new Sustainable Finance Framework was published, which represents the set of guidelines that strengthen the link between the financial strategy and the sustainable strategy. A2A is one of the first industry issuers and the first Italian issuer to adopt a Framework that combines two approaches: the Green Use of Proceeds, which allows maximum transparency about the use of proceeds for specific projects, and the new Sustainability-Linked component, which allows a comprehensive reading of the Group's strategy. Three Key Performance Indicators have been included in the Framework which reflect the two pillars of A2A's strategic plan, energy transition and circular economy:

- reduction of Scope 1 CO2 emissions;
- increased installed capacity from renewable sources:
- treated waste intended for material recovery;

that contribute to the achievement of UN SDGs 7, 11, 12 and 13.

As part of the new Sustainable Finance Framework, two important funding transactions were also concluded for the Group in July: i) the subscription of a Sustainability-Linked credit line (the first credit line, among public operations, in the Italian domestic market with a donation mechanism) to the Banco dell'Energia Onlus, both in the event that the Group reaches (step down) or does not reach (step up) these sustainability objectives and ii) the inaugural Sustainability - Linked Bond linked to the reduction of direct greenhouse gas emissions per kilowatt hour of energy produced (Scope1)

Finally, the share buyback program that started on May 13 and ended on June 24, 2021 also featured ESG aspects. A2A has in fact decided to allocate the implicit economic benefit (the better price obtained from the purchase of the shares compared to the target price envisaged in the mandate given to the appointed financial intermediary) deriving from the purchase program to Banco dell'Energia Onlus.

[1] CSEA: Cassa conguagli Servizi Energetici e Ambientali

Business outlook

The Group's expectations for FY 2021 are also good for the second half of the year. Energy scenario is expected to remain strong, the structural dynamics of the various BUs solid, and the company's focus on improving efficiency constant.

The excellent results of the first half of the year and the expectations for the second allow the Group to improve its expectations compared to those announced in May: EBITDA is expected to be between 1.270 and 1.300 and Net Profit, also thanks to the non-recurring effects of DL 104/2020, will be the best since the formation of A2A

The significant operating cash generation will be used to finance capex expected at record level (over 1 billion) in line with the forecasts of the 2021-2030 Strategic Plan.

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Alternative performance indicators (AIP)

Certain alternative performance indicators (AIP) not envisaged by the International Financial Reporting Standards endorsed by the European Union (IFRS-EU) are presented in the press release to give a better view of the A2A Group’s performance. In accordance with the recommendations in the ESMA Guidelines published in October 2015 and May 2021, the measures are described below, with an explanation of their content and calculation base:

- **Gross operating margin (EBITDA)** is an alternative measure of operating performance, calculated as the sum of the net operating profit and amortization, depreciation and write-downs;
- **EBITDA before non-recurring items** is an alternative performance indicator calculated as the gross operating margin described above by excluding non-recurring transactions or operations (e.g. adjustments relating to previous years, extraordinary redundancy plans, etc.);
- the **“Ordinary” Net Result (Ordinary Net Profit)** is an alternative measure of operating *performance* , calculated by excluding from the Group's net result the items deriving from non-recurring transactions (net of related items) and the write-down of assets, goodwill and equity investments, as well as impairment reversals (net of the relative tax effects);
- **Net financial position** is an indicator of financial structure. This indicator is determined as the result of current and non-current financial payables, the non-current portion of trade payables and other non-interest-bearing payables that have a significant implicit financing component (payables due over 12 months); net of cash and cash equivalents and current and non-current financial assets (financial receivables and securities other than equity investments);
- **Capex** is an alternative performance indicator used by the A2A Group as a financial target within the scope of internal Group presentations (business plans) and external documents (presentations to financial analysts and investors). It is a useful measure of the resources employed to maintain and develop the A2A Group’s investments.

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The executive responsible for drawing up A2A S.p.A.’s corporate accounting documents, Andrea Crenna, states – in accordance with article 154-bis, sub-section 2 of the Financial Act (Legislative Decree 58/1998) – that the accounting information contained in this document corresponds to the documentary evidence, books and accounting records.

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The A2A Group’s financial schedules, extracted from the Half Year Report at June 30, 2021, which is subject to audit, are attached.

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CONSOLIDATED BALANCE SHEET (millions of euro)	06.30.2021	12.31.2020
ASSETS		
NON-CURRENT ASSETS		
Tangible assets	5,387	5,162
Intangible assets	2,911	2,737
Shareholdings carried according to equity method	35	17
Other non-current financial assets	51	36
Deferred tax assets	407	265
Other non-current assets	25	28
TOTAL NON-CURRENT ASSETS	**8,816**	**8,245**
CURRENT ASSETS		
Inventories	162	139
Trade receivables	1,806	2,030
Other current assets	1,979	685
Current financial assets	10	11
Current tax assets	48	76
Cash and cash equivalents	324	1,012
TOTAL CURRENT ASSETS	**4,329**	**3,953**
NON-CURRENT ASSETS HELD FOR SALE	**2**	**28**
TOTAL ASSETS	**13,147**	**12,226**
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1,629	1,629
(Treasury shares)	(163)	(54)
Reserves	1,779	1,598
Result of the year	-	364
Result of the period	340	-
Equity pertaining to the Group	**3,585**	**3,537**
Minority interests	594	579
Total equity	**4,179**	**4,116**
LIABILITIES		
NON-CURRENT LIABILITIES		
Non-current financial liabilities	3,377	3,909
Employee benefits	261	278
Provisions for risks, charges and liabilities for landfills	734	752
Other non-current liabilities	143	146
Total non-current liabilities	**4,515**	**5,085**
CURRENT LIABILITIES		
Trade payables	1,454	1,552
Other current liabilities	2,230	866
Current financial liabilities	677	588
Tax liabilities	92	5
Total current liabilities	**4,453**	**3,011**
Total liabilities	**8,968**	**8,096**
LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	**-**	**14**
TOTAL EQUITY AND LIABILITIES	**13,147**	**12,226**

CONSOLIDATED INCOME STATEMENT (millions of euro)	01.01.2021 06.30.2021	01.01.2020 06.30.2020
Revenues		
Revenues from the sale of goods and services	3,955	3,084
Other operating income	105	97
Total Revenues	**4,060**	**3,181**
Operating expenses		
Expenses for raw materials and services	2,844	2,151
Other operating expenses	147	116
Total Operating expenses	**2,991**	**2,267**
Labour costs	**379**	**355**
Gross operating income - EBITDA	**690**	**559**
Depreciation, amortization, provisions and write-downs	**335**	**278**
Net operating income - EBIT	**355**	**281**
Result from non-recurring transactions	**-**	**-**
Financial balance		
Financial income	10	6
Financial expenses	39	45
Affiliates	3	1
Total financial balance	**(26)**	**(38)**
Result before taxes	**329**	**243**
Income taxes	**(41)**	**78**
Result after taxes from operating activities	**370**	**165**
Net result from discontinued operations	-	(2)
Net result	**370**	**163**
Minorities	**(30)**	**(9)**
Group result of the period	**340**	**154**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (millions of euro)	06.30.2021	06.30.2020
Net result of the period (A)	**370**	**163**
Actuarial gains/(losses) on Employee's Benefits booked in the Net equity	5	7
Tax effect of other actuarial gains/(losses)	(1)	(2)
Total actuarial gains/(losses) net of the tax effect (B)	**4**	**5**
Effective part of gains/(losses) on cash flow hedge	91	19
Tax effect of other gains/(losses)	(27)	(5)
Total other gains/(losses) net of the tax effect of companies consolidated on a line-by-line basis (C)	**64**	**14**
Total comprehensive result (A)+(B)+(C)+(D)	**438**	**182**
Total comprehensive result attributable to:		
Shareholders of the parent company	**408**	**173**
Minority interests	**(30)**	**(9)**

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

CONSOLIDATED CASH-FLOW STATEMENT (millions of euro)	06.30.2021	06.30.2020 (**)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**1,012**	**434**
Operating activities		
Net Result	370	163
Net income taxes	(41)	78
Net financial interests	29	39
Tangible assets depreciation	226	198
Intangible assets amortization	97	66
Fixed assets write-downs/disposals	2	4
Net provisions	12	14
Result from affiliates	(3)	(1)
Net financial interests paid	(51)	(49)
Net taxes paid	(14)	(5)
Dividends paid	(258)	(250)
Change in trade receivables	222	250
Change in trade payable	(111)	(408)
Change in inventories	(15)	40
Other changes in net working capital	43	(39)
Cash flow from operating activities	**508**	**100**
Investment activities		
Investments in tangible assets	(258)	(139)
Investments in intangible assets and goodwill	(155)	(111)
Investments in shareholdings and securities (*)	(136)	(105)
Contribution of first consolidation of acquisitions on cash and cash equivalents	27	14
Disposal of fixed assets and shareholdings	5	18
Purchase of treasury shares	(109)	-
Cash flow from investment activities	**(626)**	**(323)**
FREE CASH FLOW	**(118)**	**(223)**
Financing activities		
Changes in financial assets		
Other changes	3	(2)
Total changes in financial assets (*)	**3**	**(2)**
Changes in financial liabilities		
Borrowings/bonds issued	140	209
Repayment of borrowings/bond	(738)	(192)
Lease payments	-	(3)
Other changes	25	(9)
Total changes in financial liabilities (*)	**(573)**	**5**
Cash flow from financing activities	**(570)**	**3**
CHANGE IN CASH AND CASH EQUIVALENTS	**(688)**	**(220)**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**324**	**214**

(*) Cleared of balances in return of shareholders' equity and other balance sheet items.
(**) Values at June 30, 2020 have been reclassified according to the different presentation of the cash-flow statement adopted from December 31, 2020

Statement of changes in Group equity
(millions of euro)

Description	Share capital	Treasury shares	*Cash Flow Hedge*	Other Reserves and retained earnings	Result of the period/year	Total Equity pertaining to the Group	Minority interests	Total Net shareholders equity
Net equity at December 31, 2019	**1,629**	**(54)**	**(30)**	**1,355**	**389**	**3,289**	**362**	**3,651**
Changes of the first half of 2020								
2019 result allocation				389	(389)			
Distribution of dividends				(241)		(241)	(9)	(250)
IAS 19 reserves (*)				5		5		5
Cash flow hedge reserves (*)			14			14		14
Other changes				(8)		(8)	7	(1)
Group and minorities result of the period					154	154	9	163
Net equity at June 30, 2020	**1,629**	**(54)**	**(16)**	**1,500**	**154**	**3,213**	**369**	**3,582**
Changes from 1st July 2020 to 31st December 2020								
Distribution of dividends							(6)	(6)
IAS 19 reserves (*)				3		3		3
Cash flow hedge reserves (*)			10			10		10
Other changes				101		101	221	322
Group and minorities result of the period					210	210	(5)	205
Net equity at December 31, 2020	**1,629**	**(54)**	**(6)**	**1,604**	**364**	**3,537**	**579**	**4,116**
Changes of the first half of 2021								
2020 result allocation				364	(364)			
Distribution of dividends				(248)		(248)	(10)	(258)
Purchase of treasury shares		(109)				(109)		(109)
IAS 19 reserves (*)				4		4		4
Cash flow hedge reserves (*)			64			64		64
Other changes				(3)		(3)	(5)	(8)
Group and minorities result of the period					340	340	30	370
Net equity at June 30, 2021	**1,629**	**(163)**	**58**	**1,721**	**340**	**3,585**	**594**	**4,179**

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