2021
Half-yearly financial report

June 30, 2021

a2a
LIFE COMPANY

a2a
LIFE COMPANY

Half-yearly financial report at June 30, 2021

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

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This is a translation of the Italian original "Relazione finanziaria semestrale al 30 giugno 2021" and has been prepared solely for the convenience of international readers. In the event of any ambiguity the Italian text will prevail. The Italian original is available at the website www.a2a.eu.

Corporate boards

Board of Directors

CHAIRMAN
Marco Emilio Angelo Patuano

DEPUTY CHAIRMAN
Giovanni Comboni

CEO AND GENERAL MANAGER
Renato Mazzoncini

DIRECTORS
Stefania Bariatti
Vincenzo Cariello
Federico Maurizio d'Andrea
Luigi De Paoli
Gaudiana Giusti
Fabio Lavini
Christine Perrotti
Secondina Giulia Ravera
Maria Grazia Speranza

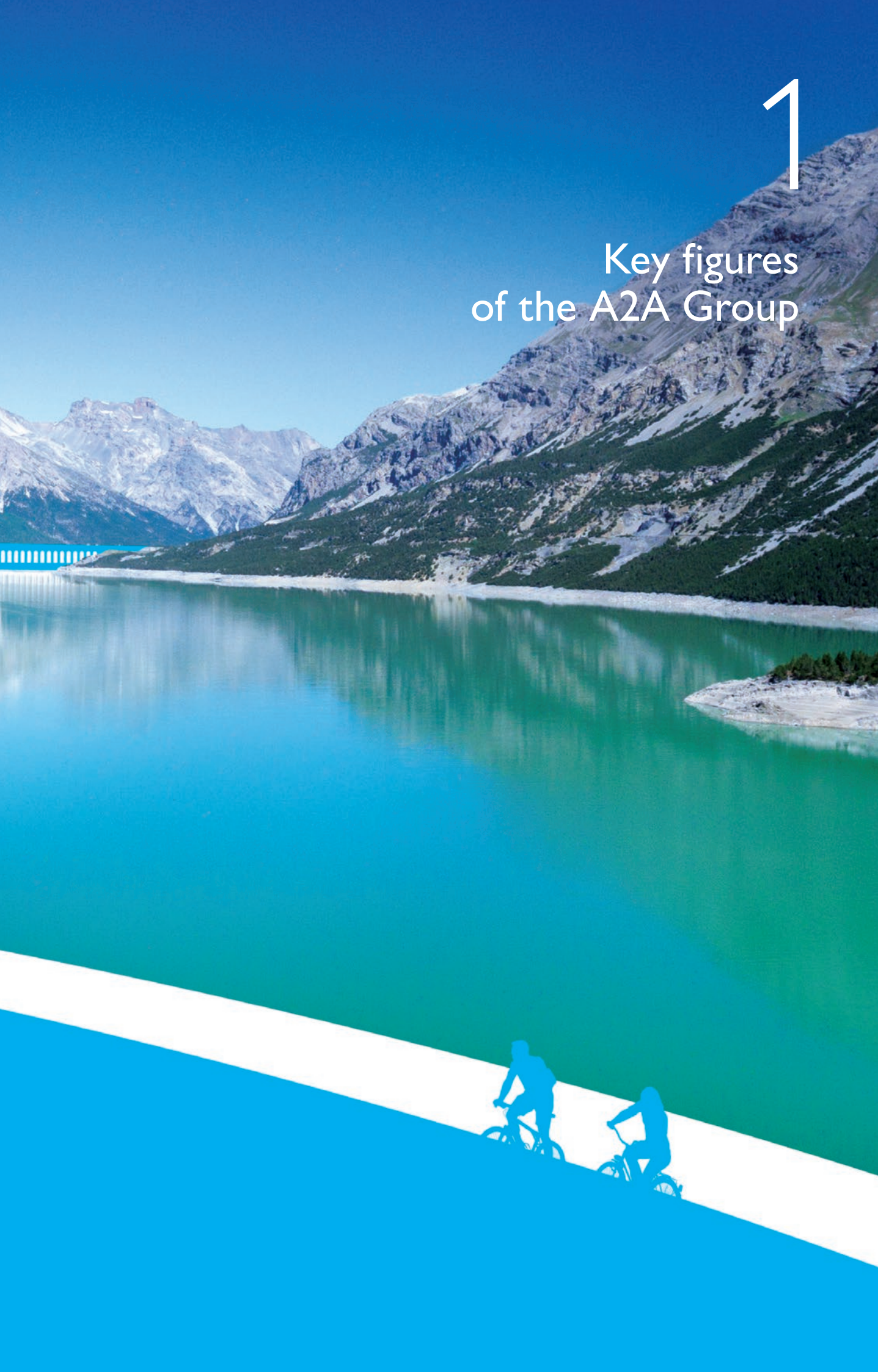
Board of Statutory Auditors

CHAIRMAN
Giacinto Gaetano Sarubbi

STANDING AUDITORS
Maurizio Leonardo Lombardi
Chiara Segala

ALTERNATE AUDITORS
Antonio Passantino
Patrizia Tettamanzi

Independent Auditors
EY S.p.A.



1

Key figures of the A2A Group

1.1 Business Units

The A2A Group operates in the production, sale and distribution of gas and electricity, district heating, environmental services and the integrated water cycle.
These sectors are in turn attributable to the "Business Units" specified in the following scheme identified following the reorganization made by management:

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

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

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

Networks
- Electricity networks
- Gas networks
- Integrated water cycle
- District Heating services
- Heat management services
- Development and management of technological infrastructures for integrated digital services

Corporate
- Corporate services

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

1
Key figures of the A2A Group

Business Units

Geographical areas of activity

Group structure

Financial highlights at June 30, 2021

Shareholdings

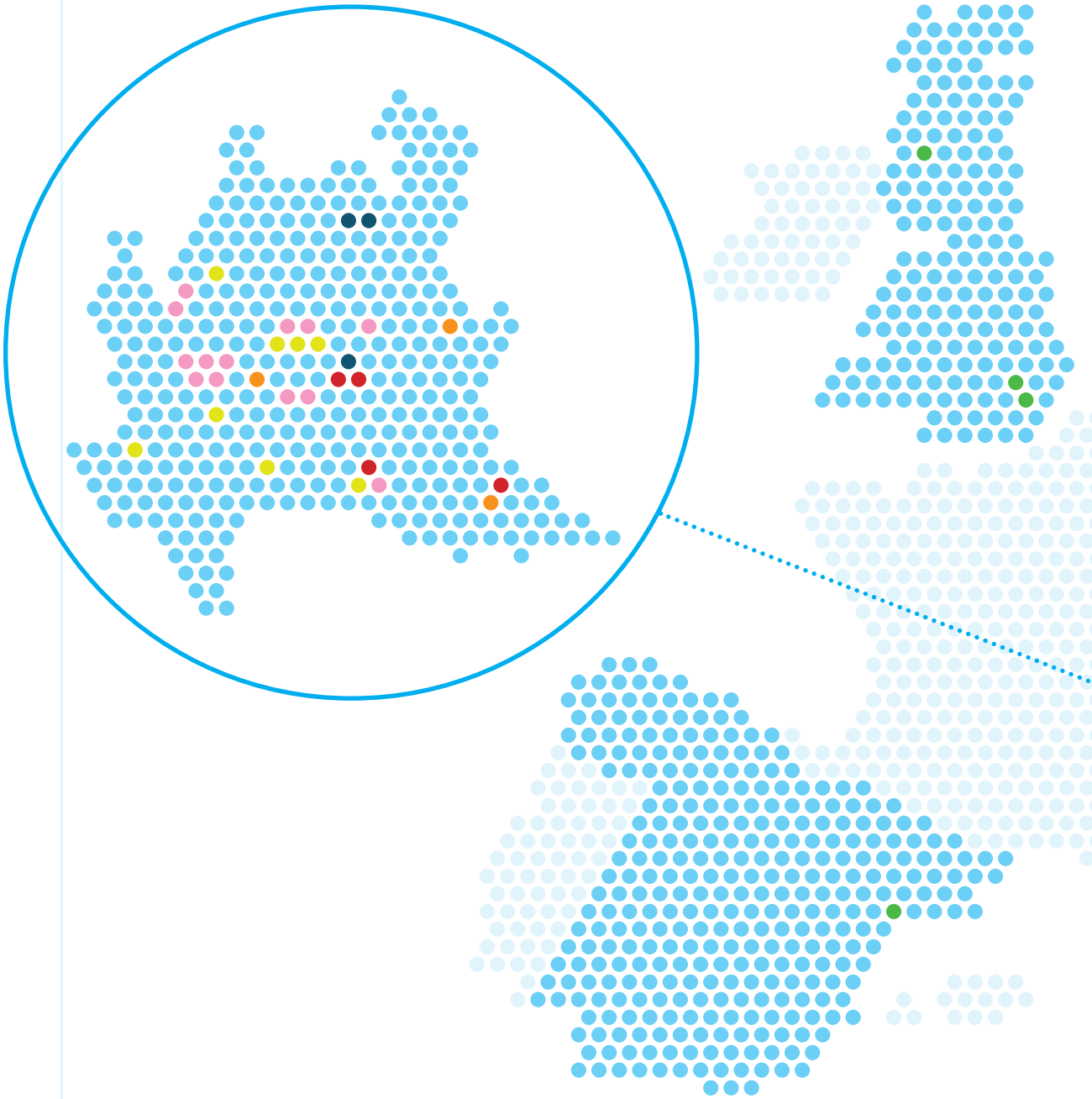
A2A S.p.A. on the Stock Exchange

Alternative Performance Indicators (APM)

1.2 Geographical areas of activity

- Hydroelectric plants
- Thermoelectric plants
- Cogeneration plants
- Waste treatment plants
- Photovoltaic plants
- Wind plants
- Technological partnerships

Updated to June 30, 2021



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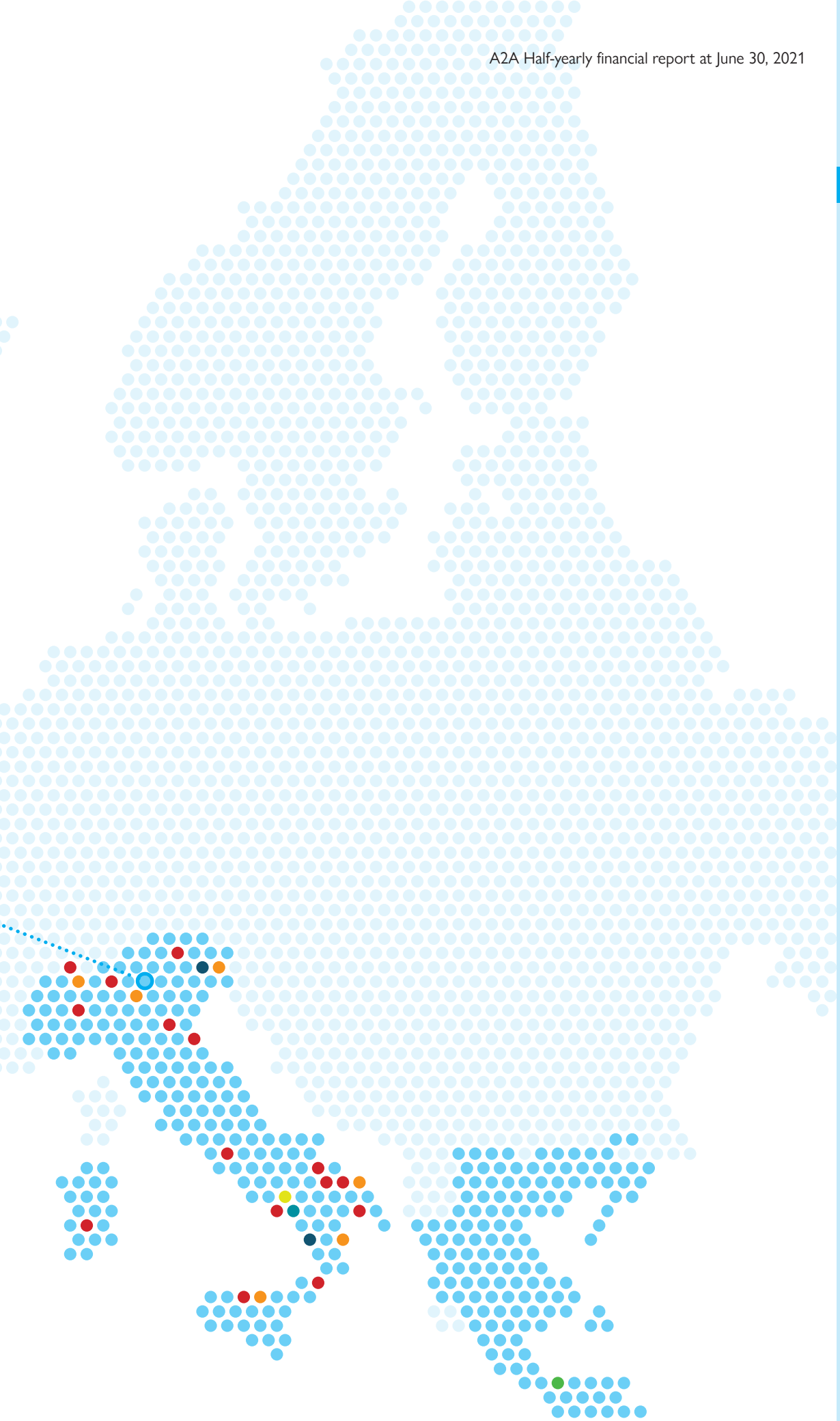

1.3 Group structure

- Generation and Trading
- Market
- Waste
- Networks
- Other Companies

- 100.00% A2A gencogas
  - 50.00% Ergosud
- 100.00% A2A Energiefuture
- 100.00% A2A Rinnovabili
- 100.00% A2A Energia[1]
  - 94.72% LumEnergia
  - 50.00% Metamer
- 100.00% Suncity Energy
- 100.00% A2A Energy Solutions
- 100.00% A2A Ambiente
  - 100.00% Amsa
  - 100.00% Aprica
  - 100.00% Lomellina Energia[2]
- 100.00% A2A Ciclo Idrico
- 100.00% A2A Calore & Servizi
- 60.00% Proaris
- 100.00% Unareti
- 91.60% Retragas
- 89.00% Camuna Energia
- 74.80% ASVT
- 100.00% A2A Smart City
- 51.00% Linea Group Holding
  - 100.00% Linea Gestioni
  - 100.00% Linea Ambiente
  - 100.00% AGRIPOWER
  - 100.00% Linea Green
  - 95.60% LD Reti
- 41.34% ACSM-AGAM
  - 99.75% Acel Energie[2]
  - 100.00% ACSM-AGAM Ambiente
  - 100.00% Lereti
  - 100.00% Varese Risorse
- 33.52% AEB
  - 100.00% A2A Illuminazione Pubblica
  - 100.00% Gelsia
  - 100.00% Gelsia Ambiente[3]
  - 100.00% RetiPiù[5]

This chart shows the most significant shareholdings of the A2A Group. See attachments 3, 4 and 5 for full details of shareholdings.

1 12.80% held through Linea Group Holding S.p.A..
2 35.70% held through Linea Ambiente S.r.l..
3 30% held through A2A Integrambiente S.r.l..

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Key figures of the A2A Group

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A2A S.p.A. on the Stock Exchange

Alternative Performance Indicators (APM)

1.4 Financial highlights at June 30, 2021 (**)

REVENUES

4,060

millions of euro

GROSS OPERATING INCOME

690

millions of euro

RESULT OF THE PERIOD

340

millions of euro

Income statement figures

millions of euro	01 01 2021 06 30 2021	01 01 2020 06 30 2020
Revenues	4,060	3,181
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	(26)	(38)
Result before taxes	**329**	**243**
Income taxes	41	(78)
Net result from discontinued operations	-	(2)
Minorities	(30)	(9)
Group result of the period	**340**	**154**
Gross operating income/Revenues	**17.0%**	**17.6%**

(**) The figures serve as performance indicators as required by CESRN/05/178/B.

Balance sheet figures

millions of euro	06 30 2021	12 31 2020
Net capital employed	7,924	7,588
Equity attributable to the Group and minorities	4,179	4,116
Consolidated net financial position	(3,745)	(3,472)
Consolidated net financial position/Equity attributable to the Group and minorities	0.90	0.84
Consolidated net financial position / EBITDA	5.4	2.9

Financial data

millions of euro	01 01 2021 06 30 2021	01 01 2020 06 30 2020
Net cash flows from operating activities	508	100
Net cash used in investing activities	(626)	(323)
Free cash flow (Cash Flow Statement figure)	(118)	(223)

Energy scenario

	06 30 2021	06 30 2020
Average of the PUN (Single Nationwide Price) Base load (Euro/MWh)	66.9	32.2
Average of the PUN (Single Nationwide Price) Peak load (Euro/MWh)	73.9	35.6
Average price of gas to the PSV (*) (Euro/MWh)	21.8	9.2
Average price of emission certificates EU ETS (**) (Euro/tonne)	43.8	22.1

(*) Price of gas of reference for the Italian market
(**) EU Emissions Trading System

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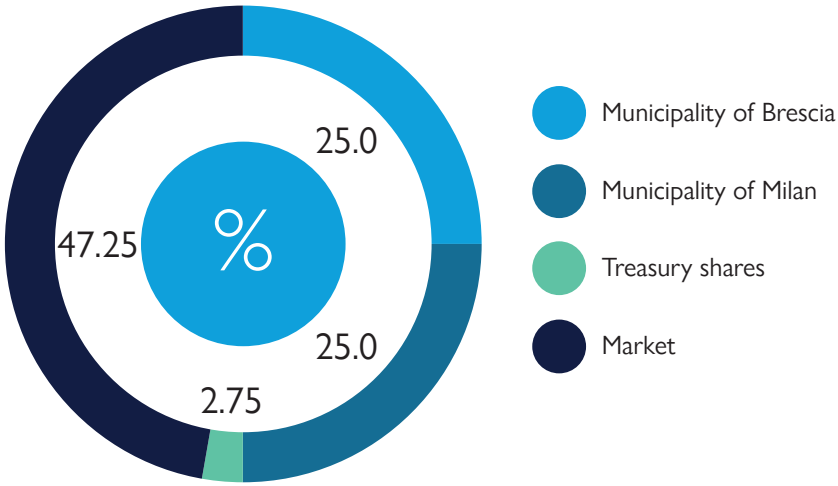
A2A S.p.A. on the Stock Exchange

Alternative Performance Indicators (APM)

Group's key operational indicators

	06 30 2021	06 30 2020
Generation and Trading		
Thermoelectric production (GWh)	6,126	4,882
Hydroelectric production (GWh)	2,135	1,912
Electricity sold to wholesale customers (GWh)	7,072	6,253
Electricity sold on the Power Exchange (GWh)	7,933	6,689
Market		
Electricity sold to retail customers (GWh)	8,594	6,996
POD Electricity (#/1000)	1,290	1,192
of which POD Electricity Free Market	*876*	*731*
Gas sold to retail customers (Mcm)	1,479	1,235
PDR Gas (#/1000)	1,592	1,495
of which PDR Gas Free Market	*900*	*773*
Waste		
Waste collected (Kton)	928	806
Residents served (#/1000)	4,172	3,669
Waste disposed of (Kton)	1,754	1,609
Electricity sold by waste-to-energy (GWh)	1,057	955
Networks		
Electricity distributed (GWh)	5,632	5,061
Gas distributed (Mcm)	1,957	1,618
Water distributed (Mcm)	36	36
RAB Electricity (M€)	753	667
RAB Gas (M€)	1,565	1,431
Heat sales (GWht)	1,823	1,568
Cogeneration production (GWh)	154	183

1.5 Shareholdings (*)



(*) Source CONSOB for stakes higher than 3% (update at June 30, 2021)

Key figures of A2A S.p.A.

	06 30 2021	12 31 2020
Share Capital (euro)	1,629,110,744	1,629,110,744
Number of ordinary shares (par value 0.52 euro)	3,132,905,277	3,132,905,277
Number of treasury shares (par value 0.52 euro)	86,154,895	23,721,421

1.6 A2A S.p.A. on the Stock Exchange

A2A S.p.A. in figures (Italian Stock Exchange)

Market capitalisation at June 30, 2021 (millions of euro)	5,401
Share capital at June 30, 2021 (shares)	3,132,905,277

	First six months of 2021	Last 4 quarters
Average market cap (millions of euro)	4,858	4,355
Average daily volumes (shares)	13,078,338	11,530,668
Average price (€/share)	1.55	1.39
Maximum price (€/share)	1.79	1.79
Minimum price (€/share)	1.31	1.07

Source: Bloomberg

A2A stock is also traded on the following platforms: Aquis, BATS, BlockMatch, Chi-X, ITG Posit, Tradegate, Turquoise, UBS MTF.

On May 26, 2021 A2A distributed a dividend equal to 0.08 euro per share.

A2A forms part of the following indices

FTSE MIB
STOXX Europe 600
STOXX Europe 600 Utilities
EURO STOXX
EURO STOXX Utilities
MSCI Europe Small Cap
WisdomTree International Equity
S&P Global Mid Small Cap

Ethical Indices

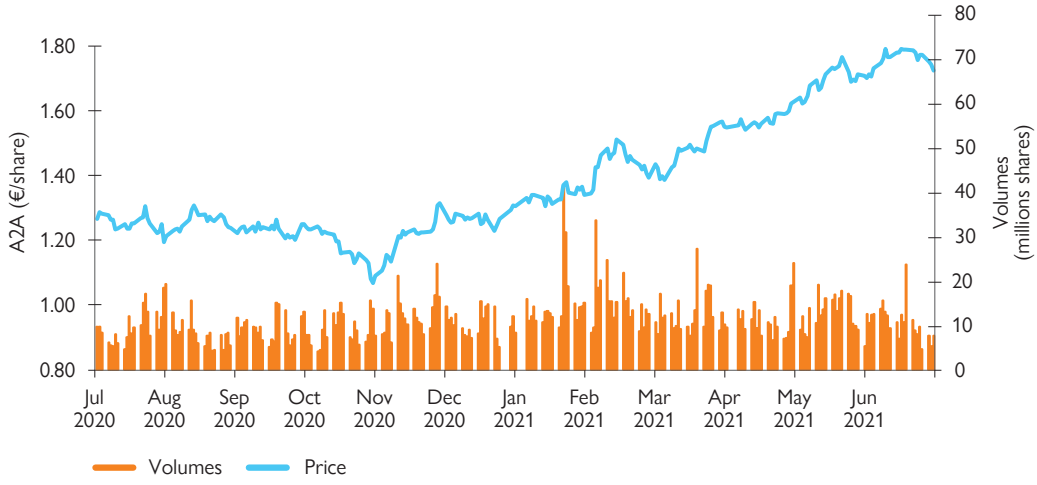
FTSE4Good
ECPI Europe ESG Equity
ECPI Global Clean Energy
Ethibel Sustainability Index Excellence Europe
EURO STOXX Sustainability Index
Euronext Vigeo Index: Eurozone 120
Standard Ethics Italian Index
Bloomberg Gender Equality Index

Source: Bloomberg and company information

In 2020 A2A obtained the following ESG ratings:
- A on the MSCI ESG questionnaire
- A- on the CDP climate change questionnaire
- B- on the CDP Water questionnaire
- A- in the Refinitiv ESG assessment

In 2021 A2A obtained a "EE" rating from Standard Ethics and a "Advanced" rating from Vigeo. Moreover, A2A has been included in the Ethibel Excellence Investment Register, in the Ethibel Pioneer Investment Register and in the CDP Supplier Engagement Leaderboard.

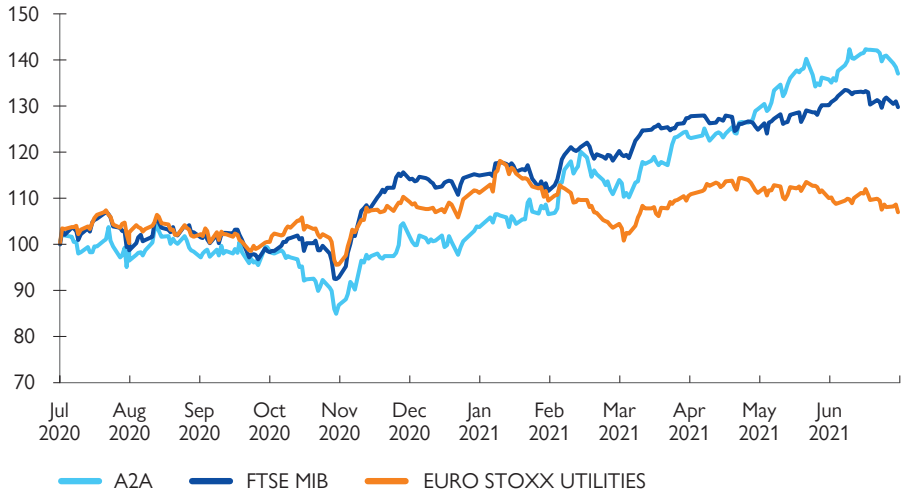
A2A: price and volumes



A2A vs FTSE MIB and EURO STOXX UTILITIES

(Price June 30, 2020 = 100)

Historical volatility in the last 4 quarters:
A2A: 24.4%
FTSE MIB: 18.9%



Source: Bloomberg

Rating

		Current
Standard & Poor's	M/L Term Rating	BBB
	Short Term Rating	A–2
	Outlook	Stable
Moody's	M/L Term Rating	Baa2
	Outlook	Stable

Source: Rating agencies

1.7 Alternative Performance Measures (APM)

In this Half-yearly financial report, a number of alternative performance indicators (APM) have been used that are different from the financial indicators expressly provided for by the international accounting standards IFRS-EU adopted by the Group.
These alternative measures are used by the A2A Group in order to more effectively submit information on the profitability of the business in which it operates as well as on the financial situation, useful to improve the overall capacity to assess financial and equity performance.
These indicators are shown in the "Summary of results and financial position of the A2A Group". For the Income Statement, the comparative figures refer to the values at June 30, 2020 while for the Balance Sheet, the comparative values refer to December 31, 2020.
With reference to alternative indicators, on December 3, 2015, Consob issued Communication no. 92543/15, which transposes the Guidelines on the use and presentation of Alternative Performance Measures as part of regulated financial information, issued on October 3, 2015 by the European Securities and Markets Authority (ESMA). These Guidelines - which have updated the CESR Recommendation on Alternative Performance Measures (CESR/05 - 178b) - are intended to promote the usefulness and transparency of alternative indicators to improve their comparability, reliability and understanding.
On July 15, 2020, ESMA also published a new version of its Guidelines on disclosure requirements pursuant to the prospectus regulation (ESMA/31-62-1426), applicable from May 5, 2021 and updating the previous CESR Recommendations (ESMA/2013/319), with the aim of providing issuers with indications relating to the assessment of relevant information to be included in the financial disclosure.
In accordance with the Guidelines, the descriptions, content and bases of calculation used for the construction of the Alternative Performance Measures adopted by the Group are described below.

Gross operating margin

Gross operating margin is an alternative indicator of operating performance, calculated as the sum of "Net operating income" plus "Depreciation, amortization, provisions and write-downs".

This APM is used by the A2A Group as financial target in presentations both within the Group (Business Plans) and external (presentations to financial analysts and investors) and represents a useful measure to assess the operating performance of the Group (both as a whole and in terms of individual Business Unit), also through a comparison between the operating results of the reporting period with those relating to previous periods or years. This indicator also allows conducting analyses on operational trends and measure performance in terms of operational efficiency over time.

Result from non-recurring transactions

The **Result from non-recurring transactions** is an alternative performance measure designed to highlight the capital gains/losses arising from the valuation at fair value of non-current assets sold and the results from the sale of equity investments in unconsolidated subsidiaries and associated companies and other non-operating income/expenses.

This measure is positioned between net operating income and the financial balance. In this way net operating income is not affected by non-recurring operations, making it easier to measure the effective performance of the Group's ordinary operating activities.

Net fixed capital

Net fixed capital is determined as the algebraic sum of:
- tangible assets;
- intangible assets;
- capex accounted for using the equity method and other non-current financial assets;
- other non-current assets and liabilities;
- deferred tax assets and deferred tax liabilities;
- provisions for risks, charges and liabilities for landfills;
- employee benefits.

This APM is used by the A2A Group as financial target in presentations both within the Group (Business Plans) and external (presentations to financial analysts and investors) and represents a useful measure of the net fixed assets of the Group as a whole, also through the comparison between the reporting period with those relating to previous periods or years.

This indicator also allows conducting analyses on operational trends and measure performance in terms of operational efficiency over time.

Working capital

Working capital is determined as the algebraic sum of:
- inventories;
- trade receivables and other current assets;
- trade payables and other current liabilities
- current tax assets/tax liabilities.

This APM is used by the A2A Group as financial target in presentations both within the Group (Business Plans) and external (presentations to financial analysts and investors); it represents a useful measure of the ability to generate cash flow from operations within a period of twelve months, also through the comparison between the reporting period with those relating to previous periods or years.

This indicator also allows conducting analyses on operational trends and measure performance in terms of operational efficiency over time.

Invested capital/Net invested capital

Invested capital/Net invested capital is calculated as the sum of Net fixed capital, Working capital and Assets/Liabilities held for sale.
This APM is used by the A2A Group as the financial target in presentations both within the Group (Business Plans) and external (presentations to financial analysts and investors); it represents a useful measure for the evaluation of total net assets, both current and fixed.

Sources of funds

Sources of funds are calculated by adding "Shareholders' Equity" and "Total Net Financial Position".
This APM is used by the A2A Group as financial target in presentations both within the Group (Business Plans) and external (presentations to financial analysts and investors) and represents the various sources by means of which the A2A Group is financed and the degree of autonomy that the A2A Group has in comparison with third party capital. This indicator also allows measuring the financial strength of the A2A Group.

Net financial position/Net debt

Net financial position/Net financial debt is an indicator of the financial structure, calculated as the sum of net financial position beyond one year and net financial position within one year. Specifically, total net financial position beyond one year is obtained from the algebraic sum of:
- Total medium and long-term debt: the item includes the non-current portion of bonds, bank loans, financial leasing and other non-current liabilities;
- Total medium and long-term financial receivables: this item includes Non-current financial assets (including those with related parties) and Other non-current assets.

The net financial position within one year is derived from the algebraic sum of:
- Total short-term debt: this item includes the portion due within twelve months of bonds, bank loans, financial leasing, current financial liabilities to related parties and other current liabilities;
- Total short-term financial receivables: this item includes Other current financial assets (including to related parties) and Other current assets;
- Cash and cash equivalents and Cash and cash equivalents included in assets held for sale

This APM is used by the A2A Group as financial target in presentations both within the Group (Business Plans) and external (presentations to financial analysts and investors) and is useful for the purposes of measuring the Group's financial debt, also through the comparison between the reporting period with those relating to previous periods or years.
The net financial position of the A2A Group is calculated in compliance with the ESMA/31-62-1426 Recommendations of July 15, 2020.

1
Key figures of the A2A Group

Business Units

Geographical areas of activity

Group structure

Financial highlights at June 30, 2021

Shareholdings

A2A S.p.A. on the Stock Exchange

Alternative Performance Indicators (APM)

Investments in tangible and intangible assets

Investments in tangible and intangible assets are extrapolated from the information contained in the Notes of the Balance Sheet.

This APM is used by the A2A Group as financial target in presentations both within the Group (Business Plans) and external (presentations to financial analysts and investors) and is a useful measure of the resources used in the maintenance and development of the investments of the A2A Group (as a whole and in terms of individual Business Unit), also through the comparison between the reporting period with those relating to previous periods or years. This allows the A2A Group to conduct analyses on investment trends and measure performance in terms of operational efficiency over time.

Investors should not place undue reliance on these APM and should not consider all APM as: (i) an alternative to operating or net profit as calculated in accordance with IFRS; (ii) an assessment of the Group's ability to meet cash needs alternative to as deduced from the cash flow from operating, investing or financing activities (as determined in accordance with IFRS); or (iii) an alternative to any other performance measure provided by IFRS.
These Alternative Performance Measures derive from the historical financial information of the A2A Group and are not intended to provide indications relating to future financial performance, financial position or cash flow of the Group. Moreover, these APM were calculated uniformly for all periods.

2

Responsible sustainability management and sustainable finance

2.1 Responsible sustainability management and sustainable finance

In 2021, sustainability - in addition to remaining at the center of international policies and of common feeling as a crucial factor for a "happy" growth, made of respect for the environment, social equality and inclusive development, which leaves no one behind - represented the only possible answer to satisfy the desire and the need to return to a more or less "normal" life, without dispersing the good things that the emergency phase of the COVID-19 pandemic taught us. The European Union, for its part, with the Long-Term Budget and the Next Generation EU - the largest package of stimulus measures it has ever financed - has made available to member countries over 2,000 billion euro[1] to repair the damage caused by the COVID-19 pandemic, over 800[2] of these (the Next Generation EU) have been allocated to make Europe green - translated in the language of the Life Company, blue - digital and resilient, in the full knowledge that sustainable development is now the only possible model.

A2A's new Strategic Plan, presented on January 20, 2021, has fully embraced the EU's ambitions, making them its own. A long-term plan - to 2030 - which envisages development based on two crucial elements for everyone's future: the energy transition, or rather the production and use of clean energy, accelerating decarbonization and encouraging the electrification of consumption; and the circular economy. For A2A, this means generating new resources in the form of matter and energy, reducing waste to protect the environment and preserve the Planet's resources.

This Plan represents our "decade of action", an ambitious plan characterized by 90% investment in line with the objectives of the UN's 2030 Agenda, with the aim of making a concrete contribution to the country's sustainable development.

On April 29, 2021, the fifth Group Integrated Report was presented to the A2A Shareholders' Meeting, which for the fourth year, is also the Non-Financial Statement pursuant to Legislative Decree 254/16. This document continues to be drawn up according to rigorous and internationally shared standards and methodologies, in particular the Integrated Reporting Framework (IR Framework) and the international standards of the Global Reporting Initiative (GRI). In this edition, in line with the new Strategy, a new and challenging long-term Sustainability Plan - 2021-2030 - was published, which, in addition to incorporating the sustainability objectives contained in the new Strategic Plan, includes more specific objectives linked to its "enabling levers", i.e.: Digital, People and Governance. In addition, for the first time a new section has been included dedicated to the management of financial risks connected with climate change, in line with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD), with the aim of providing the world of finance with all the information it needs to properly assess A2A's strategy for managing climate-related risks and opportunities. The alignment has also been positively evaluated by the CDSB (Climate Disclosure Standard Board) - the international organization that brings together leading business and environmental organizations and works to promote the integration of TCFD disclosure within corporate reporting.

Thanks to the new long-term strategy and A2A's continuous effort to align its reporting to the highest international standards, in the early months of 2021, Standard Ethics confirmed its positive rating of EE (Strong) in the short term for the third year running and confirmed its medium-term rating of EE+ (Very Strong). In addition, in March, A2A's outlook was raised from "Stable" to "Positive". The company has been confirmed in the six ethical indices in which it is included (FTSE4Good Index, ECPI Indices, Ethibel Sustainability Index Excellence Europe, EURO STOXX Sustainability Index, Euronext Vigeo Index, Eurozone 120, Standard Ethics Italian Index). Finally, in the early months of the year, it was also included for the first time in Bloomberg's Gender Equality Index.

These confirmations are due to both the A2A Group's new emissions policy, which has made the decarbonisation targets even more ambitious, aligning them with the Paris Climate Agreement of 2015, and to the attention given by the Group to other fundamental issues such as Diversity.

The first half of the year also saw A2A accelerate the development of Sustainable Finance products. In May 2021, the new Sustainable Finance Framework was published. It is a set of guidelines to reinforce the link between the Group's financial and sustainable strategy.

1 This amount is expressed in current prices. Equivalent to 1,800 billion euro in 2018 prices. Source https://ec.europa.eu/info/strategy/recovery-plan-europe_it
2 This amount is expressed in current prices. Equivalent to 750 billion euro in 2018 prices. Source https://ec.europa.eu/info/strategy/recovery-plan-europe_it

With this update - compared to the previous 2019 Green Financing Framework - A2A is among the first issuers of the sector, and the first in Italy, 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.

A set of Key Performance Indicators (KPIs) has in fact been identified and included in the Framework. It reflects the two pillars of A2A's strategic plan, energy transition and the circular economy, and confirms the Group's commitment to the achievement of the Sustainable Development Goals of the UN 2030 Agenda. Selected KPIs:

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

in fact concern ESG targets that contribute to the achievement of UN SDGs 7, 11, 12 and 13.

The Sustainable Finance Framework, which covers any type of financial instrument, has been prepared in compliance with the Green Bond Principles (2018) and Sustainability-Linked Bond Principles (2020) published by the International Capital Market Association (ICMA), and the Green Loan Principles (2021) and Sustainability-Linked Loan Principles (2019) published by the Loan Market Association (LMA).

Vigeo Eiris, one of the leading international ESG rating agencies, issued a Second Party Opinion confirming the robustness of the Sustainable Finance Framework and attesting its alignment with ICMA and LMA principles. The agency also highlighted A2A's commitment to the development of sustainable finance and its "Advance" position as an issuer.

As part of the new Sustainable Finance Framework, two important funding transactions were concluded for the Group: the subscription of a Sustainability-Linked credit line and the issue of the first Sustainability-Linked Bond.

As far as territorial sustainability is concerned, the first half of 2021 was characterized by a renewed approach for A2A. A new way of sharing the story of the Group's commitment in its territories has been defined, based on three key words: People (social sustainability), Planet (environmental sustainability), Prosperity (economic sustainability). However, that is not all. The opportunity was also taken to renew the events for the presentation of the territorial budgets, transformed into meetings - digi/phygital - structured in two distinct moments: the first of dialogue with local stakeholders (forumAscolto), i.e. a moment of discussion on 10 topics dedicated to ecological transition. The so-called 10 "right turns" to be implemented locally, identifying the enabling levers most suitable for supporting change; the second is a presentation - open to the public - in which A2A's top management illustrate the Territorial Sustainability Report, A2A's new Strategic Plan and the results of the forumAscolto. This new cycle of meetings opened on June 22 with Friuli Venezia Giulia and continued with meetings dedicated to Piedmont and Valtellina and Valchiavenna, which took place on June 29 and 30 respectively. This road show of territories will continue in July with Bergamo and Brescia and will end in October with Milan. The Budgets and results of the forumAscolto are made available, from time to time, in the dedicated section of the Group's website "A2A for its territories".

As part of the stakeholder listening programme, on February 4, 2021, the second meeting planned as part of the forumAscolto Brescia 2020 was held, with the aim of identifying the projects to be developed, favouring and enhancing forms of collaboration and partnership between the company and the institutions, the academic world, the economic and social forces of the Brescia area, starting from the priorities and needs that emerged in the first meeting that was held in December 2019. The discussion topics addressed in the working tables were: Energy efficiency and renewables (Energy efficiency of properties and Awareness raising through monitoring of the benefits of energy efficiency measures); Sustainable mobility (Survey on the demand for mobility and System of integration of mobility services); Organic chain (Information and awareness raising on the deficit of plants for the treatment of organic waste and Conversion of biogas into biomethane); Partnerships with industries (Support for companies to encourage environmental transition and Symbiosis and heat recovery in industrial processes); Separate collection (Qualitative improvement of separate collection and Redistribution of food surpluses); Protection of water resources (Information and improvement of dialogue on the water cycle and Optimization of water use in agriculture). The results of this initiative have been summarized in a specific report, available on the website in the "Stakeholder Engagement" section.

The program is continuing with a path of listening and involvement that concerns the Sicilian territory, the forumAscolto Sicilia, created to make people understand the strategic value of the project for reconversion of the power plant of San Filippo del Mela (ME) as an energy hub for the sustainable transition of the Sicily Region. The initiative, which will be held on July 13, 2021, was preceded by activities

of analysis and listening to stakeholders to understand the perception and expectations of the territory towards the conversion project. The results of this first phase have been analyzed in a study prepared by The European House - Ambrosetti, which supported A2A in this process, and will be presented at forumAscolto.

As far as the Banco dell'energia is concerned - the social responsibility project that emerged from the Brescia forum in 2015 - promoted by A2A with Fondazione AEM and Fondazione ASM, the phase has been concluded of selecting the winners from the third edition of the "Doniamo Energia" call for tenders promoted in collaboration with Fondazione Cariplo and reserved for the networks supported under the two previous editions. These associations have already promoted projects capable of intercepting fragile families at an early stage and are able to give a rapid and immediate response to that segment of the population that has found itself in a condition of need due to the economic and social repercussions of the COVID-19 health emergency. 17 projects have been awarded resources and will be implemented throughout 2021.

With regard to educational activities, in April, on the occasion of Earth Day - in collaboration with Earth Day Italia - the "Sustainability Olympics" were launched with the aim of involving and developing greater awareness of the so-called "Generation Z" on the meaning of sustainability, which will involve second-grade secondary schools throughout Italy for the 2021-2022 school year. The project will be developed in collaboration with Elis, a consortium that promotes quality professional training and will see the schools compete to take part in A2A's Creathon (creative marathon), which will be organized as part of Earth Day 2022.

3

Consolidated results and report on operations

3.1 Summary of results, assets and liabilities and financial position

Results

The consolidation scope at June 30, 2021 changed compared to the corresponding year due to the following operations:

- 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;
- acquisition and line-by-line consolidation by A2A Rinnovabili S.p.A. of Gash 1 S.r.l. and Gash 2 S.r.l., two project companies with authorization to build two photovoltaic plants;
- as part of the transaction that led to the acquisition of 27.7% of Saxa Gres S.p.A. by A2A Ambiente S.p.A., Energia Anagni S.r.l. and Bioenergia Roccasecca S.r.l., companies that will manage two 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.

Moreover, the economic figures at June 30, 2021 are not consistent with the corresponding period of the previous year due to the following extraordinary transactions in the second half of 2020:

- acquisition of control and line-by-line consolidation of the AEB Group as of November 1, 2020;
- acquisition by A2A Rinnovabili S.p.A. and line-by-line consolidation of 100% of Flabrum S.r.l. and Solar Italy V S.r.l., companies operating in the sector of power generation from renewable sources.

The results of the A2A Group for the period ended June 30, 2021 are set out below together with comparative figures for the corresponding period of the previous year.

millions of euro	01 01 2021 06 30 2021	01 01 2020 06 30 2020	Changes
Revenues	**4,060**	**3,181**	**879**
of which:			
- Revenues from the sale of goods and services	*3,955*	*3,084*	*871*
- Other operating income	*105*	*97*	*8*
Operating expenses	(2,991)	(2,267)	(724)
Labour costs	(379)	(355)	(24)
Gross Operating Income - EBITDA	**690**	**559**	**131**
Depreciation, amortization and write-downs	(323)	(264)	(59)
Provisions	(12)	(14)	2
Net Operating Income - EBIT	**355**	**281**	**74**
Net financial charges	(29)	(39)	10
Affiliates	3	1	2
Result before taxes	**329**	**243**	**86**
Income taxes	41	(78)	(119)
Result after taxes from operating activities	**370**	**165**	**205**
Net result from discontinued operations	-	(2)	2
Minorities	(30)	(9)	(21)
Group result of the period	**340**	**154**	**186**

In the first half of 2021, the **Revenues** of the 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 both to higher prices and higher volumes sold and brokered. Revenues in the retail market were also up thanks to higher unit prices of the electricity sector 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 euro 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%)

The following table highlights the composition by Business Unit:

millions of euro	06 30 2021	06 30 2020	Delta	Delta%
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%**

EBITDA of the Generation and Trading Business Unit 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:
- the sharp increase in the PUN this year compared with the collapse recorded in the same period last year;
- higher production volumes from both hydroelectric and combined-cycle thermoelectric power plants;
- the 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 current year compared with the first half of the previous year (hydroelectric licence fees and scheduled maintenance costs) and by the negative contribution of the gas portfolio.

EBITDA of the Market Business Unit 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;
- the increase in the number of mass-market customers, both electricity and gas;
- greater sales of large customers in the electricity and gas market;
- higher unit margins on sales in the free gas market.

This 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 spread of COVID-19.

The EBITDA of the Waste Business Unit equalled 164 million euro (143 million euro at June 30, 2020).
Net of non-recurring items (+1 million euro in the first half of 2021 and in the first half of 2020), the Ordinary EBITDA of the Business Unit came to 163 million euro, up 21 million euro compared to June 30, 2020.
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 same period of the previous year) made a positive contribution to the period result, thanks to:
- greater quantities of electricity produced and waste disposed of;
- the 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 higher prices following the strong appreciation of this recycled product due to the high demand recorded on the European market starting from the first lockdown;
- incremental contribution of the biomass 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 (-3 million euro).

In the first half of 2021, EBITDA of the Networks Business Unit amounted to 260 million euro (220 million euro at June 30, 2020).
Net of non-recurring items (+4 million euro in 2021; +1 million euro 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 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.

Depreciation, amortization, provisions and write-downs totalled 335 million euro (278 million euro at June 30, 2020), of which 16 million euro from the consolidation of the AEB Group, representing an increase of 57 million euro.

"Depreciation, amortization and write-downs" totalled 323 million euro (264 million euro at June 30, 2020), of which 13 million euro from the consolidation of the AEB Group, recording an overall increase of 59 million euro.
Amortization of intangible assets amounted to 97 million euro (66 million euro at June 30, 2020). The item shows higher amortization and depreciation of 31 million euro, of which 7 million euro deriving from the consolidation of the AEB Group, 2 million euro relating to the integrated water service, 2 million euro relating to the gas networks, 7 million euro relating to the implementation of IT systems, 11 million euro relating to the recovery of amortization for the gas distribution network in ATEM Milan 1, 2 million euro relating to the consolidation of Flabrum S.r.l. and Agripower S.r.l..

Depreciation of tangible assets show an increase of 28 million euro compared to June 30, 2020 and includes:

- higher depreciation of 6 million euro, relating to the consolidation of the AEB Group;
- higher depreciation of 9 million euro, relating to the plan for replacement of electricity meters;
- higher depreciation of 9 million euro, mainly relating to the investments which went into production after June 30, 2020;
- higher depreciation and amortization of 4 million euro relating to the consolidation, from 2021, of Agripower S.r.l. and of the companies acquired by A2A Rinnovabili S.p.A..

The balance of "Provisions for risks" shows a net effect of 2 million euro (positive net effect for 2 million euro at June 30, 2020) due to allocations in the period of 10 million euro, offset by the surpluses of 8 million euro since some ongoing disputes have ceased to exist.
Provisions for the period concerned, for 5 million euro, the provision for public water derivation fees, for 2 million euro provisions for legal disputes, for 1 million euro provisions for closure and post-closure expenses on landfills and 2 million euro other provisions for ongoing disputes. Surpluses in provisions for risks amounted to 8 million euro and include 4 million euro for the release of provisions for closure and post-closure expenses on landfills, 2 million euro for the release of provisions for tax disputes and other releases for 2 million euro.

The "Bad debts provision" shows a balance of 10 million euro (16 million euro at June 30, 2020), of which 1 million euro deriving from the consolidation of the AEB Group, determined by the provision for the period.

As a result of these changes "**Net operating result**" amounted to 355 million euro (281 million euro at June 30, 2020).

"**Net financial charges**" amounted to 29 million euro (39 million euro at June 30, 2020), representing a decrease of 10 million euro. This improvement was mainly due to refinancing of matured bonds at lower rates.

The "**Affiliates**" was 3 million euro (1 million euro at June 30, 2020), and is mainly attributable to the positive valuation of the shareholdings held in the companies Consul System and Metamer.

"**Income taxes**" in the period in question equalled income of 41 million euro (expenses of 78 million euro at June 30, 2020). In the reporting period, this item includes the release of deferred tax liabilities for 151 million euro, the allocation of deferred tax assets for 17 million euro and the recognition of a substitute tax of 23 million euro in connection with the realignment option provided by Decree Law 104/2020, exercised by some Group companies, which allows the realignment of the differences between higher statutory values and lower values for tax purposes on tangible assets and the consequent deduction of higher tax amortization starting from the current year.

The "**Net result from discontinued operations/assets held for sale**" was nil at June 30, 2021 (negative for 2 million euro at June 30, 2020) and referred to the transfer of the shares, equal to 2% of the company Ascopiave S.p.A., as well as the valuation of the shares, equal to 2.16% of the share capital of Ascopiave S.p.A., for which the A2A Group has exercised the right of withdrawal, net of dividends collected.

The "**Group result for the period**", after the minorities of 30 million euro were deducted, was positive and amounted to 340 million euro (positive for 154 million euro at June 30, 2020).

Sources/Uses statement millions of euro	06 30 2021	12 31 2020	Changes
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	-	-	
TOTAL CAPITAL EMPLOYED	**7,924**	**7,588**	**336**
SOURCES OF FUNDS			
Equity	**4,179**	**4,116**	**63**
Total financial position beyond 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 a 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 acquisitions in the year, accounting for an increase of 84 million euro;
  - net increase of 33 million euro for other changes, 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;
- Shareholdings 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 decrease of 27 million euro due to the reclassification, following the ESMA guideline applicable from May 5, 2021, in the statement of financial indebtedness, 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;
- "Deferred tax assets" amounted to 407 million euro (265 million euro at December 31, 2020) and showed an increase of 142 million euro due to the release of deferred tax liabilities of 151 million euro and a provision for deferred tax assets of 17 million euro following the exercise of the realignment option provided by Decree Law 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 of 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" 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 to 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" amounted to 1,806 million euro (2,030 million euro at December 31, 2020), with a decrease of 224 million euro. The "Bad debts provision", calculated in compliance with IFRS 9, amounted to 134 million euro and showed a net increase of 4 million euro compared to December 31, 2020;
- "Trade payables" amounted to 1,454 million euro, a decrease of 98 million euro;
- "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 euro.

"**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.

Consolidated "**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

"**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 period 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.

The "**Consolidated net financial position**" at June 30, 2021 amounted to 3,745 million euro (3,472 million euro at end 2020). Excluding changes in scope in the first six months of 2021 and the application of the new ESMA Guidelines, the Net Financial Position amounted to 3,308 million euro, recording cash absorption of 164 million euro compared to December 31, 2020, after capex of 413 million euro and dividends for 248 million euro.

millions of euro	01 01 2021 06 30 2021	01 01 2020 06 30 2020
NET FINANCIAL POSITION AT THE BEGINNING OF THE PERIOD	**(3,472)**	**(3,154)**
First-time consolidation contribution	**(182)**	**(50)**
New contracts IFRS 16	**(3)**	**(11)**
Net result	370	163
Taxes for the period	(41)	78
Net interest for the period	29	39
Amortization	323	264
Write-downs/disposals of tangible and intangible assets	2	4
Net allocations for the period	12	14
Result from shareholdings measured at equity	(3)	(1)
Net interest paid	(51)	(49)
Net taxes paid	(14)	(5)
Dividends paid	(258)	(250)
Change in receivables from customers	222	250
Change in payables to suppliers	(111)	(408)
Change in inventories	(15)	40
Other changes in net working capital	43	(39)
Cash flow from operating activities	**508**	**100**
Investments in tangible and intangible assets	(413)	(250)
Investments in shareholdings and securities	(136)	(105)
Contribution of cash and cash equivalents first-time consolidations	27	14
Disposals of fixed assets and shareholdings	5	18
Purchase of treasury shares	(109)	-
Net cash flows from investment activities	**(626)**	**(323)**
Free cash flow	(118)	(223)
Other changes	**22**	**10**
Changes in financial assets/liabilities with counter-entry to equity	8	(5)
NET FINANCIAL POSITION AT THE END OF THE PERIOD	**(3,745)**	**(3,433)**

3.2 Significant events during the period

A2A and LGH: merger process

On November 23, 2020 and December 14, 2020, A2A received a request from LGH shareholders (representing a total of 42.5% of the LGH share capital) to start the process for a possible merger by incorporation of LGH into A2A. Pursuant to this request, and in agreement with LGH minority shareholders, the preliminary merger proposal was submitted on April 16, 2021.
The preliminary merger proposal, sent to the attention of LGH minority shareholders who together hold 49% of the share capital, envisages that on completion of the merger they will hold 2.75% of the A2A share capital. The preliminary merger proposal was accepted on June 15, 2021 by LGH Minority Shareholders on a percentage basis (at least 70%) and within the contractual terms.
On June 28, 2021, the Boards of Directors of A2A and LGH approved the plan for the merger by incorporation of LGH into A2A. The merger by incorporation of LGH into A2A is in line with the process of rationalising the companies of the A2A Group and completes the path of evolution of the partnership between A2A and the minority shareholders of LGH, as outlined in the partnership agreements signed on March 4, 2016 and subsequently integrated.
The merger, in addition to rationalizing the Group companies, will enable economic synergies to be generated over time thanks to the integrated management of processes and systems.
The extraordinary shareholders' meetings of the two companies participating in the merger are scheduled for the first ten days of October 2021 and the signing of the merger deed, after the expiry of the legal deadlines for creditors' objections, is scheduled for December 31, 2021.

A2A enters Saxa Gres

On January 5, 2021, A2A acquired 27.7% of the capital of Saxa Gres, the first Circular Factory to make urban flooring (GRESTONE®) using an innovative "end-of-waste" process that allows the recovery of materials from the waste cycle.
The purchase was completed in April 2021.

A2A presents its new 2030 business plan and repositions its brand to "Life Company"

On January 19, 2021, the A2A Group's Board of Directors examined and approved the 2021-2030 Strategic Plan, A2A's first Business Plan with a 10-year horizon. Sustainability guides the new strategy that focuses the Plan on two industrial macro-trends, circular economy and energy transition, to which all the Group's Business Areas, Energy, Waste and Networks, contribute.
Investments of 16 billion euro are planned, 90% in line with the UN Sustainable Development Goals (SDGs), including 6 billion euro in the circular economy and 10 billion euro in energy transition. In addition, a gross operating margin of 2.5 billion euro is expected at the end of the plan, with net profits growing by more than 8% on average per year and dividends increasing by 3% on average per year.
In line with the business plan presented, the A2A Group aims to define a new brand territory in which to operate: by dealing with energy, water and the environment and thanks to the circular use of natural resources, A2A is a "Life Company" that takes care of the conditions necessary for life and its quality.

A2A acquires the largest merchant photovoltaic portfolio in Italy

On February 14, 2021, the A2A Group signed a binding agreement for the acquisition of the largest photovoltaic portfolio, without GSE incentives, including 9 plants located in Lazio and 8 in Sardinia. The nominal installed power is 173 MW.
The plants will be able to guarantee an increase in installed capacity that will allow them to produce approximately 420 GWh per year of green energy, equal to the annual consumption of approximately 200,000 residential customers, thus avoiding the emission of a total of 2.5 million tonnes of CO2 (over the entire life cycle of the plants).
The assets acquired by Octopus Renewables are added to the 111 MW photovoltaic portfolio already held by A2A: by virtue of this acquisition, A2A reaches 33% of energy produced from renewable sources.
The purchase was completed in March 2021.

A2A launches a new portal dedicated to Open Innovation

On February 17, 2021, the A2A Group made available a platform aimed at start-ups, companies, universities, research centres and all the players in the Italian and international innovation ecosystem, in which projects will be set up to test and jointly develop technological solutions to meet challenges such as energy transition and circular economy, decarbonisation, sustainable mobility, the water cycle and the creation of the cities of the future.

A2A joins the European hydrogen alliance

A2A joined the European Clean Hydrogen Alliance (ECHA), an association created with the aim of developing the hydrogen value chain in line with the European strategy.
By joining the Alliance, A2A confirms its commitment to contribute to the energy transition, decarbonization and sustainable growth and is ready to collaborate with the other players in the sector in the development of the hydrogen chain and the coordination of investments. In fact, in the new A2A Strategic Plan, presented last January, 10 billion euro of investments are planned by 2030 dedicated to the energy transition.

A2A Group: 2020 results approved

On March 18, 2021, the Board of Directors of A2A S.p.A. approved the drafts of the financial statements and of the consolidated annual financial report at December 31, 2020.
EBITDA was 1,204 million euro and Ordinary EBITDA was 1,191 million euro, in line with the 2019 figure. The net profit amounted to 364 million euro (389 million euro at December 31, 2019).
Investments increased sharply to 738 million euro, or 18% more than in the previous year, 80% of which were consistent with the United Nations 2030 Agenda Goals (SDGs) and about 40% related to the circular economy. The Net Financial Position amounted to 3,472 million euro (3,154 million euro at December 31, 2019).
The Board of Directors proposed to the Shareholders' Meeting a dividend of 0.08 euro per share up 3.2% compared to the previous year.

World Water Day and the Aquarius project

On March 21, 2021, World Water Day, the A2A Group confirmed its strong commitment to efficient and sustainable water management.
A2A Ciclo Idrico has doubled its investments over the last five years, reaching 56.4 million euro in 2020, corresponding to 95.4 euro per inhabitant, a figure close to the European average of 100 euro per inhabitant and more than double that of the Italian average of 40 euro per inhabitant.
In addition, A2A Ciclo Idrico has started in Brescia from the beginning of 2021 a phase to repair the pipes, identified by means of the Acquarius monitoring system. This system consists of 180 sensors installed in order to monitor the networks and detect the noise caused by any water spills: when this happens, these sensors transmit the information to a data processing platform which, by interlacing all the indications collected, is able to locate the point where the pipe is broken or deteriorated.
ASVT, an acronym for Azienda Servizi Valtrompia, is now the protagonist of the realization of one of the longest-awaited projects in the province of Brescia: the Val Trompia purification plant. This work will produce important environmental benefits for the areas crossed by the Mella river - from Val Trompia to Bassa Bresciana, passing through the city of Brescia - and at the same time will make it possible to overcome the problem of European infringements for those municipalities in Val Trompia that are not covered by the purification service.
The project for the new purification plant currently underway will allow the treatment of the wastewater generated by 85,000 population equivalent (PE), for an investment of 27 million euro; the second phase, for further expansion of the plant, in the event of growth in the population of Val Trompia, will involve an investment of a further 9 million euro and could serve up to 138 thousand population equivalent.

ESG performance: Gaia Rating rewards A2A sustainability

A2A has been recognized as a leader in its sector, in terms of ESG performance, by GAIA Rating, a non-financial rating agency, part of the Ethifinance Group, which specializes in assessing the ESG performance of over a thousand companies listed on European markets.
A2A obtained an overall score of 77 points out of 100, beating the average for the "Conventional and Renewable Energy Producer" sector by a good 26 points.

A2A and TIM: collaboration agreement for digital transformation and energy efficiency

On April 21, 2021, A2A and TIM signed a Memorandum of Understanding, which brings together the skills and technologies consolidated in their respective areas of excellence.
For the A2A "Life Company", the agreement will allow making its digital transformation process even faster and more effective, in order to optimize its operational and commercial processes through the use of the TIM Group's cloud, 5G and IoT services.
For TIM, the aim of the agreement will be to increase the energy efficiency of Noovle Data Centres, making them increasingly green and sustainable by optimizing consumption and using alternative energy sources.

World Earth Day 2021: A2A launches the Sustainability Olympics

On the occasion of World Earth Day 2021, A2A launched the Sustainability Olympics, a project involving 186 second-grade secondary schools for a total of 11,000 students throughout Italy.
The initiative aims to raise awareness among young people on the issue of sustainable development, making them more aware of the importance of the main contents of the UN 2030 Agenda and its objectives.
With the support of Consorzio ELIS, a non-profit organization that promotes quality vocational training, students attending the 4th year of high school will compete in the creation of works and videos, competing to participate in the final challenge. Three finalist classes will be selected to take part in the A2A creative marathon as part of Earth Day 2022.

Ordinary and extraordinary shareholders' meeting of A2A S.p.A.

On April 29, 2021 the Ordinary and Extraordinary Shareholders' Meeting of A2A S.p.A. was held to approve the company's financial statements for the year 2020 and to approve the distribution of the dividend proposed by the Board of Directors of 0.08 euro per share.
The shareholders also voted in favour with a binding vote on the first section of the 2021 Report on Remuneration and with an advisory, non-binding vote on the second section of the 2021 Report on Remuneration.
The Shareholders' Meeting also authorized and defined the terms within which the Board of Directors may purchase and dispose of treasury shares.

A2A presents the 2020 Integrated Report

On May 6, 2021, A2A presented the 2020 Integrated Report, which confirms the Group's commitment to sustainable development and to contributing to the achievement of the objectives of the UN Agenda 2030.
The A2A Integrated Report is a tool based on transparency, increasingly evolved, drawn up according to rigorous internationally shared standards and methodologies. The 2020 edition includes for the first time a new section dedicated to the management of financial risks connected with climate change, in line with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD): the aim is to provide the world of finance with all the information it needs to properly assess the A2A strategy for managing climate-related risks and opportunities.
In 2020, the Group distributed 1,853 million euro to stakeholders and approximately 13,000 orders were issued for supplies of approximately 1.9 billion euro. Of this value, 97% went to Italian suppliers.
Investments amounted to 738 million euro (+18% compared to 2019), 80% of which were dedicated to projects in line with the objectives of the UN Agenda 2030: 43% in the circular economy and 57% in the energy transition.
With regard to the energy transition, there was a 6% increase in the production of energy from renewable sources, which now accounts for 33% of the Group's total generation.
In addition, 2020 was the year in which A2A abandoned the use of coal at the Lamarmora power plant in Brescia - ahead of the time scale required by the PNIEC - thanks to investments in the creation of thermal storage and projects to recover heat from industrial activities.
In the environmental sector, 2020 saw an increase of two percentage points in differentiated waste collection, which reached an average of 71% in the municipalities served by the Group with a percentage of municipal waste destined for material or energy recovery of 99.7%.

Smart Grid Pilot: A2A, Alfa Acciai and Lombardy Region launch their project

On May 12, 2021, A2A, through its subsidiary A2A Calore & Servizi, Alfa Acciai and the Lombardy Region presented an innovative project whereby the heat hitherto dispersed by the Brescia steelworks will be recovered and conveyed to the A2A district heating network in the city, thus creating a significant example of "super-circulation".
The project, which will start with the next heating season, involved a total investment of 5.7 million euro, of which 2.8 million euro financed by the Lombardy Region, and the laying of the district heating network for a total of 1.2 km of double piping and 12 months of work.

The Board of Directors of A2A S.p.A. has taken a framework resolution for the issue of bonds

The Board of Directors of A2A S.p.A. that met on May 13, 2021, passed a framework resolution authorizing the issue of one or more non-subordinated, unsecured and non-convertible bonds under its EMTN Program, the size of which was increased to 6 billion euro. The maximum issuance by April 30, 2023 will be 1.5 billion euro.
The issue of bonds will be used, inter alia, to finance and/or refinance the Group's investments and/or to maintain adequate levels of liquidity, as well as to be used for one or more liability management operations.

A2A S.p.A: purchase program of ordinary treasury shares

On May 13, 2021, A2A S.p.A. announced the launch of a program to purchase ordinary treasury shares, with a maximum duration of 18 months from the date of the shareholders' resolution of April 29, 2021, which authorized and established the terms.
The program to purchase the treasury shares, approved by the Board of Directors, has develop objectives, following transactions related to business projects consistent with the strategies of the Company in relation to which there is the opportunity of stock exchanges.
The maximum number of treasury shares that may be held by virtue of the aforementioned shareholders' resolution is 313,290,527, taking into account the shares already held by A2A S.p.A. and its subsidiaries, being one tenth of the shares making up the share capital; A2A currently holds 23,721,421 treasury shares, equal to 0.757% of the Company's share capital.
The maximum number of shares that may be purchased under the Program has been set at 63,000,000, corresponding to 2.011% of the A2A share capital, which indicatively at today's date - considering the reference price of 1.6710 euro per share - would correspond to approximately 105 million euro.
On May 21, 2021, A2A S.p.A. announced that it had purchased 10,819,885 treasury shares at the unit average price of 1.7314 euro for a total of 18,733,754.89 euro.
On May 28, 2021, A2A S.p.A. announced that it had purchased 10,741,876 treasury shares at the unit average price of 1.7165 euro for a total of 18,438,101.52 euro.
On June 4, 2021, A2A S.p.A. announced that it had purchased 11,959,985 treasury shares at the unit average price of 1.7103 euro for a total of 20,455,130.69 euro.
On June 11, 2021, A2A S.p.A. announced that it had purchased 10,762,044 treasury shares at the unit average price of 1.7480 euro for a total of 18,811,850.89 euro.
On June 18, 2021, A2A S.p.A. announced that it had purchased 8,058,428 treasury shares at the unit average price of 1.7785 euro for a total of 14,331,811.14 euro.
On June 25, 2021, A2A S.p.A. announced that it had purchased 10,091,256 treasury shares at the unit average price of 1.7813 euro for a total of 17,975,055.97 euro.
The share buyback program was characterized by ESG aspects. A2A has in fact decided to allocate the implicit economic benefit deriving from the purchase program to the Banco dell'Energia Onlus. This benefit was determined by the better price obtained from the purchase of the shares compared to the target price envisaged in the mandate given to the financial intermediary responsible for purchasing the shares.

A2A publishes the new Sustainable Finance Framework

A2A has published the new Sustainable Finance Framework, a set of guidelines to reinforce the link between the Group's financial and sustainable strategy.
Compared to the previous 2019 Green Financing Framework, A2A is among the first issuers of the sector 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.
A set of Key Performance Indicators (KPIs) has been identified and included in the Framework. It reflects

the two pillars of A2A's strategic plan, energy transition and the circular economy, and confirms the Group's commitment to the achievement of the Sustainable Development Goals of the UN 2030 Agenda. The Sustainable Finance Framework, which covers any type of financial instrument, has been prepared in compliance with the Green Bond Principles (2018) and Sustainability-Linked Bond Principles (2020) published by the International Capital Market Association (ICMA), and the Green Loan Principles (2021) and Sustainability-Linked Loan Principles (2019) published by the Loan Market Association (LMA).
Vigeo Eiris, one of the leading international ESG rating agencies, issued a Second Party Opinion confirming the robustness of the Sustainable Finance Framework and attesting its alignment with ICMA and LMA principles. The agency also highlighted A2A's commitment to the development of sustainable finance and its "Advance" position as an issuer.

Eni and A2A: agreement for the Milan district heating network

On May 25, 2021, Eni and A2A signed a 20-year agreement for the supply of heat generated by the Bolgiano production site of Enipower (a wholly-owned subsidiary of Eni), which will be used to supply the Milan district heating network.
A2A Calore & Servizi will build a heat exchange and re-pumping station near the Eni plant, which will allow the transfer of the heat made available by Eni through the A2A district heating network from San Donato Milanese to Milan.
Thanks to this agreement it will be possible to supply the Milan network with co-generated heat with low environmental impact amounting to approximately 54 GWh per year, which is equivalent to the average annual requirements of about 6,000 households.

A2A: Standard Ethics confirms "strong" rating for third consecutive year

On May 31, 2021, Standard Ethics, an independent rating agency that measures the sustainability of companies, has confirmed to A2A the EE rating, which corresponds to strong.
In the opinion of the rating agency, A2A has for some time adopted environmental strategies and policies in line with the Paris Agreement for the containment of climate change, as well as ESG (Environmental, Social and Governance) reporting in line with international best practice. Progress in reducing emissions is well monitored and considered to be in line with the objectives that A2A has set itself in its new 10-year Business Plan.

A2A and Ardian sign a non-binding term sheet for a partnership to accelerate the energy transition

A2A and Ardian aim for the partnership to become one of Italy's leading energy transition platforms and one of the country's largest electricity producers and suppliers with a clear focus on green energy and energy transition, and a clear decarbonization strategy, in line with the objectives set by the Italian PNIEC and the Paris Agreement.
The term sheet envisages the establishment of a company controlled by A2A ("NewCo"), into which A2A will contribute a business compendium that will include full ownership of shareholdings/portfolios of assets relating to energy generation (hydroelectric, CCGT, wind and solar), energy sales, energy management storage and hydrogen-related projects.The preliminary indicative valuation of the perimeter to be transferred to the NewCo is approximately 3 billion euro (enterprise value), with a 2020 pro-forma aggregate EBITDA of 360 million euro. This assessment implies a valuation of the entire business units of A2A involved in the partnership (including minority shareholdings and portions of business units not contributed to NewCo) of approximately 4.1 billion euro (enterprise value).
Ardian will invest up to 1.5 billion euro in cash in the NewCo, thus accelerating the roll-out and financing of the 3GW plan in generation from renewable sources outlined by A2A in January 2021. The partnership will become the exclusive vehicle for A2A and Ardian future investments in the renewable energy generation sector in Italy and the parties' preferred vehicle for joint investments in the power generation sector in Italy. Following the capital increase, Ardian will hold up to 45% in the NewCo. The creation of the partnership is subject to, among other things, the completion of due diligence, further discussions between the parties, the negotiation of binding agreements and the satisfaction of certain additional conditions (including approvals and authorizations required by relevant bodies). A2A and Ardian have agreed to grant each other binding exclusivity periods until the end of 2021.

Major companies in the energy, water and district heating sectors sign a Single Protocol for joint conciliation

On June 11, 2021, a historic agreement was signed between seven major companies in the energy, water and district heating sectors and the 20 National Consumer Associations of the CNCU, National Council of Consumers and Users. For the first time in Italy, in light of the positive experience gained in recent years, a Single Protocol has been signed: the aim of the agreement is to relaunch joint negotiations, strengthen the alternative dispute resolution tool by consolidating the dialogue between companies and consumer associations and strengthening the relationship of trust with consumers.
The protocol renews and strengthens the commitment to a tool that ensures consumers effective protection of their rights without resorting to legal proceedings that are often long and costly.

A2A S.p.A.: new procedure with related parties approved

On June 25, 2021, the Board of Directors of A2A S.p.A. approved the new procedure for transactions with related parties effective from July 1, 2021, making adjustments to the current text of the procedure to incorporate the new regulations adopted by Consob with Resolution no. 21624/2020 and the formal and substantive improvements designed to improve the efficiency of the application of the related rules, which come into force on the same date.

3.3 Significant events after June 30, 2021

A2A, Sustainability-Linked credit line to support Banco dell'energia

On July 2, 2021, the A2A Group subscribed to a 500 million euro 5-year Sustainability-Linked revolving credit line connected to the achievement of two of the Group's sustainability targets, included in the Sustainable Finance Framework published in May: growth in installed capacity from renewable sources and increase in the recovery of materials from treated waste. The line provides for a mechanism for adjusting the margin both if A2A reaches the set targets (step down) and if the Group does not reach said sustainability targets (step up).
The savings due to the achievement of the targets or the potential penalty caused by non-achievement will benefit the community: the amount will be donated to the Banco dell'energia Onlus, a non-profit organization promoted by A2A and the AEM and ASM Foundations, set up with the aim of supporting those who find themselves in situations of economic and social fragility, with particular attention to energy poverty. This donation will not replace but will be in addition to the Group's traditional support of Banco dell'energia.
This instrument also represents the first credit line, among public operations, in the Italian domestic market with a donation mechanism.

A2A, the first Sustainability-Linked Bond placed

On July 7, 2021, A2A successfully placed its first Sustainability-Linked Bond of 500 million euro, with a duration of 10 years. The bond, intended institutional investors and issued within the framework of the Euro Medium Term Notes Program, is based on the recently published Sustainable Finance Framework.
The bond is connected to the achievement of a sustainability target relating to the reduction of direct greenhouse gas emissions per kilowatt hour of energy produced. A2A's objective, in line with the Group's 10-year Strategic Plan, is to reach a level of 296 g of CO2 per kWh or less by 2025, consistent with the Science Based Target commitment approved in March 2020.
The bond was placed at an issue price of 99.547% and will have an annual yield of 0.672% and a coupon of 0.625%, with a spread of 65 basis points over the mid-swap reference rate.
The coupon of the new bond is linked to the achievement of the sustainability target and provides for an increase in the interest rate of 25bps if the target is not reached, while it will remain unchanged until the maturity of the bond if the target is reached.
The issue attracted a lot of interest, receiving orders for 1.2 billion euro, more than 2.5 times the amount offered.

3.4 Outlook for operations

The Group's expectations for 2021 are also good for the second half of the year in which the 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 first-half results and the expectations for the second half of the year allow the Group to improve its expectations compared to those announced in May: EBITDA is expected to be between 1,270 and 1,300 million euro and Net Profit, also thanks to the non-recurring effects of Decree Law 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 euro) in line with the forecasts of the 2021-2030 Strategic Plan.

4

Consolidated financial statements

4.1 Consolidated balance sheet (1-2)
Assets

millions of euro	Note	06 30 2021	12 31 2020
NON-CURRENT ASSETS			
Tangible assets	1	5,387	5,162
Intangible assets	2	2,911	2,737
Shareholdings carried according to equity method	3	35	17
Other non-current financial assets	3	51	36
Deferred tax assets	4	407	265
Other non-current assets	5	25	28
Total non-current assets		**8,816**	**8,245**
CURRENT ASSETS			
Inventories	6	162	139
Trade receivables	7	1,806	2,030
Other current assets	8	1,979	685
Current financial assets	9	10	11
Current tax assets	10	48	76
Cash and cash equivalents	11	324	1,012
Total current assets		**4,329**	**3,953**
NON-CURRENT ASSETS HELD FOR SALE	12	**2**	**28**
TOTAL ASSETS		**13,147**	**12,226**

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

Equity and liabilities

millions of euro	Note	06 30 2021	12 31 2020
EQUITY			
Share capital	13	1,629	1,629
(Treasury shares)	14	(163)	(54)
Reserves	15	1,779	1,598
Result of the year	16	-	364
Result of the period	16	340	-
Equity pertaining to the Group		**3,585**	**3,537**
Minority interests	17	594	579
Total equity		**4,179**	**4,116**
LIABILITIES			
Non-current liabilities			
Non-current financial liabilities	18	3,377	3,909
Employee benefits	19	261	278
Provisions for risks, charges and liabilities for landfills	20	734	752
Other non-current liabilities	21	143	146
Total non-current liabilities		**4,515**	**5,085**
Current liabilities			
Trade payables	22	1,454	1,552
Other current liabilities	22	2,230	866
Current financial liabilities	23	677	588
Tax liabilities	24	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	25	**-**	**14**
TOTAL EQUITY AND LIABILITIES		**13,147**	**12,226**

4.2 Consolidated income statement (1-2)

millions of euro	Note	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	27	**4,060**	**3,181**
Operating expenses			
Expenses for raw materials and services		2,844	2,151
Other operating expenses		147	116
Total operating expenses	28	**2,991**	**2,267**
Labour costs	29	**379**	**355**
Gross operating income - EBITDA	30	**690**	**559**
Depreciation, amortization, provisions and write-downs	31	**335**	**278**
Net operating income - EBIT	32	**355**	**281**
Result from non-recurring transactions	33	**-**	**-**
Financial balance			
Financial income		10	6
Financial expenses		39	45
Affiliates		3	1
Result from disposal of other shareholdings		-	-
Total financial balance	34	**(26)**	**(38)**
Result before taxes		**329**	**243**
Income taxes	35	**(41)**	**78**
Result after taxes from operating activities		**370**	**165**
Net result from discontinued operations	36	**-**	**(2)**
Net result		**370**	**163**
Minorities	37	**(30)**	**(9)**
Group result of the period	38	**340**	**154**
Result per share (in euro):			
- basic		0.1097	0.0497
- basic from continuing operations		0.1097	0.0502
- basic from assets held for sale		-	(0.0006)
- diluted		0.1097	0.0497
- diluted from continuing operations		0.1097	0.0502
- diluted from assets held for sale		-	(0.0006)

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

4.3 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**
Other gains/(losses) of companies valued at equity net of the tax effect (D)	**-**	**-**
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.

4 Consolidated financial statements

Consolidated balance sheet

Consolidated income statement

Consolidated statement of comprehensive income

Consolidated cash-flow statement

Statement of changes in Group equity

Breakdown of the balance sheet with evidence of the effect of the first consolidation of the 2021 acquisitions

Breakdown of the economic effect of the consolidation of new acquisitions 2021

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

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

4.4 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 payables	(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
Disposals of fixed assets and shareholdings	5	18
Purchase of treasury shares	(109)	-
Cash flow from investment activities	**(626)**	**(323)**
FREE CASH FLOW	**(118)**	**(223)**

(*) 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.

millions of euro	06 30 2021	06 30 2020 (**)
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**

4.5 Statement of changes in Group equity

Description millions of euro	Share capital	Treasury shares	Cash Flow Hedge
Net equity at December 31, 2019	**1,629**	**(54)**	**(30)**
Changes of the first half of 2020			
2019 result allocation			
Distribution of dividends			
IAS 19 reserves (*)			
Cash flow hedge reserves (*)			14
Other changes			
Group and minorities result of the period			
Net equity at June 30, 2020	**1,629**	**(54)**	**(16)**
Changes from 1st July 2020 to 31st December 2020			
Distribution of dividends			
IAS 19 reserves (*)			
Cash flow hedge reserves (*)			10
Other changes			
Group and minorities result of the period			
Net equity at December 31, 2020	**1,629**	**(54)**	**(6)**
Changes of the first half of 2021			
2020 result allocation			
Distribution of dividends			
Purchase of treasury shares		(109)	
IAS 19 reserves (*)			
Cash flow hedge reserves (*)			64
Other changes			
Group and minorities result of the period			
Net equity at June 30, 2021	**1,629**	**(163)**	**58**

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

Other Reserves and retained earnings	Result of the period/year	Total Equity pertaining to the Group	Minority interests	Total Net shareholders equity
1,355	**389**	**3,289**	**362**	**3,651**
389	(389)			
(241)		(241)	(9)	(250)
5		5		5
		14		14
(8)		(8)	7	(1)
	154	154	9	163
1,500	**154**	**3,213**	**369**	**3,582**
			(6)	(6)
3		3		3
		10		10
101		101	221	322
	210	210	(5)	205
1,604	**364**	**3,537**	**579**	**4,116**
364	(364)			
(248)		(248)	(10)	(258)
		(109)		(109)
4		4		4
		64		64
(3)		(3)	(5)	(8)
	340	340	30	370
1,721	**340**	**3,585**	**594**	**4,179**

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

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

It should be noted that 2 business units were purchased in the Waste Business Unit the value of which is lower than one million euro.

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Breakdown of the economic effect of the consolidation of new acquisitions 2021

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

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

A2A Rinnovabili Group	Agripower Group	Total effect first consolidation acquisitions 2021	Changes during the period	Consolidated at 06 30 2021
150	57	207	18	5,387
71	13	84	90	2,911
-	-	-	18	35
-	2	2	13	51
2	3	5	137	407
-	-	-	(3)	25
223	**75**	**298**	**273**	**8,816**
-	8	8	15	162
1	7	8	(232)	1,806
3	7	10	1,284	1,979
-	-	-	(1)	10
-	-	-	(28)	48
16	11	27	(715)	324
20	**33**	**53**	**323**	**4,329**
-	**-**	**-**	**(26)**	**2**
243	**108**	**351**	**570**	**13,147**
109	28	137	(669)	3,377
-	5	5	(5)	-
-	-	-	(17)	261
-	3	3	(21)	734
1	1	2	(5)	143
110	**37**	**147**	**(717)**	**4,515**
8	5	13	(111)	1,454
-	8	8	1,356	2,230
-	45	45	44	677
-	-	-	87	92
8	**58**	**66**	**1,376**	**4,453**
118	**95**	**213**	**659**	**8,968**
-	**-**	**-**	**(14)**	**-**
118	**95**	**213**	**645**	**8,968**

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

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

It is noted that 2 companies were acquired in the Waste Business Unit, the economic contribution of which at June 30, 2021 was less than one million euro.

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

Agripower Group	Total effect consolidation new acquisitions 2021	Old perimeter 06 30 2021	Consolidated at 06 30 2021	Consolidated at 06 30 2020
10	14	3,941	3,955	3,084
-	-	105	105	97
10	**14**	**4,046**	**4,060**	**3,181**
5	6	2,838	2,844	2,151
-	1	146	147	116
5	**7**	**2,984**	**2,991**	**2,267**
1	**1**	**378**	**379**	**355**
4	**6**	**684**	**690**	**559**
3	**5**	**330**	**335**	**278**
1	**1**	**354**	**355**	**281**
	-	**-**	**-**	**-**
-	-	10	10	6
2	8	31	39	45
-	-	3	3	1
-	-	-	-	-
(2)	**(8)**	**(18)**	**(26)**	**(38)**
(1)	**(7)**	**336**	**329**	**243**
-	**(2)**	**(39)**	**(41)**	**78**
(1)	**(5)**	**375**	**370**	**165**
	-	**-**	**-**	**(2)**
(1)	**(5)**	**375**	**370**	**163**
-	**-**	**(30)**	**(30)**	**(9)**
(1)	**(5)**	**345**	**340**	**154**

4.8 Consolidated balance sheet
pursuant to Consob Resolution no. 17221 of March 12, 2010

Assets

millions of euro	06 30 2021	of which Related Parties (note 40)	12 31 2020	of which Related Parties (note 40)
NON-CURRENT ASSETS				
Tangible assets	5,387		5,162	
Intangible assets	2,911		2,737	
Shareholdings carried according to equity method	35	35	17	17
Other non-current financial assets	51	4	36	4
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	115	2,030	126
Other current assets	1,979	2	685	2
Current financial assets	10	1	11	1
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**	

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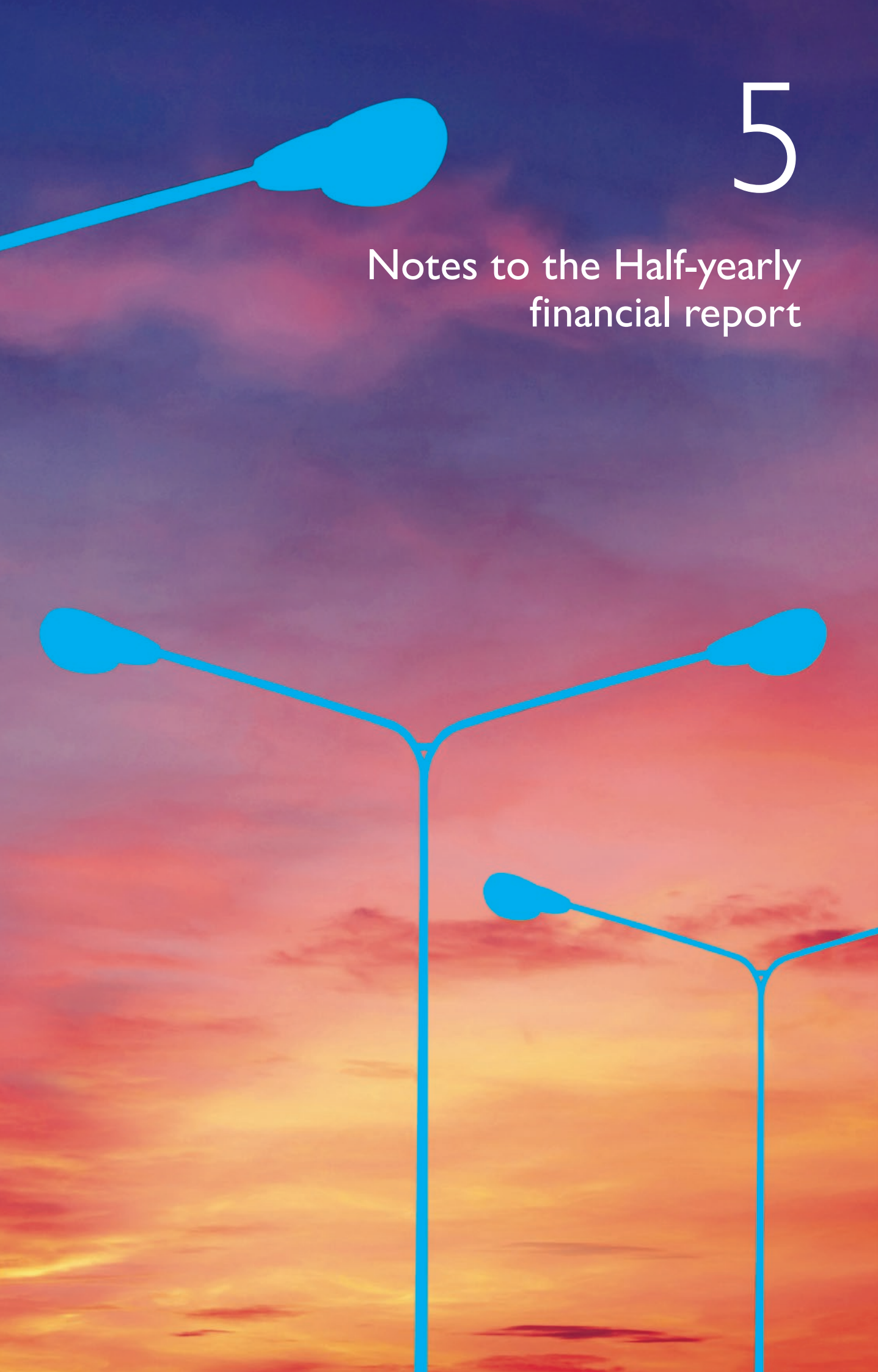
Equity and liabilities

millions of euro	06 30 2021	of which Related Parties (note 40)	12 31 2020	of which Related Parties (note 40)
EQUITY				
Share capital	1,629		1,629	
(Treasury shares)	(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	1
Other non-current liabilities	143		146	
Total non-current liabilities	**4,515**		**5,085**	
Current liabilities				
Trade payables	1,454	55	1,552	56
Other current liabilities	2,230	7	866	7
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**	

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

millions of euro	01 01 2021 06 30 2021	of which Related Parties (note 40)	01 01 2020 06 30 2020	of which Related Parties (note 40)
Revenues				
Revenues from the sale of goods and services	3,955	232	3,084	212
Other operating income	105		97	
Total revenues	**4,060**		**3,181**	
Operating expenses				
Expenses for raw materials and services	2,844	6	2,151	4
Other operating expenses	147	36	116	14
Total operating expenses	**2,991**		**2,267**	
Labour costs	**379**	**1**	**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	3	6	3
Financial expenses	39		45	
Affiliates	**3**	3	1	1
Result from disposal of other shareholdings	-		-	
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**	



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Notes to the Half-yearly financial report

5.1 General information

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

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

The form and content of the Half-Year Report comply with the disclosure requirements of IAS 34 - Interim Financial Reporting for Condensed Half-Year Financial Statements. Therefore, it does not include all the information required by the annual financial statements and shall be read together with the consolidated financial statements for the year ended December 31, 2020. In fact, its purpose is to provide an update with respect to the most recent annual consolidated financial statements, focusing on new activities, events and circumstances occurring during the period from December 31, 2020 to June 30, 2021 and providing an explanation of the transactions and events that are relevant for an understanding of changes in the statement of financial position and in the result for the period.

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5.2 Half-yearly financial report

The Half-yearly financial report (hereinafter the "**Half-year report**") of the A2A Group at June 30, 2021 is presented in millions of euro; the euro is also the functional currency of the economies in which the Group operates.

The Half-year report of the A2A Group at June 30, 2021 has been prepared:

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

In preparing the Half-year report, the same principles used in the preparation of the consolidated annual financial report at December 31, 2020 were applied, other than the interpretations described in detail in the paragraph below "Changes in international accounting standards" adopted for the first time on January 1, 2021.

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

This Half-Year Report at June 30, 2021 was approved by the Board of Directors on July 30, 2021 and is subject to a limited audit by EY S.p.A. in accordance with the office conferred by resolution of the Shareholders' Meeting of June 11, 2015 for the nine-year period 2016-2024.

5.3 Financial Statements

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

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

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

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

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

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

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5.4 Basis of preparation

The Half-year report at June 30, 2021 has been prepared on a historical cost basis, with the exception of those items which under IFRS must or can be measured at fair value.

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

5.5 Changes in international accounting standards

Pursuant to IAS 8, the subsequent paragraph "Accounting standards, amendments and interpretations applicable by the company as of the current year" indicates and briefly illustrates the amendments in force as of January 1, 2021.

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

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

- IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: approved on January 13, 2021 and effective as of the financial statements ending January 1, 2021, the supplement to the standards in question follows the same one issued on January 16, 2020 "reforming major interest rate benchmarks" with which the European Council for financial stability issued recommendations aimed at strengthening existing reference indices and other potential reference rates based on interbank markets and developing alternative reference rates that are almost risk-free. This integration represents the second phase and aims to stabilize cash flow valuations avoiding impacts on the income statement deriving from the change in the rate used for valuations. This amendment did not have any impact on the Group's economic and financial results.

5.6 Scope of consolidation

The Half-year report of the A2A Group at June 30, 2021 includes the figures of the parent A2A S.p.A. and those of the subsidiaries over which A2A S.p.A. exercises either direct or indirect control. In addition, companies in which the parent exercises joint control with other entities (joint ventures) and those over which it has a significant influence are consolidated using the equity method.

The following changes to the scope of consolidation of the A2A Group are reported:

- acquisition 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.
- acquisition and line-by-line consolidation by A2A Rinnovabili S.p.A. of Gash 1 S.r.l. and Gash 2 S.r.l., two project companies with authorization to build two photovoltaic plants;
- as part of the transaction that led to the acquisition of 27.7% of Saxa Gres S.p.A. by A2A Ambiente S.p.A., Energia Anagni S.r.l. and Bioenergia Roccasecca S.r.l., companies that will manage two OFMSW plants, currently under construction, were acquired and consolidated on a line-by-line basis. As part of the same transaction, A2A Ambiente S.p.A. set up two newco with majority stakes: Waldum Tadinum Energia S.r.l. and Bioenergia Gualdo S.r.l., both consolidated on a line-by-line basis;
- the investment held by A2A Energy Solutions S.r.l. in Consul System S.p.A., previously consolidated on a line-by-line basis, following the sale of 26% of the shares, which was completed in January 2021, is consolidated at equity.

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5.7 Consolidation policies and procedures

Consolidation policies

Subsidiaries

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

Associates, joint ventures and joint operations

Shareholdings in associates, namely those in which the A2A Group has a considerable interest and is able to exercise significant influence are accounted for using the equity method. Gains and losses attributable to the Group are recognized in the financial statements from the date on which significant influence or joint control commences.

In the event that the loss attributable to the Group exceeds the carrying amount of an investment, the carrying amount is reduced to zero and any excess loss is provided for to the extent that the Group has legal or constructive obligations to make good the associate's losses or in any case to make payments on its behalf.

With the adoption of IFRS 11, the Group must now classify investments in joint arrangements as either joint ventures (if the Group has rights to the net assets of the arrangement) or joint operations (if the Group has rights to the assets, and obligations for the liabilities, relating to the arrangement).

Potential voting rights

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

Treatment of put options on the shares of subsidiaries

In general, paragraph 23 of IAS 32 states that a contract that contains an obligation for an entity to purchase shares for cash or another financial asset gives rise to a financial liability for the present value of the exercise price of the option.

As a result, therefore, if the Group does not have the unconditional right to avoid the delivery of cash or other financial instruments when a put option on the shares of subsidiaries is exercised, it must recognize a liability.

In the absence of specific instructions in the related accounting standards, the A2A Group: (i) considers the shares involving put options to have already been purchased, including in cases in which the risks and rewards connected with ownership of the shares remain with the minority shareholders and they remain exposed to equity risk; (ii) records a corresponding entry among equity reserves for the liability resulting from the obligation and any subsequent changes that are not related to the mere unwinding of the present value of the strike price; (iii) and recognises such changes through the Income Statement.

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

a) Earn-out and earn-in clauses on the purchase price of the shares of LGH S.p.A.

In 2016, A2A S.p.A. finalized the acquisition of 51% of the share capital of LGH S.p.A..

The value of the transaction was 98.9 million euro, paid for 51.7 million euro in cash and in treasury shares of A2A S.p.A. for a value of 47.2 million euro, of which 37.2 million euro related to shares purchased in the first half of 2016 and 10 million euro relating to treasury shares already held in portfolio at December 31, 2015.

Included in the acquisition value, A2A S.p.A. paid an amount of 9.6 million euro to minority shareholders of LGH S.p.A. related to specific earn-in clauses set at transaction closing.

Based on the initial contractual agreements signed by A2A S.p.A. with the minority shareholders of LGH S.p.A., it was agreed that A2A S.p.A., within the third year from the transaction closing date, upon the fulfilment of certain conditions, would pay up to a maximum of 13.9 million euro included in the acquisition value of LGH S.p.A. of 112.8 million euro, regulated by specific and well-identified earn-out clauses.

Based on the Purchase Price Allocation concluded in June 2017, the percentage probabilities of achieving some earn-out clauses have been revised downwards, resulting in a maximum payout of 7 million euro to minority shareholders resulting in an acquisition value of 109.4 million euro.

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In accordance with the provisions of paragraphs 65B, 65C and 65D of IFRS 3, the Group recorded the effects of the contractual earn-outs for 2.1 million euro under long-term payables, with the investment value as balancing entry, with respect to the disbursement it will pay to the minority shareholders of LGH S.p.A. upon the fulfilment of the conditions established in the contract, since said adjustments are still considered probable and reliably determined at the acquisition date.
On completion of the merger between A2A S.p.A. and LGH S.p.A., expected by the end of 2021, the contractual earn-outs described above will cease to be due.

b) Earn-in/out on the purchase price of A2A Recycling S.r.l. (former RI.ECO-RESMAL Group)

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

c) Earn-out on business combinations completed by A2A Rinnovabili

The transactions for the acquisition of the former Novapower, Impax Limited and Flabrum photovoltaic portfolios contractually provide for price adjustments and earn-outs of insignificant amounts, both in favour of the seller and in favour of the buyer upon the occurrence of certain conditions, which are not currently considered probable. The A2A Group has not recognized any assets or liabilities.

d) Options on the shares of Suncity Group S.r.l.

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

Therefore, in accordance with paragraph 23 of IAS 32, the Group has recognized as a liability the present value of the estimated outlay of 4.1 million euro which it will not be able to avoid if the option is exercised.

e) Options on the shares of Electrometal S.p.A.

On December 20, 2019, A2A Ambiente S.p.A. acquired 90% of Electrometal S.r.l..
As a result of point 9) of the shareholding purchase agreement, a call option is provided on the part of A2A Ambiente S.p.A. and a put option on the part of GAE S.r.l. (the seller) of the remaining 10%, to be exercised from January 1, 2025 until December 31, 2025.
The valuation of this option shall be made on the basis of the final value of 90% of the shares of Electrometal S.r.l..

Therefore, in accordance with paragraph 23 of IAS 32, the Group has recognized as a liability the present value of the estimated outlay of 2.1 million euro which it will not be able to avoid if the option is exercised.

f) Earn-out on the acquisition of 27.7% of Saxa Gres S.p.A.

On April 14, 2021, A2A Ambiente S.p.A. completed the acquisition of 27.7% of Saxa Gres S.p.A., the first Circular Factory to make urban paving (GRESTONE®) using an innovative process that enables the recovery of materials from the waste cycle.
According to the agreement for the purchase of the investment, there is an earn-out linked to the Gross Operating Margin that will be achieved by the Saxa Gres Group at December 31, 2023. To date, the A2A Group has not recognized any liabilities in connection with this earn-out.
In addition, there are call/put option clauses on the shares of the companies acquired and set up as part of the transaction, the amounts of which are not significant for either the buyer or the seller, for which the A2A Group has not recognized any assets/liabilities.

Consolidation procedures

General procedure

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

In preparing the Report the assets, liabilities, income and expenses of the companies being consolidated are included in their entirety on a line-by-line basis, with the portion of equity and net income for the period attributable to minority interests being stated separately in the balance sheet and income statement.
The carrying amount of the investment in each subsidiary is eliminated against the corresponding share of its net equity, including any adjustments to fair value at the acquisition date; any differences arising are accounted for in accordance with IFRS 3.
Transactions with minority interests which do not lead to the loss of control in consolidated companies are accounted for using the economic entity view approach.

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

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

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

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

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

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

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

In particular, as regards the shareholding in PremiumGas S.p.A. in liquidation, the Group has rights exclusively linked to the results achieved by the company.
On September 26, 2018, PremiumGas was placed in voluntary liquidation.

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

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

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

Key figures at December 31, 2020 millions of euro	Bergamo Pulita 50%	PremiumGas 50%	Metamer 50%	Ergosud 50%
INCOME STATEMENT				
Revenues	0.04	0.06	20.0	30.0
Gross Operating Income	**(0.01)**	**0.01**	**0.9**	**11.0**
% of net revenues	*(25.0%)*	*16.7%*	*4.4%*	*36.7%*
Depreciation, amortization and write-downs	-	-	0.3	10.5
Net Operating Income	**(0.01)**	**0.01**	**0.6**	**0.5**
Result for the year	**(0.01)**	**0.01**	**0.5**	**(0.3)**
BALANCE SHEET				
Total assets	**2.53**	**4.2**	**8.8**	**120.0**
Net equity	**0.09**	**1.5**	**2.5**	**71.0**
Net (debt)	**1.20**	**0.8**	**0.0**	**(48.6)**

Key figures at December 31, 2019 millions of euro	Bergamo Pulita 50%	PremiumGas 50%	Metamer 50%	Ergosud 50%
INCOME STATEMENT				
Revenues	0.04	0.06	31.0	18.1
Gross Operating Income	**(0.02)**	**-**	**0.9**	**12.5**
% of net revenues	*(50.0%)*	*0.0%*	*2.8%*	*69.1%*
Depreciation, amortization and write-downs	-	-	0.2	7.8
Net Operating Income	**(0.02)**	**-**	**0.7**	**4.7**
Result for the year	**(0.03)**	**-**	**0.5**	**1.4**
BALANCE SHEET				
Total assets	**2.74**	**4.4**	**8.2**	**147.8**
Net equity	**0.09**	**1.5**	**2.1**	**71.4**
Net (debt)	**1.20**	**1.0**	**0.5**	**(57.4)**

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5.8 Seasonal nature of the business

Given the nature of the Group's ordinary activities, the interim results can vary as the result of the meteorological conditions during the period.
In this respect reference should be made to the comments on performance by Business Unit presented below.

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5.9 Summary of results sector by sector

millions of euro	GENERATION AND TRADING		MARKET	
	01 01 2021 06 30 2021	01 01 2020 06 30 2020	01 01 2021 06 30 2021	01 01 2020 06 30 2020
Revenues	**2,378**	**1,758**	**1,524**	**1,244**
- of which inter-sector	*728*	*598*	*70*	*51*
Labour costs	**45**	**46**	**32**	**29**
Gross operating income - EBITDA	**150**	**98**	**126**	**111**
% of revenues	*6.3%*	*5.6%*	*8.3%*	*8.9%*
Depreciation, amortization, provisions and write-downs	**(98)**	**(82)**	**(26)**	**(28)**
Net operating income - EBIT	**52**	**16**	**100**	**83**
% of revenues	*2.2%*	*0.9%*	*6.6%*	*6.7%*
Result from non-recurring transactions				
Financial balance				
Result before taxes				
Income taxes				
Result after taxes from operating activities				
Net result from discontinued operations				
Minorities				
Group result of the period				
Gross investments (1)	**37**	**19**	**39**	**22**

(1) See the items "Capex" in the schedules on tangible and intangible assets presented in Notes 1 and 2 to the balance sheet.
It should be noted that the income statement data from January 1 to June 30, 2020 have been reallocated to make them homogeneous to the results by "Business Unit" from January 1 to June 30, 2021.

WASTE		NETWORKS		CORPORATE		ELIMINATIONS		INCOME STATEMENT	
01 01 2021 06 30 2021	01 01 2020 06 30 2020	01 01 2021 06 30 2021	01 01 2020 06 30 2020	01 01 2021 06 30 2021	01 01 2020 06 30 2020	01 01 2021 06 30 2021	01 01 2020 06 30 2020	01 01 2021 06 30 2021	01 01 2020 06 30 2020
612	**535**	**604**	**523**	**147**	**124**	**(1,205)**	**(1,003)**	**4,060**	**3,181**
85	*66*	*185*	*170*	*137*	*118*	*(1,205)*	*(1,003)*		
178	**160**	**53**	**54**	**71**	**66**			**379**	**355**
164	**143**	**260**	**220**	**(10)**	**(13)**			**690**	**559**
26.8%	*26.7%*	*43.0%*	*42.1%*	*(6.8%)*	*(10.5%)*			*17.0%*	*17.6%*
(59)	**(53)**	**(127)**	**(96)**	**(25)**	**(19)**			**(335)**	**(278)**
105	**90**	**133**	**124**	**(35)**	**(32)**			**355**	**281**
17.2%	*16.8%*	*22.0%*	*23.7%*	*(23.8%)*	*(25.8%)*			*8.7%*	*8.8%*
								-	**-**
								(26)	**(38)**
								329	**243**
								41	**(78)**
								370	**165**
								-	**(2)**
								(30)	**(9)**
								340	**154**
109	**55**	**209**	**145**	**27**	**13**	**(8)**	**(4)**	**413**	**250**

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millions of euro	GENERATION AND TRADING		MARKET	
	06 30 2021	12 31 2020	06 30 2021	12 31 2020
Tangible assets	2,179	2,099	103	92
Intangible assets	151	85	320	311
Trade receivables and current financial assets	899	1,017	764	884
Trade payables and current financial liabilities	964	1,007	482	566

It should be noted that the balance sheet data at December 31, 2020 have been reallocated to make them homogeneous to the results by "Business Unit" at June 30, 2021.

WASTE		NETWORKS		CORPORATE		ELIMINATIONS		TOTAL GROUP	
06 30 2021	12 31 2020	06 30 2021	12 31 2020	06 30 2021	12 31 2020	06 30 2021	12 31 2020	06 30 2021	12 31 2020
1,012	908	2,012	1,980	228	229	(147)	(146)	**5,387**	**5,162**
94	66	2,248	2,197	141	146	(43)	(68)	**2,911**	**2,737**
378	413	332	429	105	232	(662)	(934)	**1,816**	**2,041**
306	354	283	448	743	697	(647)	(932)	**2,131**	**2,140**

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5.10 Notes to the balance sheet

Note that the consolidation perimeter at June 30, 2021 has changed with respect to December 31, 2020 due to the following transactions:

- acquisition and line-by-line consolidation by LGH S.p.A. of 100% of the shares in Agripower S.r.l., a company specialising in the development and management of power generation plants from biogas;
- acquisition by A2A Rinnovabili S.p.A. and line-by-line consolidation of 15 companies with 17 plants and 173 MW of installed photovoltaic capacity, previously managed by Octopus Renewables;
- acquisition and line-by-line consolidation by A2A Rinnovabili S.p.A. of Gash 1 S.r.l. and Gash 2 S.r.l., two project companies with authorization to build two photovoltaic plants;
- as part of the transaction that led to the acquisition of 27.7% of Saxa Gres S.p.A. by A2A Ambiente S.p.A., Energia Anagni S.r.l. and Bioenergia Roccasecca S.r.l., companies that will manage two OFMSW plants, currently under construction, were acquired and consolidated on a line-by-line basis. As part of the same transaction, A2A Ambiente S.p.A. set up two newco's with majority stakes: Waldum Tadinum Energia S.r.l. and Bioenergia Gualdo S.r.l., both consolidated on a line-by-line basis.

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.

ASSETS

NON-CURRENT ASSETS

1) Tangible assets

millions of euro	Balance at 12 31 2020	First-time consolid. effect	Changes during the period					Balance at 06 30 2021
			Invest.	Other changes	Disposals and sales	Amort.	Total changes	
Land	127	15	1	(1)				142
Buildings	597		5	10		(16)	(1)	596
Plant and machinery	3,788	142	81	13	(1)	(165)	(72)	3,858
Industrial and commercial equipment	50		5	(2)		(5)	(2)	48
Other assets	122		8	9		(16)	1	123
Landfills	26			(3)		(2)	(5)	21
Construction in progress and advances	226	34	149	(43)			106	366
Leasehold improvements	113	2	9			(9)		115
Assets for rights of use	113	14		4		(13)	(9)	118
Total	**5,162**	**207**	**258**	**(13)**	**(1)**	**(226)**	**18**	**5,387**
of which:								
Historical cost	11,703	207	258	199	(51)		406	12,316
Accumulated amortization	(5,717)			(212)	50	(226)	(388)	(6,105)
Write-downs	(824)							(824)

"Tangible assets" amounted to 5,387 million euro at June 30, 2021 (5,162 million euro at December 31, 2020) and include the first-time consolidation effect of 207 million euro.

The changes for the period, net of the above effect, recorded an increase of 18 million euro as follows:
- increase of 258 million euro for Capex made in the period as further described below;
- 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 period amortisation/depreciation.

Capex may be analyzed as follows:
- Capex in the Networks Business Unit totalled 91 million euro and concerned: 60 million euro for the development and maintenance of electricity distribution plants, the extension and reconstruction of the medium and low-voltage network and the installation of new electronic meters; 25 million euro for the development of district heating networks; 5 million euro for work on the fiber optic network and equipment, as well as 1 million euro for work on the gas transport network;
- Capex in the Waste Business Unit amounted to 107 million euro and refer to: 98 million euro for work on the Group's waste treatment and disposal plants; 5 million euro for the acquisition of mobile means for waste collection and 4 million euro for the acquisition of collection facilities;
- Capex in the Generation and Trading Business Unit increased 34 million euro and concerned: 26 million euro capex on thermoelectric plants, 5 million euro capex on hydroelectric plants, and 3 million euro capex on renewable energy plants;
- Capex in the Market Business Unit increased 15 million euro and concerned: 8 million euro for the efficiency plan with new led technology light sources, 6 million euro for the energy efficiency plan at customer premises and 1 million euro for work on the electric vehicle recharging network;
- Capex in the Corporate Business Unit amounting to 11 million euro mainly concerned work on buildings in the Milan, Como, Brescia areas and the new Cremona Technology Center.

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Tangible assets include "Assets for rights of use" totalling 118 million euro (113 million euro at December 31, 2020), recognized in accordance with IFRS 16 and for which the outstanding payable to lessors at June 30, 2021 amounted to 113 million euro (110 million euro at December 31, 2020). Below is a breakdown of "Assets for rights of use" deriving from operating and financial leases at June 30, 2021:

Assets consisting of rights of use millions of euro	Balance at 12 31 2020	First-time consolid. effect 2021	Changes during the period			Balance at 06 30 2021
			Other changes	Amort.	Total changes	
Land	17	5	2	(2)		22
Buildings	19			(4)	(4)	15
Plant and machinery	33	9				42
Industrial, commercial equipment and other goods	28		1	(2)	(1)	27
Vehicles	16		1	(5)	(4)	12
Total	**113**	**14**	**4**	**(13)**	**(9)**	**118**

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

With regard to large-scale diversion hydroelectric concessions, it is noted that when they are converted into law (Law no. 12/2019) with amendments to Decree Law December 14, 2018, no. 135 ("Competitiveness Decree Law"), the Legislator intervened in article 11-quater with overall review of the regulations governing large-scale diversion hydroelectric concessions (> 3 MW), as explained in greater detail in paragraph "Regulatory Changes and Impacts on the Business Units of the A2A Group - Generating and Trading Business Unit". The Group is continuing to analyze the impact of regulatory amendments, also in light of the new regional regulations issued in 2020, and confirms, to date, that the amounts recognized in the financial statements for dry and wet works related to hydroelectric concessions are prudent and recoverable also in accordance with the new regulations.

2) Intangible assets

millions of euro	Balance at 12 31 2020	First-time consolid. effect	Changes during the period					Balance at 06 30 2021
			Invest.	Recl./ Other changes	Disposals/ Sales	Amort.	Total changes	
Industrial patents and intellectual property rights	40		7	4		(11)		40
Concessions, licences, trademarks and similar rights	1,876		94	12	(1)	(71)	34	1,910
Goodwill	426	65		(12)			(12)	479
Assets in progress	74		46	(11)			35	109
Other intangible assets	321	19	8	40		(15)	33	373
Total	**2,737**	**84**	**155**	**33**	**(1)**	**(97)**	**90**	**2,911**

"Intangible assets" amounted to 2,911 million euro at June 30, 2021 (2,737 million euro at December 31, 2020) and include the first-time consolidation effects of 84 million euro.

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

The changes for the period, net of the above effect, recorded an overall increase of 90 million euro as follows:
- increase of 155 million euro for Capex made in the period as further described below;
- 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;

- decrease of 1 million euro arising from disposals in the period, net of accumulated depreciation;
- decrease of 97 million euro for the depreciation charge for the period.

Capex of "Intangible assets" relate to the following:
- Capex in the Networks Business Unit of 112 million euro are for: development and maintenance work on the plants of the gas distribution segment and the replacement of low and medium pressure underground piping for 53 million euro; work on the water transport and distribution network, on the sewage networks and on the purification plants for 45 million euro; contracting costs for the Heat Plants of the Milan area for 2 million euro, and the implementation of information systems for 12 million euro;
- Capex in the Market Business Unit increased 22 million euro due to the implementation of information systems for 14 million euro, 7 million euro for costs incurred for the new acquisitions and maintenance of the customer portfolio and 1 million euro for the capitalization of concession charges for the management of the new public lighting networks;
- for the Corporate Business Unit, the increase was 16 million euro mainly due to the implementation of information systems;
- for the Generation and Trading Business Unit, the increase was 3 million euro and concerned the implementation of information systems;
- for the Waste Business Unit, the increase was 2 million euro and mainly concerned the implementation of information systems.

The item "Other intangible assets" amounted to 373 million euro at June 30, 2021 (321 million euro at December 31, 2020) and includes:
- 229 million euro for customer lists related to the acquisition of customer portfolios by Group companies. These values are amortized based on an estimate of the benefits that will arise in future years, taking into account indicators such as the retention rate and churn rate relating to specific types of customers. In particular, the amount in the financial statements is attributable as follows: 102 million euro to the ACSM-AGAM Group, 41 million euro to the AEB Group, 42 million euro to A2A Energia S.p.A., 15 million euro to A2A Recycling S.r.l., 11 million euro to Electrometal S.r.l., 9 million euro to Asm Energia S.p.A., 5 million euro to YADA ENERGIA S.r.l. and 4 million euro to Suncity Energy S.r.l., Aprica S.p.A. and LumEnergia S.p.A.;
- 54 million euro for PPA Società Rinnovabili: the increase in value is linked to the existing agreement with the Energy Services Manager, which allows the affiliated companies to benefit from incentive tariffs for a period of 20 years, which are considerably higher than those existing on the market;
- 53 million euro for Environmental Certificates: emission quotas and White Certificates (Industrial portfolio);
- 13 million euro for PPA of the Agripower group: the increase in value is linked to the existing agreement with the Energy Services Manager, which allows the affiliated companies to benefit from incentive tariffs, which are considerably higher than those existing on the market;
- 24 million euro relating mainly to deferred charges and costs and surface rights and/or easements.

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Goodwill

At June 30, 2021, goodwill amounted to 479 million euro:

millions of euro	Balance at 12 31 2020	Changes during the period					Balance at 06 30 2021
		Reclassific.	First-time consolid. acquis. 2021	PPA Effect	Write-downs	Total changes	
CGU:							
A2A Reti Elettriche	-					-	-
A2A Ambiente	269					-	269
A2A Reti Gas	41					-	41
A2A Gas	31					-	31
A2A Calore	22					-	22
Energia Elettrica	1					-	1
Total	**364**	**-**	**-**	**-**	**-**	**-**	**364**
First-time Consolidation Effects							
AEB Group	50					-	50
Flabrum e Solar Italy V	12			(12)		(12)	-
Octopus	-		65			65	65
Total	**62**	**-**	**65**	**(12)**	**-**	**53**	**115**
Total Goodwill	**426**	**-**	**65**	**(12)**	**-**	**53**	**479**

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

This acquisition is part of the provisions of IFRS 3 and at June 30, 2021, the Purchase Price Allocation has not yet been completed, which will be completed in the timing envisaged by the standard.

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

In 2021, the Group will allocate to the various CGUs the residual goodwill arising from the combination of the AEB Group, which took place on November 1, 2020 and for which the Purchase Price Allocation process had already been completed at December 31, 2020.

The A2A Group conducts the impairment test at least once a year.

During the first half of 2021, management, for the purposes of applying IAS 36, carried out a careful analysis of the results achieved with respect to the 2021-2030 plan, also considering the assumptions and results of the impairment process carried out for the 2020 financial statements, as well as the effects resulting from the evolution of the spread of the COVID-19 pandemic.
In light of the analyses conducted on the basis of the evidence available at June 30, 2021 and their foreseeable evolution, no critical issues have emerged and there are no elements that constitute a loss indicator such as to require specific verifications on the recoverability of assets.

3) Shareholdings and other non-current financial assets

millions of euro	Balance at 12 31 2020	First-time consolid. effect acquisitions 2021	Changes during the period	Balance at 06 30 2021	of which included in the NFP	
					12 31 2020	06 30 2021
Shareholdings carried according to equity method	17	-	18	35	-	-
Other non-current financial assets	36	2	13	51	21	21
Total shareholdings and other non-current financial assets	**53**	**2**	**31**	**86**	**21**	**21**

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

Shareholdings carried according to equity method millions of euro	TOTAL
Balance at December 31, 2020	**17**
First-time consolidation effect acquisitions 2021	**-**
Changes during the period:	
- acquisitions and capital increases	7
- valuations at equity	3
- write-downs	-
- dividends received from shareholdings in companies carried at equity	(3)
- sales	-
- other changes	1
- reclassifications	10
Total changes during the period	**18**
Balance at June 30, 2021	**35**

The increase of 18 million euro in "Shareholdings carried according to equity method" is due to the change in the consolidation method used for Consul System S.p.A., which led to a net increase of 8 million euro, the acquisition of 27.7% of the shareholding in Saxa Gres S.p.A. for 7 million euro and other increases of 3 million euro.

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

At June 30, 2021, "Other non-current financial assets" showed a balance of 51 million euro, an increase of 15 million euro compared with the figure at December 31, 2020, of which 2 million euro is attributable to the effects of the initial consolidations, 14 million euro to the reclassification under non-current assets, following the request to deposit in a specific account, the amounts seized by the Court of Taranto as part of the proceedings underway against the subsidiary Linea Ambiente S.r.l., and other decreases of 1 million euro.
At June 30, 2021, "Other non-current financial assets" refer, in addition to the case above, for 21 million euro to medium/long-term financial receivable, of which 10 million euro related to loans to third parties and lease receivables in accordance with IFRS 16, 4 million euro from the Municipality of Brescia concerning the management of public lighting systems, as required by IFRIC 12, and 7 million euro from the management of the Cedrasco biocube plant by the subsidiary Bioase, as required by IFRIC 12, 7 million euro shareholdings in other companies, a breakdown of which is provided in Annex 5 "List of shareholdings in other companies", and 7 million euro capex in innovative start-up companies through Corporate Venture Capital projects and other minor receivables for 2 million euro.

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4) Deferred tax assets

millions of euro	Balance at 12 31 2020	First-time consolidation effect acquisitions 2021	Changes net during the period	Balance at 06 30 2021
Deferred tax assets	**265**	**-**	**142**	**407**

"Deferred tax assets" amounted to 407 million euro (265 million euro at December 31, 2020) and showed an increase of 142 million euro. In the reporting period, deferred tax liabilities were released for 151 million euro, deferred tax assets allocated for 17 million euro and a substitute tax was recognized for 23 million euro following the realignment option provided by Decree Law 104/2020, exercised by some Group companies, which allows the realignment of the differences between higher statutory values and lower values for tax purposes on tangible assets and the consequent deduction of higher tax amortization starting from the current year.

The item includes the net effect, as detailed in the table below to which reference is made, of deferred tax liabilities and deferred tax assets for IRES and IRAP on changes and provisions made solely for tax purposes. The recoverability of "Deferred tax assets" recorded in the financial statements is considered likely, as the future plans envisage taxable income sufficient to use the deferred tax assets.

At June 30, 2021, the amounts relative to deferred tax assets/deferred tax liabilities have been expressed as net ("offsetting") as per IAS 12 standards.

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

	Consolidated financial statements 12 31 2020	First-time consolid. effect	Accruals (A)	Uses (B)	Adjust. Rates (C)	Total (A+B+C)	IFRS 9 at Equity Net	IAS 19 Revised at Equity Net	Other changes / Reclass.	Consolidated financial statements 06 30 2021
Detail of deferred tax assets/liabilities										
Deferred tax liabilities										
Measurement differences for tangible assets	486	-	-	(151)	-	(151)	-	-	-	335
Adoption of the finance lease standard (IFRS 16)	5	-	-	-	-	-	-	-	-	5
Application of the financial instrument standard (IFRS 9)	-	-	-	-	-	-	-	27	5	32
Measurement differences for intangible assets	79	-	-	-	-	-	-	-	-	79
Deferred capital gains	-	-	-	-	-	-	-	-	-	-
Employee leaving entitlement (TFR)	2	-	-	-	-	-	-	-	-	2
Goodwill	6	-	-	-	-	-	-	-	-	6
Other deferred tax liabilities	2	5	-	-	-	-	-	1	-	8
Total deferred tax liabilities (A)	**580**	**5**	**-**	**(151)**	**-**	**(151)**	**-**	**28**	**5**	**467**
Deferred tax assets										
Taxed risk provisions	111	-	-	-	-	-	-	-	-	111
Measurement differences for tangible assets	526	-	-	-	-	-	-	-	-	526
Application of the financial instrument standard (IFRS 9)	(5)	-	-	-	-	-	-	-	5	-
Bad debt provision	11	-	-	-	-	-	-	-	-	11
Measurement differences for intangible assets	5	-	17	-	-	17	-	-	-	22
Grants	16	-	-	-	-	-	-	-	-	16
Goodwill	173	-	-	-	-	-	-	-	-	173
Other deferred tax assets	8	5	-	-	-	-	-	-	2	15
Total deferred tax assets (B)	**845**	**5**	**17**	**-**	**-**	**17**	**-**	**-**	**7**	**874**
NET EFFECT DEFERRED TAX ASSETS/LIABILITIES (B-A)	**265**	**-**	**17**	**151**	**-**	**168**	**-**	**(28)**	**2**	**407**

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5) Other non-current assets

millions of euro	Balance at 12 31 2020	First-time consolid. effect acquisitions 2021	Changes during the period	Balance at 06 30 2021	*of which included in the NFP*	
					12 31 2020	*06 30 2021*
Other non-current assets	28	-	(3)	25	-	-
Total other non-current assets	**28**	**-**	**(3)**	**25**	**-**	**-**

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

CURRENT ASSETS

6) Inventories

millions of euro	Balance at 12 31 2020	First-time consolidation effect acquisitions 2021	Changes during the period	Balance at 06 30 2021
- Materials	77	8	3	88
- Material obsolescence provision	(20)		(1)	(21)
Total material	**57**	**8**	**2**	**67**
- Fuel	73		4	77
- Other	9		9	18
Raw and ancillary materials and consumables	**139**	**8**	**15**	**162**
Third-party fuel	**-**		**-**	**-**
Total inventories	**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 (20 million euro at December 31, 2020).
Inventories, net of the first-time consolidation effects of 8 million euro, showed an overall increase of 15 million euro, as detailed below:

- 4 million euro related to the increase in inventories of fuels (which include the inventories of fuels for the production of electricity, as well as the gas inventories for the sale and storage thereof);
- 2 million euro related to the increase in inventories of materials, including the allocation to the material obsolescence provision;
- 11 million euro related to the increase in inventories of trading white certificates;
- other decreases amounting to 2 million euro.

7) Trade receivables

millions of euro	Balance at 12 31 2020	First-time consolidation effect acquisitions 2021	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**

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At June 30, 2021, "Trade receivables" amounted to 1,806 million euro (2,030 million euro at December 31, 2020), with a decrease of 224 million euro. In detail, the changes were as follows:

- for 212 million euro, the decrease in trade receivables from customers, which at June 30, 2021, showed a balance of 1,704 million euro (1,916 million euro at December 31, 2020);
- for 4 million euro, the decrease in receivables from associates, which had a balance of 25 million euro (29 million euro at the end of the previous year);
- for 8 million euro, the decrease in receivables from the Municipalities of Milan and Brescia; this item had an overall balance of 77 million euro (85 million euro in the previous year).

The "Bad debts provision", calculated in compliance with IFRS 9, amounted to 134 million euro and showed a net increase of 4 million euro compared to December 31, 2020. This provision is considered adequate to cover the risks to which it relates.
The changes in the Bad debts provision are outlined in the following table:

millions of euro	Balance at 12 31 2020	First-time consolidation effect acquisitions 2021	Provisions	Utilizations	Other changes	Balance at 06 30 2021
Bad debts provision	**130**	**-**	**10**	**(6)**	**-**	**134**

During the first half of 2021, there were no significant negative impacts on trade receivables from Retail customers as a result of the COVID-19 pandemic. In fact, the time to collection ("DSO") at June 30, 2021 was aligned with the time to collection at December 31, 2020. The losses on receivables incurred in the first half of 2021 are not significantly different from those recorded in previous years. Consequently, the Group has allocated an amount of 10 million euro to the bad debts provision.
It is also recalled that the Group, taking into account that the impacts related to the health emergency have not been exhausted but could only be postponed in time (reduction of the shock absorbers, possible definitive closures of some activities over the next few months), when assessing the risks of expected losses on receivables at December 31, 2020, as required by IFRS 9, deemed it appropriate to introduce a "specific write-down for the Coronavirus emergency", in some cases even on past due bands of less than 270 days.

The following is the aging of trade receivables:

millions of euro	06 30 2021	12 31 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)**

8) Other current assets

millions of euro	Balance at 12 31 2020	First-time consolid. effect acquisitions 2021	Changes during the period	Balance at 06 30 2021	of which included in the NFP	
					12 31 2020	06 30 2021
Current derivatives (commodity derivatives)	426		1,303	1,729	-	-
Other current assets of which:	259	10	(19)	250		
- receivables from Cassa per i Servizi Energetici e Ambientali	112		(59)	53		
- advances to suppliers	27		3	30		
- receivables from employees	1		-	1		
- tax receivables	53	5	(14)	44		
- receivables related to future years	24	2	41	67		
- receivables from Ergosud	2		(2)	-		
- receivables from social security entities	2		1	3		
- stamp office	1		-	1		
- receivables for damage compensation	3		(1)	2		
- receivables for COSAP advances	2		0	2		
- receivables for security deposits	3		12	15		
- receivables for RAI fee	3		4	7		
- other sundry receivables	26	3	(4)	25		
Total other current assets	**685**	**10**	**1,284**	**1,979**	**-**	**-**

"Other current assets" showed a balance of 1,979 million euro compared to 685 million euro at December 31, 2020, highlighting, net of the first-time consolidations of 10 million euro, an increase of 1,284 million euro.

"Current derivative" increased by 1,303 million euro due to significant differentials between subscription prices and forward prices, which were affected by price volatility in the markets of raw materials. "Other current liabilities" include 1,611 million euro in "Current derivatives".

Receivables from Cassa per i Servizi Energetici e Ambientali, amounting to 53 million euro (112 million euro at December 31, 2020), mainly refer to receivables for equalizations pertaining to both 2021 and to outstanding receivables for equalizations pertaining to previous years and receivables for tariff components, net of collections made in the current year.
Tax receivables, amounting to 44 million euro, mainly relate to tax receivables from the tax authorities for excise and withholding taxes.

9) Current financial assets

millions of euro	Balance at 12 31 2020	First-time consolid. effect acquisitions 2021	Changes during the period	Balance at 06 30 2021	of which included in the NFP	
					12 31 2020	06 30 2021
Other financial assets	11	-	(1)	10	*11*	*10*
Total current financial assets	**11**	**-**	**(1)**	**10**	***11***	***10***

"Current financial assets" amounted to 10 million euro (11 million euro at December 31, 2020). This item mainly refers to financial receivables from minority shareholders and third parties.

10) Current tax assets

millions of euro	Balance at 12 31 2020	First-time consolidation effect acquisitions 2021	Changes during the period	Balance at 06 30 2021
Current tax assets	**76**	**-**	**(28)**	**48**

At June 30, 2021, this item amounted to 48 million euro (76 million euro at December 31, 2020) and refers to IRES and IRAP receivables for amounts requested for reimbursement on payments of previous years, and the remaining credit for Robin Tax paid in previous years and that will be recovered in subsequent years.

11) Cash and cash equivalents

millions of euro	Balance at 12 31 2020	First-time consolid. effect acquisitions 2021	Changes during the period	Balance at 06 30 2021	*of which included in the NFP*	
					12 31 2020	*06 30 2021*
Cash and cash equivalents	**1,012**	**27**	**(715)**	**324**	***1,012***	***324***

"Cash and cash equivalents" at June 30, 2021 represent the sum of the Group's bank and postal asset balances. The increase related to the effect of the first-time consolidation of acquisitions in 2021 amounted to 27 million euro.

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

12) Non-current assets held for sale

millions of euro	Balance at 12 31 2020	First-time consolid. effect acquisitions 2021	Changes during the period	Balance at 06 30 2021	*of which included in the NFP*	
					12 31 2020	*06 30 2021*
Non-current assets held for sale	**28**	**-**	**(26)**	**2**	**-**	**-**

"Non-current assets held for sale" amounted to 2 million euro at June 30, 2021 (28 million euro at December 31, 2020) 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. The decrease compared to December 31, 2020, amounting to 26 million euro, relates to the deconsolidation of the assets of Consul System S.p.A. due to the sale of a 26% interest in the company and the consequent change in the consolidation method from line-by-line to equity.

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EQUITY AND LIABILITIES

EQUITY

Equity, which amounted to 4,179 million euro at June 30, 2021 (4,116 million euro at December 31, 2020), is set out in the following table:

millions of euro	Balance at 12 31 2020	Changes during the period	Balance at 06 30 2021
Equity pertaining to the Group:			
Share capital	1,629	-	1,629
(Treasury shares)	(54)	(109)	(163)
Reserves	1,598	181	1,779
Group result of the year	364	(24)	340
Total equity pertaining to the Group	**3,537**	**48**	**3,585**
Minority interests	579	15	594
Total equity	**4,116**	**63**	**4,179**

The change of the Shareholders' equity was overall positive for 63 million euro. The net profit for the period generated a positive effect of 340 million euro, offset by the distribution of 248 million euro in dividends.
In the second quarter of 2021 was the share buyback program authorized by the Shareholders' Meeting on April 29, 2021, resulting in an increase in treasury shares held in portfolio of 109 million euro.
Lastly, the net fair value gain of cash flow hedge derivatives and the IAS 19 reserves for a total of 68 million euro and the net increase in minority interests for 15 million euro also affected shareholders' equity.

13) Share capital

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

14) Treasury shares

"Treasury shares" amounted to 163 million euro, an increase of 109 million euro compared to December 31, 2020, due to the share buyback program initiated on May 13, 2021 and concluded on June 24, 2021. Following this transaction, the parent A2A S.p.A. currently holds 86,154,895 treasury shares, representing 2.75% of share capital.

15) Reserves

millions of euro	Balance at 12 31 2020	Changes during the period	Balance at 06 30 2021
Reserves	**1,598**	**181**	**1,779**
of which:			
- Change in the fair value of cash flow hedge derivatives and fair value bonds	(7)	91	84
- Tax effect	1	(27)	(26)
Cash flow hedge reserves	**(6)**	**64**	**58**
Change in the IAS 19 Revised reserve - Employee Benefits	(66)	5	(61)
Tax effect	17	(1)	16
IAS 19 Revised reserve - Employee Benefits	**(49)**	**4**	**(45)**

Reserves, which amounted to 1,779 million euro (1,598 million euro at December 31, 2020), consist of the legal reserve, extraordinary reserves, and the retained earnings of subsidiaries.

This item also includes the cash flow hedge reserve, positive for 58 million euro, which refers to the period-end measurement of derivatives qualifying for hedge accounting, and the fair value measurement of the Bonds in foreign currency net of the tax effect.
The balance also includes negative reserves of 45 million euro arising from the adoption of IAS 19 Revised "Employee Benefits" which requires actuarial profits and losses to be recognized directly in an equity reserve.
The item includes the equity reserve deriving from the first application of IFRS 9, and in particular the impairment of trade receivables according to the expected losses model.

16) Result of the period

This item consists of the profit for the first half of 2021 of 340 million euro.

17) Minority interests

millions of euro	Balance at 12 31 2020	Changes during the period	Balance at 06 30 2021
Minority interests	**579**	**15**	**594**

"Minority interests" amounted to 594 million euro at June 30, 2021 (579 million euro at December 31, 2020) and mainly represent the portions of capital, reserves and result pertaining to minority shareholders related to third-party shareholders.

The net increase of 15 million euro in the first half of 2021 reflects the offset effect of the allocation of minority interest for the period of 30 million euro, net of dividends distributed to minority shareholders of 10 million euro and other decreases of 5 million euro.

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LIABILITIES

NON-CURRENT LIABILITIES

18) Non-current financial liabilities

millions of euro	Balance at 12 31 2020	First-time consolid. effect acquisitions 2021	Changes during the period	Balance at 06 30 2021	*of which included in the NFP*	
					12 31 2020	*06 30 2021*
Non-convertible bonds	2,690	-	(502)	2,188	*2,690*	*2,188*
Payables to banks	928	40	(71)	897	*928*	*897*
Financial payables for non-current rights of use	89	9	(8)	90	*89*	*90*
Payables to other lenders	202	88	(88)	202	*202*	*202*
Total non-current financial liabilities	**3,909**	**137**	**(669)**	**3,377**	***3,909***	***3,377***

"Non-current financial liabilities" amounted to 3,377 million euro (3,909 million euro at December 31, 2020), with a decrease of 669 million euro, net of the first-time consolidation effect of the first half of 2021 for 137 million euro.

"Non-convertible bonds" regard the following bonds, accounted for at amortized cost:

- 300 million euro, Private Placement maturing in December 2023 and coupon of 4.00%, the nominal value of which is equal to 300 million euro;
- 300 million euro, Private Placement maturing in March 2024 and coupon of 1.25%, the nominal value of which is equal to 300 million euro;
- 298 million euro, maturing in February 2025 and coupon of 1.75%, the nominal value of which is equal to 300 million euro;
- 297 million euro, maturing in October 2027 and coupon of 1.625%, the nominal value of which is equal to 300 million euro;
- 106 million euro, Private Placement in yen maturing in August 2036 and fixed rate of 5.405%, the nominal value of which is equal to 14 billion yen;
- 394 million euro, maturing in July 2029 and coupon of 1.00%, the nominal value of which is equal to 400 million euro;
- 493 million euro, maturing in October 2032 and coupon of 0.625%, the nominal value of which is equal to 500 million euro.

The decrease in the non-current component of "Non-convertible bonds", amounting to 502 million euro compared with December 31, 2020, is mainly due to the reclassification under "Current financial liabilities" of the 500 million euro bond maturing in January 2022 and the improvement in the ECB exchange rate applied to the bond in yen.

Non-current "Payables to banks" amounted to 897 million euro, the effect of the first-time consolidation brought an increase of 40 million euro. These payables were repaid early. In the half-year, the further decrease of 31 million euro is attributable to the payment of ordinary instalments due during the period, with the consequent reclassification to current liabilities of the portions of capital due the following year.

"Payables to other lenders" increased 88 million euro due to the effect of the first-time consolidation. These payables were settled during the half-year.

The following table shows the comparison, for each long-term debt category, between the book value and the fair value, including the portion falling due in the next 12 months. For listed debt instruments, the fair value is determined using stock prices, while for unlisted securities the fair value is determined using valuation models for each category of financial instrument and using market data relating to the closing date of the financial year, including the credit spreads of the A2A Group.

millions of euro	Nominal value	Book value	Current portion	Non-current portion	Fair Value
Bonds	2,698	2,717	529	2,188	2,817
Loans from banks and other lenders	1,226	1,224	125	1,099	1,245
Total	**3,924**	**3,941**	**654**	**3,287**	**4,062**

19) Employee benefits

At June 30, 2021, the balance on this item amounted to 261 million euro (278 million euro at December 31, 2020) with changes as follows:

millions of euro	Balance at 12 31 2020	First-time consolid. effect acquisitions 2021	Provisions	Utilizations	Other changes	Balance at 06 30 2021
Employee leaving entitlement (TFR)	148	-	18	(8)	(18)	140
Employee benefits	130	-	-	(4)	(5)	121
Total employee benefits	**278**	**-**	**18**	**(12)**	**(23)**	**261**

The change in the first half of 2021 is attributable for 18 million euro to provisions for the period, for 12 million euro to the decrease due to disbursements and for 18 million euro to the net decrease mainly related to payments to pension funds. In addition, actuarial valuations for the period include the decrease resulting from actuarial gains/losses for 5 million euro.

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

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

It is noted that:

- the discount rate used by the Group varies from company to company on the basis of the average financial term of the bond. The discount rate used is that corresponding to Iboxx Corporate AA;
- the annual rate of salary increase applied exclusively to companies with fewer than 50 employees on average in 2006 was determined on the basis of the reference data communicated by Group companies;
- the annual rate of TFR increase, according to art. 2120 of the Civil Code, is equal to 75% of inflation plus 1.5 percentage points;
- the annual advance and turnover frequencies are derived from historical experiences of the Group and the frequencies arising from the experience of the Actuary on a significant number of similar companies;

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- for the demographic technical bases, it is noted that:
  - for "death", the tables AS62 (Electricity and gas discount), RG48 (TFR and other plans) and TG62 (Premungas) were used;
  - for "inability", the INPS tables divided by age and gender were used;
  - for "retirement", the 100% parameter was used upon reaching the requirements of AGO (Obligatory General Insurance);
  - for the "probability of leaving the family", the table in the INPS model was used for projections to 2010;
  - for the "frequency of the various structures of surviving nuclei and average age of members", the table in the INPS model was used for projections to 2010.

20) Provisions for risks, charges and liabilities for landfills

millions of euro	Balance at 12 31 2020	First-time consolid. effect acquisitions 2021	Provisions	Releases	Utilizations	Other changes	Balance at 06 30 2021
Decommissioning provisions	301	3			(5)	(9)	290
Landfill closing and post-closing expense provisions	184			(4)	(5)	(3)	172
Tax provisions	48		2				50
Personnel lawsuits and disputes provisions	48						48
Other risk provisions	171		8	(4)	(2)	1	174
Provisions for risks, charges and liabilities for landfills	**752**	**3**	**10**	**(8)**	**(12)**	**(11)**	**734**

At June 30, 2021, provision for risks, charges and liabilities for landfills amounted to 734 million euro and showed a decrease of 18 million euro.

"Decommissioning provisions", which amounted to 290 million euro, include charges for costs of dismantling and recovery of production sites mainly related to thermoelectric plants and waste-to-energy plants. The changes for the period concerned uses for 5 million euro, to cover the expenses incurred during the reporting period and other decreases for 9 million euro, due to the update of the discount rates used to estimate the future costs of dismantling and restoration of the sites having "Tangible assets" as balancing entry. The first-time consolidation effects amounted to 3 million euro.

The "Landfill closing and post-closing expense provisions", which amounted to 172 million euro, refer to all the costs that will have to be incurred in the future for the sealing of the landfills in cultivation at the reporting date and for the subsequent post-operative management, thirty-year and fifty-year, provided by the AIA (Integrated Environmental Authorization). Changes in the first half of 2021 included utilizations of 5 million euro, which represent actual disbursements during the period, surpluses of 4 million euro related to adjustments to the provisions for depleted landfills following the updating of the discount rate, and other decreases of 3 million euro.

"Tax Provisions", which amounted to 50 million euro, refer to provisions for pending or potential litigation with the tax authorities or territorial entities for direct and indirect taxes, levies and excises. This item increased compared to December 31, 2020 by 2 million euro as a result of provisions for the period.

"Personnel lawsuits and disputes provisions", which totalled 48 million euro, refer to litigation with third parties for 43 million euro and employees for 3 million euro to cover liabilities that may arise from pending litigation, and lawsuits with Social Security Institutions for 2 million euro related to social security contributions that the Group believes it will not be required to pay and are the subject of specific disputes.

"Other risk provisions", which amounted to 174 million euro, refer to provisions relating to public water derivation fees for 50 million euro, to the mobility provision for the costs arising from the corporate restructuring plan, for 6 million euro, as well as other provisions for 118 million euro, which also include the provision related to the dispute over the Grottaglie landfill. The main components of these provisions are allocations of 8 million euro, consisting mainly of additional charges for hydroelectric surcharges of 5 million euro and surpluses of 4 million euro.

21) Other non-current liabilities

millions of euro	Balance at 12 31 2020	First-time consolid. effect acquisitions 2021	Changes during the period	Balance at 06 30 2021	of which included in the NFP	
					12 31 2020	06 30 2021
Other non-current liabilities	127	1	-	128	-	31
Non-current derivatives	19	1	(5)	15	19	15
Total other non-current liabilities	**146**	**2**	**(5)**	**143**	**19**	**46**

At June 30, 2021, this item decreased by 3 million euro compared to the balance at the end of the previous year.

"Other non-current liabilities", which showed a balance of 128 million euro, refer to security deposits from customers for 69 million euro, to liabilities pertaining to future years for 14 million euro, to medium/long-term payables to suppliers for 3 million euro, as well as other non-current liabilities for 42 million euro, which include long-term payables, contracts for acquisitions completed over the last few years for 31 million euro, in particular in the photovoltaic sector by the subsidiary A2A Rinnovabili S.p.A.. This latter item was included among the financial liabilities that contribute to the Group's net financial position, in application of the new ESMA guidelines on the presentation of financial debt.

"Non-current derivatives" amounted to 15 million euro and showed a negative change of 5 million euro deriving from the fair value valuation of financial instruments at the end of the reporting period, net of the impact of first-time consolidation in the first half of 2021 for 1 million euro.

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CURRENT LIABILITIES

22) Trade payables and other current liabilities

millions of euro	Balance at 12 31 2020	First-time consolid. effect acquisitions 2021	Changes during the period	Balance at 06 30 2021	of which included in the NFP	
					12 31 2020	06 30 2021
Advances	3		(3)	-		
Payables to suppliers	1,549	13	(108)	1,454		
Total trade payables	**1,552**	**13**	**(111)**	**1,454**	**-**	**-**
Payables to pension and social security institutions	44		2	46		
Current derivatives (commodity derivatives)	403	1	1,207	1,611		
Other current liabilities of which:	419	7	147	573		
- Payables to personnel	96	1	(4)	93		
- Payables to Cassa per i Servizi Energetici e Ambientali	81		56	137		
- Tax payables	45		118	163		
- Payables for tax transparency	7		-	7		
- Payables for energy tariff components	66		(66)	-		
- Payables for A.T.O.	3		1	4		
- Payables to customers for work to be performed	15		1	16		
- Payables to customers for interest on security deposits	2		-	2		
- Payables to third-party shareholders	1		9	10		
- Payables for the purchase of equity investments	20		(2)	18		
- Payables for auxiliary services	15		3	18		
- Payables for collections to be allocated	11		7	18		
- Payables to insurance companies	5		-	5		
- Payables for excise compensation	-		-	-		
- Payables for environmental compensation	3		-	3		
- Payables for RAI fee	8		8	16		
- Sundry payables	41	6	16	63		
Total other current liabilities	**866**	**8**	**1,356**	**2,230**	**-**	**-**
Total trade payables and other current liabilities	**2,418**	**21**	**1,245**	**3,684**	**-**	**-**

"Trade receivables and other current liabilities" amounted to 3,684 million euro (2,418 million euro at December 31, 2020), representing an increase of 1,266 million euro.

"Trade receivables" amounted to 1,454 million euro and compared to the closing of the previous year, represent a decrease of 111 million euro, excluding the first-time consolidation effects of the period for 13 million euro.

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

"Current derivative instruments" amounted to 1,611 million euro (403 million euro at December 31, 2020) and refer to the fair value valuation of commodity derivatives. The increase in the period under review was due to significant differentials between subscription and forward prices, influenced by price volatility in commodity markets.

"Other current assets" included 1,729 million euro in "Current derivatives".

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"Other current liabilities" mainly refer to:

- payables to employees for 93 million euro (96 million euro at December 31, 2020), relating to payables to employees for the productivity bonus accrued during the period, as well as the expense for holidays accrued but not taken at June 30, 2021;
- payables to the CSEA - Cassa per i Servizi Energetici e Ambientali for 137 million euro (81 million euro at December 31, 2020) regarding the payable for the tariff components, invoiced and not yet paid, as well as the payable for equalization liabilities related both to prior years and the period under review. This item includes the payable for energy tariff components of 60 million euro (66 million euro at December 31, 2020) reclassified from the corresponding detailed item at the end of the previous year as the collection of these charges was transferred from the GSE to the CSEA;
- tax payables of 163 million euro (45 million euro at December 31, 2020), referring to payables to the tax authorities for excise duties, withholding taxes and VAT, with a significant change compared to the previous year attributable primarily to the 78 million euro increase in excise duties payable and the 31 million euro increase in VAT payables (net VAT credit position at December 31, 2020);
- payables to minority shareholders of 10 million euro, up by 9 million euro in the first half of 2021 mainly due to the recognition of the dividend for the previous year of AEB S.p.A., paid in July 2021;
- payables for the purchase of shareholdings of 18 million euro (20 million euro at December 31, 2020) relating to the purchases concluded in the previous years in the photovoltaic sector.

23) Current financial liabilities

millions of euro	Balance at 12 31 2020	First-time consolid. effect acquisitions 2021	Changes during the period	Balance at 06 30 2021	of which included in the NFP	
					12 31 2020	06 30 2021
Non-convertible bonds	398	-	131	529	*398*	*529*
Payables to banks	168	17	(61)	124	*168*	*124*
Current financial payables for rights of use	21	2	-	23	*21*	*23*
Payables to other lenders	1	26	(26)	1	*1*	*1*
Total current financial liabilities	**588**	**45**	**44**	**677**	***588***	***677***

"Current financial liabilities" amounted to 677 million euro (588 million euro at December 31, 2020) and, net of the first-time consolidation effects in the half-year equal to 45 million euro, showed an increase of 44 million euro.

"Non-convertible bonds" increased by 131 million euro, due to the reclassification to short-term of the 500 million euro bond maturing in January 2022, the redemption of the 351 million euro bond maturing in January 2021, with the corresponding coupon, and the payment of coupons on other bonds.

Current "Payables to banks" amounted to 124 million euro, a decrease of 44 million euro compared to the end of the previous year, despite 17 million euro attributable to the first-time consolidations of the year, thanks to the early repayments of various loans and the payment of ordinary instalments due in the first half of 2021, net of the reclassification of existing loans from medium/long term to short term.

24) Tax liabilities

millions of euro	Balance at 12 31 2020	First-time consolidation effect acquisitions 2021	Changes during the period	Balance at 06 30 2021
Tax liabilities	**5**	**1**	**86**	**92**

"Tax payables" amounted to 92 million euro (5 million euro at December 31, 2020), an increase of 86 million euro compared to the previous year-end, excluding the effects related to the first-time consolidations of acquisitions made in the period.

This item includes 21 million euro, net of the payments already made during the half-year, in substitute taxes recognized following the release of deferred taxes in connection with the realignment option provided for by Decree Law 104/2020 exercised by the Group as better described in note 4) Deferred tax assets.

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

millions of euro	Balance at 12 31 2020	First-time consolid. effect acquisitions 2021	Changes during the period	Balance at 06 30 2021	*of which included in the NFP*	
					12 31 2020	*06 30 2021*
Liabilities directly associated with non-current assets held for sale	**14**	**-**	**(14)**	**-**	**-**	**-**

At June 30, 2021, "Liabilities directly associated with non-current assets held for sale" had a nil value. The decrease compared to December 31, 2020, amounting to 14 million euro, relates to the deconsolidation of the liabilities of Consul System S.p.A. due to the sale of a 26% interest in the company and the consequent change in the consolidation method from line-by-line to equity.

5.11 Net debt

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

The following table provides details of net debt.

millions of euro	Note	06 30 2021	First-time consolidation effect acquisitions 2021	12 31 2020 Restated*	12 31 2020 Published
Bonds - non-current portion	18	2,188	-	2,690	2,690
Bank loans - non-current portion	18	897	40	928	928
Non-current financial payables for rights of use	18	90	9	89	89
Non-current payables to other lenders	18	202	88	202	202
Other non-current liabilities	21	46	1	50	19
Total medium/long-term debt		**3,423**	**138**	**3,959**	**3,928**
Non-current financial assets - related parties	3	(4)	-	(4)	(4)
Non-current financial assets	3	(17)	(2)	(17)	(17)
Total medium/long-term financial receivables		**(21)**	**(2)**	**(21)**	**(21)**
Total non-current net debt		**3,402**	**136**	**3,938**	**3,907**
Bonds - current portion	23	529	-	398	398
Bank loans - current portion	23	124	17	168	168
Current financial payables for rights of use	23	23	2	21	21
Current amounts due to other providers of finance	23	1	26	1	1
Other current liabilities	22		1	-	-
Total short-term debt		**677**	**46**	**588**	**588**
Other current financial assets	9	(9)	-	(11)	(11)
Current financial assets - related parties	9	(1)	-	-	-
Total short-term financial receivables		**(10)**	**-**	**(11)**	**(11)**
Cash and cash equivalents	11	(324)	(27)	(1,012)	(1,012)
Total current net debt		**343**	**19**	**(435)**	**(435)**
Net financial debt		**3,745**	**155**	**3,503**	**3,472**

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

The Group net financial position was 3,745 million euro.
The application of the new ESMA guidelines on the representation of financial debt led to a worsening of the net financial position of 31 million euro, corresponding to deferred prices arising from M&A transactions concluded in previous years.
Insofar as the disclosure about indirect financial debt is concerned, the Group has identified financial commitments due within one year in connection with employee benefits, decommissioning provisions and liabilities for landfills, tax disputes and reverse factoring, amounting to about 92 million euro.

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

millions of euro	12 31 2020	Cash flow	Non-cash flow			06 30 2021
			First-time consolid. effect acquisitions 2021	Change in fair value	Other changes	
Financial payables	3,088	(369)		(4)	2	2,717
Other liabilities	1,409	(262)	182		8	1,337
Financial assets	19	(1)	2	(4)	*30*	46
Other assets	(32)	2	(2)		1	(31)
Net liabilities deriving from financing activities	**4,484**	**(630)**	**182**	**(8)**	**41**	**4,069**
Cash and cash equivalents	(1,012)	715	(27)			(324)
Net debt	**3,472**	**85**	**155**	**(8)**	**41**	**3,745**

5.12 Notes to the income statement

The consolidation scope at June 30, 2021 changed compared to the corresponding year due to the following operations:

- acquisition and line-by-line consolidation by LGH S.p.A. of 100% of the shares in Agripower S.r.l., a company specialising in the development and management of power generation plants from biogas;
- acquisition by A2A Rinnovabili S.p.A. and line-by-line consolidation of 15 companies with 17 plants and 173 MW of installed photovoltaic capacity, previously managed by Octopus Renewables;
- acquisition and line-by-line consolidation by A2A Rinnovabili S.p.A. of Gash 1 S.r.l. and Gash 2 S.r.l., two project companies with authorization to build two photovoltaic plants;
- as part of the transaction that led to the acquisition of 27.7% of Saxa Gres S.p.A. by A2A Ambiente S.p.A., Energia Anagni S.r.l. and Bioenergia Roccasecca S.r.l., companies that will manage two OFMSW plants, currently under construction, were acquired and consolidated on a line-by-line basis. As part of the same transaction, A2A Ambiente S.p.A. set up two newco's with majority stakes: Waldum Tadinum Energia S.r.l. and Bioenergia Gualdo S.r.l., both consolidated on a line-by-line basis.

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.

Moreover, the economic figures at June 30, 2021 were not consistent with the corresponding period of the previous year due to the following extraordinary transactions in the second half of 2020:

- line-by-line consolidation of the AEB Group as of November 1, 2020;
- acquisition by A2A Rinnovabili S.p.A. and line-by-line consolidation of 100% of Flabrum S.r.l. and Solar Italy V S.r.l., companies operating in the sector of power generation from renewable sources.

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27) Revenues

"Revenues" for the period totalled 4,060 million euro (3,181 million euro at June 30, 2020) and therefore increased by 879 million euro (+27.6%).

Details of the more significant items are as follows:

Revenues millions of euro	06 30 2021	06 30 2020	Change	% June 2021/2020
Revenues from the sale of goods	3,357	2,541	816	32.1%
Revenues from services	598	544	54	9.9%
Revenues from long-term contracts	-	(1)	1	(100.0%)
Total revenues from the sale of goods and services	**3,955**	**3,084**	**871**	**28.2%**
Other operating revenues	**105**	**97**	**8**	**8.2%**
Total revenues	**4,060**	**3,181**	**879**	**27.6%**

The increase mainly occurred in the wholesale energy markets, electricity in particular, due both to higher prices and higher volumes sold and traded. Revenues in the retail electricity market were also up thanks to higher unit prices and higher quantities sold to customers in the free market. Lastly, the revenues of the AEB Group, consolidated as from November 1, 2020 and amounting to 158 million euro, and the revenues deriving from the first-time consolidation of the companies acquired during the first half of 2021, amounting to 14 million euro, contributed approximately 20% to the positive change.

Further details of the main items are as follows:

millions of euro	06 30 2021	06 30 2020	Change	% June 2021/2020
Sale and distribution of electricity	2,103	1,432	671	46.9%
Sale and distribution of gas	999	917	82	8.9%
Sale of heat	109	98	11	11.2%
Sale of materials	35	21	14	66.7%
Sale of water	41	37	4	10.8%
Sales of environmental certificates	53	23	30	n.s.
Connection contributions	17	13	4	30.8%
Total revenues from the sale of goods	**3,357**	**2,541**	**816**	**32.1%**
Services to customers	598	544	54	9.9%
Total revenues from services	**598**	**544**	**54**	**9.9%**
Revenues from long-term contracts	**-**	**(1)**	**1**	**(100.0%)**
Total revenues from the sale of goods and services	**3,955**	**3,084**	**871**	**28.2%**
Reintegration of costs plant S. Filippo del Mela (plant essential Unit)	28	28	-	0.0%
Damage compensation	3	2	1	50.0%
Rents receivable	2	1	1	100.0%
Contingent assets	13	15	(2)	(13.3%)
Incentives for production from renewable sources (feed-in tariff)	36	39	(3)	(7.7%)
Other revenues	23	12	11	91.7%
Other operating revenues	**105**	**97**	**8**	**8.2%**
Total revenues	**4,060**	**3,181**	**879**	**27.6%**

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Revenues from heat sales increased by 11 million euro mainly as a result of higher volumes sold compared to the corresponding period of the previous year.

The increase in revenues from the sale of environmental certificates, amounting to 30 million euro, was mainly due to the increased availability of white certificates, which were procured in view of the next deadline for cancellation (July) as opposed to the postponement of the deadline (November) decided in the previous year.

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

28) Operating expenses

"Operating expenses" amounted to 2,991 million euro (2,267 million euro at June 30, 2020), therefore representing an increase of 724 million euro.

The main components of this item are as follows:

Operating expenses millions of euro	06 30 2021	06 30 2020	Change	% June 2021/2020
Expenses for raw materials and consumables	2,132	1,573	559	35.5%
Expenses for services	712	578	134	23.2%
Total expenses for raw materials and services	**2,844**	**2,151**	**693**	**32.2%**
Other operating expenses	**147**	**116**	**31**	**26.7%**
Total operating expenses	**2,991**	**2,267**	**724**	**31.9%**

"Expenses for raw materials and services" amounted to 2,844 million euro (2,151 million euro at June 30, 2020), representing an increase of 693 million euro, of which 101 million euro attributable to the consolidation of the AEB Group, and of which 6 million euro deriving from the first-time consolidation of the companies acquired in the first half of 2021.
This increase was due to the combined effect of the following factors:

- an increase of 595 million euro in the purchase of raw materials and consumables, due to an increase in costs for the purchase of power and fuel of 537 million euro, an increase in the costs relating to the purchase of environmental certificates of 55 million euro, an increase in purchase of materials of 8 million euro and a net decrease of 5 million euro arising from hedging gains and losses on operating derivatives;
- an increase of 134 million euro in costs for delivery, subcontracted work and services;
- the decrease in inventories of fuel and materials for 36 million euro.

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

millions of euro	06 30 2021	06 30 2020	Change	% June 2021/2020
Purchases of power and fuel	1,936	1,399	537	38.4%
Purchases of materials	76	68	8	11.8%
Purchases of water	1	1	0	0.0%
Hedging losses on operating derivatives	2	5	(3)	(60.0%)
Hedging gains on operating derivatives	(5)	(3)	(2)	66.7%
Purchases of emission certificates and allowances	130	75	55	73.3%
Total expenses for raw materials and consumables	**2,140**	**1,545**	**595**	**38.5%**
Delivery and transmission costs	385	297	88	29.6%
Maintenance and repairs	105	80	25	31.3%
Other services	222	201	21	10.4%
Total expenses for services	**712**	**578**	**134**	**23.2%**
Change in inventories of fuel and materials	(8)	28	(36)	n.s.
Total expenses for raw materials and services	**2,844**	**2,151**	**693**	**32.2%**
Leasehold improvements	61	37	24	64.9%
Concession fees	46	43	3	7.0%
Contributions to territorial entities, consortia and ARERA	5	5	0	0.0%
Taxes and duties	17	17	0	0.0%
Damages and penalties	3	2	1	50.0%
Contingent liabilities	4	5	(1)	(20.0%)
Other costs	11	7	4	57.1%
Other operating expenses	**147**	**116**	**31**	**26.7%**
Total operating expenses	**2,991**	**2,267**	**724**	**31.9%**

Trading margin

The following table sets out the results arising from the Trading Portfolio; these figures relate to trading in electricity, gas and environmental certificates.

Trading margin millions of euro	Note	06 30 2021	06 30 2020	Change
Revenues	27	(323)	1,129	(1,452)
Operating expenses	28	325	(1,123)	1,448
Total trading margin		**2**	**6**	**(4)**

The "Trading margin" was down by 4 million euro compared to June 30, 2020. This reduction was mainly attributable to the sudden and abrupt increase in energy commodity prices already recorded during the latter part of 2020 and even more so during the first half of 2021, triggered by significant international competition in the purchase of raw materials. In this context, Europe saw a sharp collapse in liquidity in major energy markets in the first five months of 2021. In May and June, the upward trend in volumes traded nevertheless allowed a partial recovery in managed flows and the resulting profit.

29) Labour costs

Excluding capitalized costs, labour costs at June 30, 2021 totalled 379 million euro (355 million euro at June 30, 2020), of which 20 million euro related to the consolidation of the AEB Group, and of which 1 million euro related to the first-time consolidation of the companies acquired in the first half of 2021.

"Labour costs" may be analysed as follows:

Labour costs millions of euro	06 30 2021	06 30 2020	Change	% June 2021/2020
Wages and salaries	293	266	27	10.2%
Social security charges	97	90	7	7.8%
Employee leaving entitlement (TFR)	18	15	3	20.0%
Other costs	20	21	(1)	(4.8%)
Total labour costs before capitalizations	**428**	**392**	**36**	**9.2%**
Capitalized labour costs	(49)	(37)	(12)	32.4%
Total labour costs	**379**	**355**	**24**	**6.8%**

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

	06 30 2021	06 30 2020	Change
Managers	210	194	16
Supervisors	774	777	(3)
White-collar workers	5,654	5,202	452
Blue-collar workers	6,432	6,054	378
Total	**13,070**	**12,227**	**843**

At June 30, 2021, the average labour cost per capita, not considering the effects of the consolidation of the AEB Group, amounted to 29.14 thousand euro. In the corresponding period of the previous year, it was 29.03 thousand euro.

At June 30, 2021, the Group had 13,213 employees, of whom 729 related to the consolidation of the AEB Group. At June 30, 2020, the Group had 12,316 employees.

Other personnel costs include less than 1 million euro (2 million euro at June 30, 2020) costs relating to the total cost of the company's restructuring plan related to future staff leaving for redundancy.

30) Gross operating income

As a result of the above movements, consolidated "Gross operating income" at June 30, 2021 amounted to 690 million euro (559 million euro at June 30, 2020), of which 32 million euro arising from the consolidation of the AEB Group.
Further details may be found in the section "Results sector by sector".

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31) Depreciation, amortization, provisions and write-downs

"Depreciation, amortization, provisions and write-downs" totalled 335 million euro (278 million euro at June 30, 2020), of which 16 million euro arising from the consolidation of the AEB Group, representing an increase of 57 million euro.

The following table provides details of the individual items:

Depreciation, amortization, provisions and write-downs millions of euro	06 30 2021	06 30 2020	Change	% June 2021/2020
Amortization of intangible assets	97	66	31	47.0%
Depreciation of tangible assets	226	198	28	14.1%
Total amortization, depreciation and write-downs	**323**	**264**	**59**	**22.3%**
Provisions for risks	2	(2)	4	n.s
Bad debt provision on receivables recognized as current assets	10	16	(6)	(37.5%)
Total depreciation, amortization, provisions and write-downs	**335**	**278**	**57**	**20.5%**

"Depreciation, amortization and write-downs" totalled 323 million euro (264 million euro at June 30, 2020), of which 13 million euro from the consolidation of the AEB Group, recording an overall increase of 59 million euro.
Amortization of intangible assets amounted to 97 million euro (66 million euro at June 30, 2020). The item showed higher amortization and depreciation of 31 million euro, of which 7 million euro deriving from the consolidation of the AEB Group, 2 million euro relating to the integrated water service, 2 million euro relating to the gas networks, 7 million euro relating to the implementation of IT systems, 11 million euro relating to the recovery of amortization for the gas distribution network in ATEM Milan 1, 2 million euro relating to the consolidation of Flabrum and Agripower.

Depreciation of tangible assets showed an increase of 28 million euro compared to June 30, 2020 and included:
- higher depreciation of 6 million euro, relating to the consolidation of the AEB Group;
- higher depreciation of 9 million euro, relating to the plan for replacement of electricity meters;
- higher depreciation of 9 million euro, mainly relating to the capex, which went into production after June 30, 2020;
- higher depreciation of 4 million euro relating to the consolidation, from 2021, of Agripower and Octopus.

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

The balance of "Provisions for risks" showed a net effect of 2 million euro (positive net effect for 2 million euro at June 30, 2020) due to allocations in the period of 10 million euro, offset by the surpluses of 8 million euro since some ongoing disputes have ceased to exist.
Provisions for the period concerned, for 5 million euro, the provision for public water derivation fees, for 2 million euro provisions for taxes, for 1 million euro provisions for closure and post-closure expenses on landfills and for 2 million euro other provisions for ongoing disputes. Surpluses in provisions for risks amounted to 8 million euro and included 4 million euro for the release of provisions for closure and post-closure expenses on landfills, 2 million euro for the release of provisions for legal disputes, and other releases for 2 million euro.

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

The "Bad debts provision" showed a balance of 10 million euro (16 million euro at June 30, 2020), of which 1 million euro deriving from the consolidation of the AEB Group, determined by the provision for the period.

32) Net operating income

"Net operating income" amounted to 355 million euro (281 million euro at June 30, 2020).

33) Result from non-recurring transactions

The "Result from non-recurring transactions" was nil at June 30, 2021.

34) Financial balance

The "Financial balance" closed with net expense of 26 million euro (net expense of 38 million euro at June 30, 2020).

Details of the more significant items are as follows:

Financial balance millions of euro	06 30 2021	06 30 2020	Change	% June 2021/2020
Financial income	10	6	4	66.7%
Financial expenses	(39)	(45)	6	(13.3%)
Affiliates	3	1	2	n.s
Total financial balance	**(26)**	**(38)**	**12**	**(31.6%)**

"Financial income" amounted to 10 million euro (6 million euro at June 30, 2020) and may be analyzed as follows:

Financial income millions of euro	06 30 2021	06 30 2020	Change	% June 2021/2020
Gains on disposals of financial assets	2	-	2	n.s.
Other financial income of which:	8	6	2	33.3%
- *Financial income from the Municipality of Brescia (IFRIC 12)*	*3*	*3*	-	*0.0%*
- *Foreign exchange gains*	*1*	*1*	-	*0.0%*
- *Other income*	*4*	*2*	*2*	*100.0%*
Total financial income	**10**	**6**	**4**	**66.7%**

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"Financial expenses", which amounted to 39 million euro, decreased by 6 million euro over the balance at June 30, 2020, and may be analyzed as follows:

Financial expenses millions of euro	06 30 2021	06 30 2020	Change	% June 2021/2020
Interest on bond loans	30	36	(6)	(16.7%)
Interest charged by banks	3	1	2	n.s.
Realized on financial derivatives	1	2	(1)	(50.0%)
Decommissioning costs	1	1	0	0.0%
Other financial expenses of which:	4	5	(1)	(20.0%)
- Discounting charges	*1*	*1*	*-*	*0.0%*
- Financial expenses (IFRS 16)	*1*	*1*	*-*	*0.0%*
- Financial expenses (IFRIC 12)	*1*	*1*	*-*	*0.0%*
- Foreign exchange losses	*1*	*1*	*-*	*0.0%*
- Other expenses	*-*	*1*	*(1)*	*(100.0%)*
Total financial expenses before capitalizations	**39**	**45**	**(6)**	**(13.3%)**
Capitalized financial expenses	-	-		
Total financial expenses	**39**	**45**	**(6)**	**(13.3%)**

The decrease of 6 million euro in interest on bonds was due mainly to the refinancing of bonds at lower rates.

The Equity Method valuation of shareholdings was positive for 3 million euro (1 million euro at June 30, 2020), and was mainly attributable to the positive valuation of the shareholdings held in the companies Consul System and Metamer.

35) Income taxes

"Income taxes" in the period in question equalled -41 million euro (78 million euro at June 30, 2020).

It is noted that on the occasion of the closing of the 2021 half-year report, the A2A Group decided to estimate the tax for the period for all Group companies by adopting the tax rate criterion based on the best estimate of the Group's weighted average rate expected for the entire year.

It is also noted that in the reporting period, deferred tax liabilities were released for 151 million euro, deferred tax assets allocated for 17 million euro and a substitute tax was recognized for 23 million euro following the realignment option provided by Decree Law 104/2020, exercised by some Group companies, which allows the realignment of the differences between higher statutory values and lower values for tax purposes on tangible assets and the consequent deduction of higher tax amortization starting from the current year.

36) Net result from discontinued operations

The "Net result from discontinued operations" was nil at June 30, 2021 – negative for 2 million euro at June 30, 2020 and referred to the transfer of the shares, equal to 2% of the company Ascopiave S.p.A., as well as the valuation of the shares, equal to 2.16% of the share capital of Ascopiave S.p.A., for which the A2A Group has exercised the right of withdrawal, net of dividends collected.

37) Result of minorities

The "Result of minorities" was negative for the Group for 30 million euro (negative for 9 million euro at June 30, 2020) and mainly included the portion attributable to minority interests of the LGH Group, the ACSM-AGAM Group and the AEB Group.

38) Group result of the period

The "Group result of the period" was positive for 340 million euro (positive for 154 million euro at June 30, 2020).

5.13 Earnings per share

39) Earnings per share

	01 01 2021 06 30 2021	01 01 2020 06 30 2020
Earnings (loss) per share (in euro)		
- basic	0.1097	0.0497
- basic, from continuing operations	0.1097	0.0502
- basic, from assets held for sale	-	(0.0006)
- diluted	0.1097	0.0497
- diluted, from continuing operations	0.1097	0.0502
- diluted, from assets held for sale	-	(0.0006)
Weighted average number of outstanding shares for the calculation of earnings (loss) per share		
- basic	3,100,891,752	3,109,183,856
- diluted	3,100,891,752	3,109,183,856

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5.14 Note on related party transactions

40) Note on related party transactions

"Related parties" are those indicated by the international accounting standard that concerns Related Party Disclosures (IAS 24 revised).

Relationships with parent companies and their subsidiaries

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

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

The relationships between the companies controlled by the Municipalities of Milan and Brescia, which refer to the supply of electricity, are at arm's length conditions.

On April 12, 2017, Amsa S.p.A., a subsidiary of A2A S.p.A., signed a contract with the Municipality of Milan for the management of environmental protection services for the period January 1, 2017 - February 8, 2021, extended until April 30, 2022. On March 1, 2021, the Municipality of Milan published on its website a notice of suspension of the tender procedure in the following terms: *"Notice is hereby given that by means of Orders no. 226/2021 and no. 227/2021, published on February 26, 2021, the Lombardy Regional Administrative Court, Milan, Section I, granted the precautionary requests submitted by two economic operators and, as a result, suspended the tender procedure, setting the public hearing on October 21, 2021 for discussion of the merits of the appeal. On the Sintel Aria platform, the function Suspend the Proceedings will be activated"*.

Relationships with subsidiaries and affiliates

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

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

Finally, it should be noted that since 2011, the Company has adopted a Procedure for Related Party Transactions, in compliance with regulatory requirements, designed to ensure the transparency and substantive and procedural fairness of related party transactions entered into by A2A S.p.A. directly or through subsidiaries identified in accordance with IAS 24 Revised.

In particular, it should be noted that on June 25, 2021, the Board of Directors approved the new text of the Procedure - effective as of July 1, 2021 - which incorporates, among other things, the adjustments resulting from the new regulatory provisions adopted by Consob with Resolution no. 21624 of December 10, 2020, amending Resolution no. 17221 of March 12, 2010.

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

Balance sheet millions of euro	Total 06 30 2021	Of which with related parties								
		Associated companies	Related companies	Municipality of Milan	Subsidiaries Municipality of Milan	Municipality of Brescia	Subsidiaries Municipality of Brescia	Related parties individuals	Total related parties	% effect on the balance sheet item
TOTAL ASSETS OF WHICH:	**13,147**	**27**	**38**	**69**	**10**	**13**	**-**	**-**	**157**	**1.2%**
Non-current assets	*8,816*	*3*	*32*	*-*	*-*	*4*	*-*	*-*	*39*	*0.4%*
Shareholdings	35	3	32	-	-	-	-	-	35	100.0%
Other non-current financial assets	51	-	-	-	-	4	-	-	4	7.8%
Current assets	*4,329*	*24*	*6*	*69*	*10*	*9*	*-*	*-*	*118*	*2.7%*
Trade receivables	1,806	24	4	69	10	8	-	-	115	6.4%
Other current assets	1,979	-	2	-	-	-	-	-	2	0.1%
Current financial assets	10	-	-	-	-	1	-	-	1	10.0%
TOTAL LIABILITIES OF WHICH:	**8,968**	**49**	**1**	**4**	**1**	**7**	**-**	**-**	**62**	**0.7%**
Non-current liabilities	*4,453*	*49*	*1*	*4*	*1*	*7*	*-*	*-*	*62*	*1.4%*
Trade payables	1,454	42	1	4	1	7	-	-	55	3.8%
Other current liabilities	2,230	7	-	-	-	-	-	-	7	0.3%

Income statement millions of euro	Total 06 30 2021	Of which with related parties								
		Associated companies	Related companies	Municipality of Milan	Subsidiaries Municipality of Milan	Municipality of Brescia	Subsidiaries Municipality of Brescia	Related parties individuals	Total related parties	% effect on the balance sheet item
REVENUES	**4,060**	**23**	**10**	**158**	**20**	**20**	**1**	**-**	**232**	**5.7%**
Revenues from the sale of goods and services	3,955	23	10	158	20	20	1		232	5.9%
OPERATING EXPENSES	**2,991**	**31**	**4**	**1**	**2**	**4**	**-**	**-**	**42**	**1.4%**
Expenses for raw materials and services	2,844	-	4	-	2	-	-	-	6	0.2%
Other operating expenses	147	31	-	1	-	4	-	-	36	24.5%
LABOUR COSTS	**379**	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**1**	**0.3%**
FINANCIAL BALANCE	**(26)**	**-**	**3**	**-**	**-**	**3**	**-**	**-**	**6**	**(23.1%)**
Financial income	10	-	-	-	-	3	-	-	3	30.0%
Affiliates	3	-	3	-	-	-	-	-	3	100.0%

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

* * *

With regard to the compensation paid to the corporate governance bodies, reference shall be made to the document "Remuneration Report – 2021" available on the website www.a2a.eu.

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

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

In March, through its subsidiary LGH S.p.A., the Group acquired 100% of the shares in Agripower S.r.l., a company specializing in the development and management of power generation plants from biogas, which has been consolidated from April 1, 2021.

On February 14 , 2021, the A2A Group through its subsidiary A2A Rinnovabili signed a binding agreement, which was finalized in March 2021, for the acquisition of 15 companies with 17 plants and 173 MW of installed photovoltaic capacity, previously managed by Octopus Renewables as better described in the section "Significant events during the period". Again through the subsidiary A2A Rinnovabili, Gash 1 S.r.l. and Gash 2 S.r.l., two project companies with authorization to build two photovoltaic plants, were acquired. Since April 1, 2021, the A2A Group has fully consolidated the companies acquired.

In April, the A2A Group through its subsidiary A2A Ambiente S.p.A., as part of the transaction that led to the acquisition of 27.7% of Saxa Gres S.p.A., acquired and fully consolidated Energia Anagni S.r.l. and Bioenergia Roccasecca S.r.l., companies that will manage two OFMSW plants.

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

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5.16 Guarantees and commitments with third parties

millions of euro	06 30 2021	12 31 2020
Guarantees received	898	918
Guarantees provided	1,350	1,265

Guarantees received

Guarantees received amounted to 898 million euro (918 million euro at December 31, 2020) and included 355 million euro for sureties and security deposits issued by subcontractors to guarantee the proper execution of the work assigned and 485 million euro for sureties and security deposits received from customers to guarantee the regularity of payments and guarantees received by the ACSM-AGAM Group for 43 million euro and guarantees received by the AEB Group for 15 million euro.

Guarantees provided and commitments with third parties

Guarantees provided amounted to 1,350 million euro (1,265 million euro at December 31, 2020), of which 60 million euro for obligations undertaken in loan agreements. Said amount consists of guarantees issued by banks for 885 million euro, insurance companies for 60 million euro and the parent company A2A S.p.A., as parent company guarantee, for 270 million euro and guarantees provided by the ACSM-AGAM Group for 88 million euro and guarantees provided by the AEB Group for 47 million euro.

* * *

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

* * *

As described in greater detail in paragraph 3) Update of the main legal and tax disputes still pending, Linea Ambiente S.r.l. - Grottaglie landfill, part of the shares held by Linea Ambiente S.r.l. in Lomellina Energia are subject to judicial seizure.

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5.17 Other information

1) Transactions as per IFRS 3 revised

In 2021, the A2A Group completed the following acquisitions of investments, which fall within the provisions of IFRS 3:

- acquisition and line-by-line consolidation by LGH S.p.A. of 100% of the shares in Agripower S.r.l., a company specialising in the development and management of power generation plants from biogas;
- acquisition by A2A Rinnovabili S.p.A. and line-by-line consolidation of 15 companies with 17 plants and 173MW of installed photovoltaic capacity, previously managed by Octopus Renewables;
- acquisition and line-by-line consolidation by A2A Rinnovabili S.p.A. of Gash 1 S.r.l. and Gash 2 S.r.l., two project companies with authorization to build two photovoltaic plants.

In addition, in 2021, the Purchase Price Allocation process resulting from the acquisition of 100% of Flabrum S.p.A., a company that owns a wind farm acquired in the fourth quarter of 2020, was completed.

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

Business combination LGH S.p.A.

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

Business combination Rinnovabili Group

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

In April 2021, A2A Rinnovabili completed the acquisition of 100% of the shares in Gash 1 S.r.l. and Gash 2 S.r.l., companies which hold authorizations to build photovoltaic parks. The transaction was completed for a consideration of 0.4 million euro, paid in full at closing, and generated goodwill of less than 0.1 million euro, which was allocated directly to other intangible assets.

With reference to the acquisition of Flabrum S.r.l., completed by A2A Rinnovabili in November 2020 and which generated goodwill of 11.1 million euro, the Group has completed the Purchase Price Allocation (PPA) process within the time frame envisaged by IFRS 3. The Purchase Price Allocation resulted in the allocation of the goodwill indicated above of 12.6 million euro to other intangible assets (GSE Agreement), 2.9 million euro to tangible assets (Plant) and related deferred tax liabilities of 4.4 million euro.

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2) Financial risk management

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

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

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

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

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

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

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

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

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

a. Commodity risk

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

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

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

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

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

and proposes to senior management the hedging strategies designed to bring risk within the set limits, if exceeded.

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

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

The trading portfolio comprises all contracts, both physical and financial, entered into to supplement the profits made from the industrial activities, i.e. all contracts that are ancillary though not strictly necessary to the industrial activity.

In order to identify trading activity, the A2A Group follows the Capital Adequacy Directive and the definition of assets held for trading provided by International Accounting Standard (IFRS) 9: namely assets held for the purpose of short-term profit taking on market prices or margins, without being for hedging purposes, and designed to create a high-turnover portfolio.

Given that they exist for different purposes, the two portfolios have been segregated and are monitored separately with specific tools and limits. More specifically, the trading portfolio is subject to particular risk control and management procedures as laid down in Deal Life Cycle documents.

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

a.2) Commodity derivatives, analysis of transactions

Derivatives of the industrial portfolio considered hedges
The hedging of price risk by means of derivatives focuses on protecting against the volatility of energy prices on the power exchange (IPEX-EEX), stabilizing electricity price margins on the wholesale market with particular attention being paid to fixed price energy sales and purchases and stabilizing price differences deriving from various indexing mechanisms for the pricing of gas and electricity. To that end, hedging contracts were executed during the year on electricity purchase and sale agreements and on contracts to hedge the fee for the use of electricity transport capacity between the areas of the IPEX market (CCC contracts); hedging contracts were also concluded for the purchase and sale of gas so as to protect sales margins and at the same time keep the risk profile to within the limits set by the Group's Energy Risk Policy.
As part of the optimization of the portfolio of greenhouse gas emission allowances (see Directive 2003/87/EC), the A2A Group has stipulated Future contracts on the ICE ECX (European Climate Exchange) price. These are considered hedging transactions from an accounting point of view in the event of demonstrable surplus/deficit quotas.
The fair value at June 30, 2021 was 107.5 million euro (24.0 million euro at December 31, 2020).

Derivatives of the industrial portfolio not considered hedges
Again with a view to optimizing the Industrial Portfolio, Future contracts and Option contracts relating to the price of gas and electricity have been entered into on the ICE ECX (European Climate Exchange) stock exchange price. These do not qualify as hedging transactions from an accounting point of view as they fail to meet the requirement set out in the accounting standards.
The fair value at June 30, 2021 was 1.4 million euro (-0.5 million euro at December 31, 2020).

Derivatives of the Trading Portfolio
As part of its trading activity, the A2A Group has taken out Future contracts on major European energy stock exchanges (EEX, ICE) and Forward and Option contracts on the price of electricity with delivery in Italy and neighboring countries such as France, Germany and Switzerland. The Group has also stipulated Future contracts on the ICE ECX (European Climate Exchange) stock exchange price. Also as part of trading activities, both Future and Forward contracts were also stipulated for the market price of gas (ICE-Endex CEGH, PEGAS).
The fair value at June 30, 2021 was 9.6 million euro (-0.6 million euro at December 31, 2020).

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

PaR[1] or Profit at Risk, is used to assess the impact that fluctuations in the market price of the underlying have on the financial derivatives taken out by the A2A Group that are attributable to the industrial portfolio. It is the change in the value of a financial instruments portfolio within set probability assumptions as the result of a shift in the market indices. The PaR is calculated using the Montecarlo Method (at least 10,000 trials) and a 99% confidence level. It simulates scenarios for each relevant price driver depending on the volatility and correlations associated with each one, using as the central level the forward market curves at the balance sheet date, if available. By means of this method, after having obtained a distribution of probability associated with changes in the result of outstanding financial contracts, it is possible to extrapolate the maximum change expected over a time horizon given by the accounting period at a set level of probability. Based on this methodology, over the time horizon of the accounting period and in the event of extreme market movements and at a 99% confidence level, the expected maximum negative change in financial derivatives outstanding at June 30, 2021 was 79.406 million euro (54.970 million euro at December 31, 2020).

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

millions of euro	06 30 2021		12 31 2020	
Profit at Risk (PaR)	Worst case	Best case	Worst case	Best case
Confidence level 99%	(79.406)	103.056	(54.970)	74.029

The A2A Group therefore expects, with a 99% probability, not to have changes compared to the fair value at June 30, 2021 exceeding 79.406 million euro of its entire portfolio of financial instruments due to commodity price fluctuations. If there are any negative changes in the fair value of derivatives, these would be compensated by changes in the underlying as the result of changes in market prices.

a.4) Energy Derivatives, risk assessment of Trading Portfolio derivatives

VaR[2] (Value at Risk)is used to assess the impact that fluctuations in the market price of the underlying have on the financial derivatives taken out by the A2A Group that are attributable to the trading portfolio. It is the negative change in the value of a financial instruments portfolio within set probability assumptions as the result of an unfavourable shift in the market indices. VaR is calculated using the RiskMetrics method with a holding period of 3 days and a confidence level of 99%. Alternative methods are used for contracts where it is not possible to perform a daily estimate of VaR such as stress test analysis
Based on this method, in the case of extreme market movements, with a confidence level of 99% and a holding period of 3 days, the maximum estimated loss on the derivatives in question was 0.452 million euro at June 30, 2021 (0.315 million at December 31, 2020). In order to ensure closer monitoring of activities, VaR and Stop Loss (the sum of VaR, P&L Realized and P&L Unrealized) limits are also set.

The following are the results of the assessments:

millions of euro	06 30 2021		12 31 2020	
Value at Risk (VaR)	VaR	Stop Loss	VaR	Stop Loss
Confidence level 99%, holding period 3 days	(0.452)	(0.452)	(0.315)	(0.315)

b. Interest rate risk

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

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

The book value and type of gross debt at June 30, 2021 are shown in the table below:

millions of euro	06 30 2021			12 31 2020		
	Before hedging	After hedging	% after hedging	Before hedging	After hedging	% after hedging
Fixed rate	2,802	2,966	73%	3,143	3,333	74%
Variable rate	1,284	1,120	27%	1,355	1,165	26%
Total	**4,086**	**4,086**	**100%**	**4,498**	**4,498**	**100%**

At June 30, 2021, the following are the hedging instruments for interest rate risk:

millions of euro		06 30 2021		12 31 2020	
HEDGING INSTRUMENT	HEDGED ASSET	Fair value	Notional	Fair value	Notional
IRS	Variable rate loans subsidiaries	(0.3)	17.3	(0.3)	16.4
Collar	Variable rate loans A2A	(2.5)	47.6	(3.5)	57.1
Total		**(2.8)**	**64.9**	**(3.8)**	**73.5**

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

millions of euro

ACCOUNTING TREATMENT	DERIVATIVES	NOTIONAL		FAIR VALUE ASSETS		NOTIONAL		FAIR VALUE LIABILITIES	
		at 06/30/2021	at 12/31/2020	at 06/30/2021	at 12/31/2020	at 06/30/2021	at 12/31/2020	at 06/30/2021	at 12/31/2020
Cash flow hedge	Collar	-	-	-	-	47.6	57.1	(2.5)	(3.5)
Cash flow hedge	IRS	-	-	-	-	17.3	16.4	(0.3)	(0.3)
Total		**-**	**-**	**-**	**-**	**64.9**	**73.5**	**(2.8)**	**(3.8)**

Derivatives on interest rates at June 30, 2021 in cash flow hedge refer to the following loans:

Loan	Derivative	Accounting
A2A S.p.A. variable rate bank loan, maturity November 2023, residual debt at June 30, 2021 of 47.6 million euro.	Collar on 100% of the amount of the loan until maturity thereof. At June 30, 2021, the fair value was negative for 2.5 million euro.	The loan is measured at amortized cost. The collar is a cash flow hedge, with 100% recognized in a specific equity reserve.
ACSM AGAM variable rate bank loan, maturity December 2025, residual debt at June 30, 2021 of 10.0 million euro.	IRS on 100% of the amount of the loan until maturity thereof. At June 30, 2021, the fair value was negative for 6 thousand euro.	The loan is measured at amortized cost. The IRS is a cash flow hedge, with 100% recognized in a specific equity reserve.
ACSM AGAM variable rate bank loan, maturity June 2023, residual debt at June 30, 2021 of 4.0 million euro.	IRS on 100% of the amount of the loan until maturity thereof. At June 30, 2021, the fair value was negative for 41 thousand euro.	The loan is measured at amortized cost. The IRS is a cash flow hedge, with 100% recognized in a specific equity reserve.
Donna Rica variable rate financial lease, maturity June 2027, residual debt at June 30, 2021 of 2.0 million euro.	IRS on 100% of the amount of the lease until maturity thereof. At June 30, 2021, the fair value was negative for 160 thousand euro.	The loan is measured at amortized cost. The IRS is a cash flow hedge, with 100% recognized in a specific equity reserve.
Marsica variable rate financial lease, maturity September 2027, residual debt at June 30, 2021 of 1.3 million euro.	IRS on 100% of the amount of the lease until maturity thereof. At June 30, 2021, the fair value was negative for 66 thousand euro.	The loan is measured at amortized cost. The IRS is a cash flow hedge, with 100% recognized in a specific equity reserve.

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

millions of euro	Effect on the Income Statement (before tax)		Effect on Equity (before tax)	
	-50 bps	+50 bps	-50 bps	+50 bps
Change in financial expenses on gross variable-rate debt after hedging	-	(0.6)	-	-
Change in fair value of derivative financial instruments classified as non-hedge	-	-	-	-
Change in fair value of derivative financial instruments classified as hedge (excluding BCVA as per IFRS 13)				
Cash flow hedge	-	-	(0.4)	0.4
Fair value hedge	-	-	-	-

c. Exchange rate risk not related to commodities

In relation to exchange rate risk other than that included in the price of commodities, the hedging instrument at June 30, 2021 is as follows:

millions of euro		06 30 2021		12 31 2020	
HEDGING INSTRUMENT	HEDGED ASSET	Fair value	Notional	Fair value	Notional
Cross Currency IRS	Fixed rate loan in foreign currency	(12.1)	98.0	(14.7)	98.0
Total		**(12.1)**	**98.0**	**(14.7)**	**98.0**

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

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

At June 30, 2021, the fair value of the hedge was negative for 12.1 million euro. The fair value and, as a consequence, the effect on equity, would improve by 13.4 million euro in the event of a 10% increase in the forward curve of the yen/euro exchange rate (appreciation of the yen) and would worsen by 11.5 million euro in the event of a 10% drop in the forward curve of the yen/euro exchange rate (depreciation of the yen). Said sensitivity analysis was performed with the aim of calculating the effect of changes in the forward curve of the euro/yen exchange rate on the fair value ignoring any impact on the adjustment due to the bCVA.

d. Liquidity risk

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

millions of euro	Accounting Balance 06 30 2021	Portions maturing within 12 months	Portions maturing beyond 12 months	Portions maturing by				
				06 30 2023	06 30 2024	06 30 2025	06 30 2026	Oltre
Bonds	2,717	529	2,188	-	599	299	-	1,290
Financial payables for rights of use (*)	113	23	90	17	12	11	9	41
Loans from banks and other lenders	1,256	125	1,131	175	82	84	77	713
Total	**4,086**	**677**	**3,409**	**192**	**693**	**394**	**86**	**2,044**

(*) Including finance leases.

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

At June 30, 2021, the Group had a total of 1,489 million euro, as follows:
(i) committed revolving credit lines of 1,140 million euro, of which 40 million euro maturing in 2021, 600 million maturing in 2023 and 500 million euro maturing in 2026, unused;
(ii) unused long-term EIB loans for a total of 25 million euro;
(iii) cash and cash equivalents totaling 324 million euro, including 220 million euro at the Parent Company level.

A2A also maintains a Bond Issue Program (Euro Medium Term Note Programme) of 6 billion euro, of which 3,400 million euro available at June 30, 2021.
The following table analyzes the worst case for financial liabilities (excluding payables for rights of use and including trade payables), in which all of the amounts shown are non-discounted future nominal cash flows determined on the basis of residual contractual maturities for both principal and interest. The undiscounted nominal flows of derivative contracts on interest rates are also included. Finally, any revocable financial lines used and current accounts payable are due within the next financial year.

06 30 2021 millions of euro	1-3 MONTHS	4-12 MONTHS	AFTER 12 MONTHS	TOTAL
Bonds	6	550	2,418	2,974
Loans from banks and other lenders	15	112	1,136	1,263
Other non-current liabilities	-	-	31	31
Total financial flows	**21**	**662**	**3,585**	**4,268**
Payables to suppliers	418	48	4	470
Total trade flows	**418**	**48**	**4**	**470**

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

e. Credit risk

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

This risk is overseen by both the Credit Management function allocated centrally (and the corresponding functions of the operating companies) and the Group Risk Management Organizational Unit responsible for supporting the Group companies with reference to both commercial and trading activities. Risk mitigation is through the prior assessment of the creditworthiness of the counterparty and the constant verification of compliance with exposure limit as well as through the request for adequate guarantees.
The credit terms granted to customers as a whole have a variety of deadlines, in accordance with applicable law and market practice. In cases of delayed payment, default interest is charged as explicitly prescribed by the underlying supply contracts or by current law (application of the default rate as per Legislative Decree 231/2002).
Trade receivables are stated in the balance sheet net of any write-downs; the amount shown is considered to be a correct reflection of the realizable value of the receivables portfolio. For the aging of trade receivables, reference is made to note 7 "Trade receivables".

f. Equity risk

The A2A Group is exposed to equity risk limited to the holding of treasury shares held by A2A S.p.A., which at June 30, 2021 amounted to 86,154,895 shares corresponding to 2.75% of the share capital, which is made up of 3,132,905,277 shares.
Compared to December 31, 2020, the number of treasury shares increased by 62,433,474 shares as a result of the purchase program approved by the meeting of April 29, 2021, which authorized and established the terms of the program. The program to purchase the treasury shares, approved by the Board of Directors, has develop objectives, following transactions related to business projects consistent with the strategies of the Company in relation to which there is the opportunity of stock exchanges.
From an accounting standpoint, as provided by IAS/IFRS, the purchase cost of treasury shares is recorded as decrease in shareholders' equity and not even if transferred will the eventual positive or negative difference, with respect to the purchase cost, have effects on the income statement.

g. Covenants compliance risk

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

Bonds include (i) 2,600 million euro nominal (book value of 2,609 million euro at June 30, 2021) issued as part of the EMTN Programme, which provide to investors a Change of Control Put in the event of a change of control of the company resulting in a rating downgrade at sub-investment grade level in the following 180 days (if within said 180 days, the company's rating should return to investment grade, the option may not be exercised); (ii) 98 million euro nominal (book value of 108 million euro at June 30, 2021) relating to the private bond in yen with maturity 2036 with a Put right clause in favour of the investor in the event that the rating is lower than BBB- or equivalent level (sub-investment grade).

The loans stipulated with the European Investment Bank, with nominal debt and book value of 798 million euro, of which 412 million with maturity beyond 5 years, contain a Credit Rating clause (if rating below BBB- or equivalent level to sub-investment grade), and include a change of control clause of the parent company, with the right for the bank to invoke, upon notice to the company containing indication of the reasons, the early repayment of the loan.
A loan of the subsidiary Fragea, whose residual debt at June 30, 2021 was 2.7 million euro, is secured by collateral on the property and plant financed.
Some ACSM-AGAM bank loans and two leases of the Agripower Group include financial covenants, as shown in the relevant table below.

The committed revolving bank lines available, for a total of 1,140 million euro, provide a Change of Control clause which, in the event of a change of control of the parent company causing a Material Adverse Effect, allows the banks to request the facility to be extinguished and any amounts drawn down to be repaid.

At June 30, 2021, there was no situation of non-compliance with the covenants of the A2A Group companies.

A2A Group - Financial covenants at June 30, 2021

COMPANY	LENDER	LEVEL OF REFERENCE	LEVEL RECOGNIZED	DATE OF RECOGNITION
ACSM-AGAM	UBI	Debt Service Coverage Ratio <=4.5	1.96	12/31/2020
		Gearing <= 1.5	0.30	12/31/2020
ACSM-AGAM	Intesa San Paolo	Debt Service Coverage Ratio <=4.35	1.96	12/31/2020
		Gearing <=1.1	0.30	12/31/2020
ACSM-AGAM	BEI	Available cash flow/net financial debt => 14.0%	28.4%	12/31/2020
		Financial debt/equity <= 75.0%	31.3%	12/31/2020
		Net financial debt/Ebitda <= 3.0	2.03	12/31/2020
ACSM-AGAM	Unicredit	Debt Service Coverage Ratio <=3.0	1.96	12/31/2020
		Gearing <=1.0	0.30	12/31/2020
ACSM-AGAM Reti	Cassa DDPP	Debt Service Coverage Ratio <=4.5	1.96	12/31/2020
		Gearing <=1.2	0.30	12/31/2020
San Quirico	Credit Agricole	Operating cash flow/Debt service => 1.00	1.62	12/31/2020
Donna Ricca	BNP Paribas	Operating cash flow/Debt service => 1.30	1.70	12/31/2020
		Net Financial Position/Net Equity <= 4.00	1.94	12/31/2020

Analysis of forward transactions and derivatives

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

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

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

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

In compliance with the provisions of IFRS 13, the fair value of an over-the-counter (OTC) financial instrument is determined taking into account the non-performance risk. To quantify the fair value adjustment attributable to this risk, A2A has, in line with best market practices, developed a proprietary model called the "bilateral Credit Value Adjustment" (bCVA), which takes into account changes in the creditworthiness of the counterpart as well as the changes in its own creditworthiness.

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The bCVA has two addends, calculated by considering the possibility that both counterparties go bankrupt, known as the Credit Value Adjustment (CVA) and the Debit Value Adjustment (DVA):

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

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

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

Instruments outstanding at June 30, 2021

A) On interest and exchange rates

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

millions of euro	Notional value (a)						Balance sheet Value (b)	Progressive effect to the Income statement at 06 30 2021 (c)
	Due within 1 year		Due in 1 to 5 years		Due over 5 years			
	to be received	to be paid	to be received	to be paid	to be received	to be paid		
Interest rate risk management								
cash flow hedges as per IFRS 9		24		40		1	(3)	
not considered hedges as per IFRS 9								
Total derivatives on interest rates		**24**		**40**		**1**	**(3)**	
Exchange rate risk management								
considered hedges as per IFRS 9								
- on commercial transactions								
- on non-commercial transactions						98	(12)	
not considered hedges as per IFRS 9								
- on commercial transactions								
- on non-commercial transactions								
Total derivatives on exchange rates						**98**	**(12)**	**-**

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

B) On commodities

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

		Volume by Maturity			Notional Value	Fair Value	
		Due within 1 year	Due within two years	Due within five years		Balance sheet Value (*)	Progressive effect to Income statement (**)
Energy product price risk management	Unit of measurement	Quantity			Millions of euro		
A. cash flow hedges as per IFRS 9, including:						**107.5**	**-**
- Electricity	TWh	5.7	0.8		135.0	29.1	
- Oil	Bbl					-	
- Coal	Tons					-	
- Natural Gas	TWh	3.5	0.6		78.1	45.2	
- Natural Gas	Millions of cubic metres	5.0			0.9	(0.1)	
- Exchange rate	Millions of dollars					-	
- Emission rights	Tons	1,270,302	301,000		55.3	33.3	
B. considered fair value hedges as per IFRS 9						**-**	**-**
C. not considered fair value hedges as per IFRS 9 of which:						**11.0**	**12.1**
C.1 hedge margin						**1.4**	**1.9**
- Electricity	TWh		0.2		18.9	(0.5)	(0.5)
- Oil	Bbl						
- Natural Gas	Degrees day						
- Natural Gas	TWh	0.1			4.8	(0.1)	
- CO_2 Emission rights	Tons	952,000			37.6	2.0	2.4
- Exchange rate	Millions of dollars						
C.2 trading transactions						**9,6**	**10,2**
- Electricity	TWh	27.4	17.8	1.1	2,735.3	13.7	18.5
- Natural Gas	TWh	91.5	37.4	4.0	2,443.0	(3.6)	(7.7)
- CO_2 Emission rights	Tons	3,016,000	326,000	56,000	140.7	(0.5)	(0.5)
- Environmental Certificates	MWh						
- Environmental Certificates	Tep						
Total						**118.5**	**12.1**

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

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

Financial and operating results for derivative transactions at June 30, 2021

Effects on the balance sheet

The following table shows the balance sheet figures at June 30, 2021, for derivative transactions.

millions of euro	NOTE	TOTAL
ASSETS		
NON-CURRENT ASSETS		**-**
Other non-current assets - Derivatives	5	-
CURRENT ASSETS		**1,729**
Other current assets - Derivatives	8	1,729
TOTAL ASSETS		**1,729**
LIABILITIES		
NON-CURRENT LIABILITIES		**15**
Other non-current liabilities - Derivatives	21	15
CURRENT LIABILITIES		**1,611**
Trade payables and other current liabilities - Derivatives	22	1,611
TOTAL LIABILITIES		**1,611**

Effect on the income statement

The following table sets out the income statement figures at June 30, 2021 arising from the management of derivatives.

millions of euro	Note	Realised during the period	Change in fair value during the period	Amounts recognized in the income statement
REVENUES	27			
REVENUES FROM THE SALE OF GOODS				
Energy product price risk management and exchange rate risk management on commodities				
- considered hedges as per IFRS 9		27	-	27
- not considered hedges as per IFRS 9		6	(1,234)	(1,228)
Total revenues from the sale of goods		**33**	**(1,234)**	**(1,201)**
OPERATING EXPENSES	28			
Expenses for raw materials and services				
Energy product price risk management and exchange rate risk management on commodities				
- considered hedges as per IFRS 9		1	-	1
- not considered hedges as per IFRS 9		(34)	1,246	1,212
Total costs for raw materials and services		**(33)**	**1,246**	**1,213**
Total recognized in Gross operating income (*)		**-**	**12**	**12**
FINANCIAL BALANCE	34			
Financial income				
Interest rate risk management and equity risk management				
Income on derivatives				
- considered hedges as per IFRS 9		-	-	-
- not considered hedges as per IFRS 9		-	-	-
Total		**-**	**-**	**-**
Total financial income		**-**	**-**	**-**
Financial expenses				
Interest rate risk management and equity risk management				
Expenses on derivatives				
- considered hedges as per IFRS 9		(1)	-	(1)
- not considered hedges as per IFRS 9		-	-	-
Total		**(1)**	**-**	**(1)**
Total financial expenses		**(1)**	**-**	**(1)**
TOTAL RECOGNIZED IN FINANCIAL BALANCE		**(1)**	**-**	**(1)**

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

Classes of financial instruments

To complete the analyses required by IFRS 7 and IFRS 13, the following table sets out the various types of financial instrument that are to be found in the various balance sheet items, with an indication of the accounting policies used and, in the case of financial instruments measured at fair value, an indication of where changes are recognized (income statement or equity).
The last column of the table shows the fair value of the instrument at June 30, 2021, where applicable.

millions of euro		Criteri applicati nella valutazione in bilancio degli strumenti finanziari					
	Note	Financial instruments measured at fair value with changes recognized in:			Financial instruments measured at amortized cost	Amount as stated in the Consolidated balance sheet at 06 30 2021	Fair value at 06 30 2021 (*)
		Income statement	Equity				
		(1)	(2)	(3)	(4)		
ASSETS							
Other non-current financial assets							
Financial assets measured at fair value of which:							
- unlisted		7				7	n.a.
- listed						-	-
Financial assets held to maturity					1	1	1
Other non-current financial assets					43	43	43
Total other non-current financial assets	3					**51**	
Other non-current assets	5				25	25	25
Trade receivables	7				1,806	1,806	1,806
Other current assets	8	1,602	127		250	1,979	1,979
Current financial assets	9				10	10	10
Cash and cash equivalents	11				324	324	324
LIABILITIES							
Financial liabilities							
Non-current and current bonds	17 and 22		108		2,609	2,717	2,717
Other non-current and current financial liabilities	17 and 22				1,337	1,337	1,337
Other non-current liabilities	20		15		128	143	143
Trade payables	21				1,454	1,454	1,454
Other current liabilities	21	1,592	19		619	2,230	2,230

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

5
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Fair value hierarchy

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

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

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

millions of euro	NOTE	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets measured at fair value	3		7		7
Other current assets	8	1,724	-	5	1,729
TOTAL ASSETS		**1,724**	**7**	**5**	**1,736**
Non-current financial liabilities	17	106			106
Other non-current liabilities	20		15		15
Other current liabilities	21	1,606	1	4	1,611
TOTAL LIABILITIES		**1,712**	**16**	**4**	**1,732**

Sensitivity analysis for financial instruments included in level 3

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

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

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

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

A2A S.p.A.

Carlo Tassara: lawsuit for damages against EDF and A2A S.p.A. on the reorganization of Edison
On March 24, 2015, Carlo Tassara S.p.A. notified A2A, Electricité de France (EDF) and Edison a summons requesting the Court of Milan to condemn A2A and EDF to compensation for damages allegedly suffered by Carlo Tassara, in its capacity as minority shareholder of Edison, in relation to the mandatory tender offer launched by EDF on Edison shares consequently to the transaction by which, in 2012, A2A sold its indirect shareholding in Edison to EDF and simultaneously acquired 70% of the capital of Edipower from Edison and Alpiq.
Until 2012, in fact, A2A and EDF held joint control of Edison S.p.A.. Edison, in turn, held 50% of Edipower S.p.A. (the remaining capital of Edipower was held 20% by Alpiq, 20% by A2A and the remaining 10% by Iren).
In the 2012 transaction, A2A sold its indirect shareholding in Edison to EDF and simultaneously acquired 70% of the capital of Edipower from Edison and Alpiq.
In the summons notified, Carlo Tassara complained that, in the transaction, EDF and A2A agreed on a mutual "discount" on the price paid by EDF for the purchase of Edison shares, on the one hand, and on the price paid by A2A for the purchase of 70% of Edipower, on the other. This discount was expected to be the result of abusive conduct by EDF and A2A as shareholders of Edison and the violation, among other things, of the regulations on transactions with related parties. This - according to Carlo Tassara - was expected to allow maintaining artificially low the price of the Edison shares paid to A2A and consequently the tender offer price paid to minorities of Edison (which by law was expected to be equal to that paid to A2A).
However, in 2012, A2A and EDF had voluntarily subjected the Transaction to the prior examination of Consob precisely in order to confirm the correctness of the tender offer price. Following extensive examinations, Consob had deemed that a compensatory mechanism could be detected in the transaction as a whole (i.e. between the sale of Edipower on the one hand and the sale of Edison shares on the other) and that therefore the tender offer price was to be increased from 0.84 euro to 0.89 euro per share.
In light of said decision, the parties had increased the sale price of the shareholding in Edison based on the price of 0.89 euro per share, for a total increase of around 84 million euro. EDF launched the tender offer at 0.89 euro per share.
Carlo Tassara resorted to Consob in order to further increase the price of the tender offer, but Consob rejected the request.
In addition, pending the tender offer, Carlo Tassara challenged before the TAR the tender offer document and the related resolution of approval by Consob requesting suspensions thereof for reasons of urgency. However, the TAR postponed the decision on the suspension to a date following the closing of the tender offer and, as a result of this, Carlo Tassara adhered to the tender offer and waived the cautionary request.
The writ of summons did not quantify the damage allegedly suffered by Carlo Tassara as a result of such transactions. However, with brief on February 20, 2017, Carlo Tassara requested that the court have an expert witness to calculate the damages (specifying that they be quantified in the alleged difference between the tender offer price and the market value that the Edison shares had previously). Carlo Tassara also filed an appraisal in which such damages were quantified in a total amount between 197 and 232 million euro, amount to calculate the compensation due from each of the companies that will be considered responsible by the judge.
After several postponements justified also by modifications of the judge, on October 17, 2018, the judge rejected the requests for investigation of the plaintiffs, setting March 19, 2019 as the hearing for clarification of conclusions. The Company has filed its pleadings within the time limits and the ruling is pending. The Group, having fulfilled the requirements of the regulations in force, does not consider likely the risk for which it has not allocated any provisions.

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

In particular, D.G.R. (Regional Council Resolution) of Lombardy no. 5130-2016 ordered, by implementing paragraph 5 of art. 53-bis of Regional Law 26/2003 introduced by Regional Law 19/2010, the subjection of the Lombardy hydroelectric concessions already expired to an "additional fee" established "provisionally"

at 20 €/kW of nominal power of concession, and reserved the request for settlement at the outcome of the assessments by the regional offices regarding the profitability of expired concessions. The additional fee was imposed retroactively from the original expiry of each concession; therefore, for the Grosotto, Lovero and Stazzona concessions, it would be effective from January 1, 2011, for the Premadio 1 concession from July 29, 2013 and for the Grosio concession from November 15, 2016.
A2A and Linea Green, which have always contested, also in the courts, the legitimacy, also constitutional, of article 53-bis, paragraph 5, of Regional Law 26/2003, challenged, together with other operators, the D.G.R. 5130-2016 before the High Court of Public Waters, the related and consequent measures that governed the conditions for the temporary continuation of each concession, and which, where provided for, ordered the revocation of the exemption of part of the State fee.
At the competent offices, A2A challenged Sentence no. 65/2020, by means of which TSAP rejected the appeal brought by A2A in relation to the first resolutions by which the Lombardy Region regulated the temporary continuation of the Grosotto, Lovero and Stazzona concession, thereby inducing A2A to make a prudent assessment of the remedies available at the competent offices. Other disputes related to other concessions and other regional decisions are also still ongoing.
On the other hand, the case brought by A2A for the purpose of obtaining the annulment of the regional resolutions that governed the temporary continuation of the Cancano - Premadio I concession ended with the rejection of sentence no. 15990/2020 by the Joint Sections of the Supreme Court.
The provisions of the Regions concerning the temporary continuation of expired or expiring concessions could, as from 2019, be justified by the provisions introduced by the Conversion Law no. 12/2019 of Legislative Decree no. 135/2018, the constitutional compatibility of which is nevertheless controversial. In this last regard, it should be pointed out that A2A and Linea Green appealed before the TSAP for the annulment of General Director Decree (D.D.G.) no. 10544/2019 by means of which the Lombardy Region ascertained and determined the amounts allegedly owed by the concessionaires as additional fees for 2019, disputes subsequently integrated with reference to the additional fee for the year 2020, and with these appeals, they also requested referral to the Constitutional Court of a matter of constitutional legitimacy in relation to the aforementioned provisions introduced by the law converting Decree Law Simplifications with regard to hydroelectric concessions.
Also Regional Law 5/20 issued by the Lombardy Region in implementation of Law 12/2019 has been submitted for constitutionality review by the Government and the hearing, originally set for May 11, 2021 has been postponed to October 19, 2021.
With reference to hydroelectric concessions, Conversion Law 12/2019 also established that regions may introduce an obligation for concessionaires to provide 220 kWh annually and free of charge to the same regions for each kW of average nominal capacity of the concession. Availing itself of this faculty, with art. 31 Regional Law L.R. 23/2019 and, therefore, with Regional Council Resolution D.G.R. 3347/2020, the Lombardy Region regulated the obligation of free transfer of electricity with effect from the year 2020 for expired and unexpired derivation concessions. A2A and Linea Green have challenged the regional measure on various grounds.
For disputes relating to public water derivation fees, the Company allocated adequate provisions for risks at June 30, 2021, on a prudent basis, and also taking into account the payment - subject to any subsequent repayment upon the final outcome of the respective legal proceedings - of certain positions, for the sole purpose of avoiding compulsory collection proceedings and thus defusing the litigation.

A2A Energiefuture S.p.A.

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

On March 8 and 9, 2017, following orders of the Public Prosecutor of Gorizia, the Monfalcone Plant of A2A Energiefuture S.p.A. was inspected during which surveys and samplings were performed (on coal in stock, on the ashes, on fume treatment residues, emissions from the chimney) and documentary acquisitions (on the servers of the emissions monitoring system, on fuel analysis forms, etc.). On the same date, the guarantee information has been notified to three employees, regarding an investigation for the offences referred to in Article 452 bis of the Italian Criminal Code. Environmental pollution. The suspect employees appointed trusted defenders.
Subsequently, between December 2017 and January 2018, and then in December 2018 and July 2020, the Public Prosecutor of Gorizia proceeded with the acquisition of additional documentation at the plant.

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

and the balance of the ecosystem has been altered by contamination with heavy metals. A similar notice was served on May 10, 2021 at the Monfalcone power plant.
On July 29, 2021, the defense attorney of the former head of the plant was served with a decree scheduling a preliminary hearing for November 24, 2021 before the Preliminary Investigation Judge (GIP) of Gorizia.

Linea Ambiente S.r.l. – Grottaglie landfill

Court of Taranto - Criminal Proceeding RGNR 2785/18

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

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

On May 7, 2020, the Guardia di Finanza notified Linea Ambiente S.r.l. of a preventive seizure order issued by the GIP of Taranto on March 12, 2020 in the context of Proceedings no. 2785/18 R.G.N.R. and 5400/19 R.G. Admin. Resp. and deed of execution of preventive seizure pursuant to art. 53 of Legislative Decree 231/01, also valid as guarantee information pursuant to art. 369 of the Italian Criminal Code.
For the first time, Linea Ambiente was informed of the existence of Criminal Proceedings no. 5400/19 R.G. Admin. Resp. of Entities for bribery offences pursuant to article 25, paragraph 2, of Legislative Decree 231/01. The preventive seizure, on May 7, 2020, was arranged up to the amount of 26,273,298 euro (equal to the presumed profit of the offence). On May 13, 2020 was the notification of appointment of a judicial administrator of the assets seized, including company shares and receivables.
On May 21, 2020, Linea Ambiente proposed a request for review of the seizure order, which was discussed in the Council Chamber on June 9, 2020, and rejected. The cautionary requests have been confirmed.
On June 11, 2020, a decree releasing the Linea Ambiente portions was notified. On September 10, 2020, the company was notified of the conclusion of the preliminary investigations pursuant to article 415-bis of the Code of Criminal Procedure. The notification was repeated, with partial changes, on January 21, 2021. On January 21, 2021, the Taranto Public Prosecutor's Office notified the defense lawyer of Linea Ambiente of an order to release and return 95.004% of the shares in Lomellina Energia held by Linea Ambiente and already placed under preventive seizure. This was done on the basis of a new estimate of the value of the shares made by the judicial administrator and on the fact that after the seizures made by the Guardia di Finanza there remained sums equal to about 5% the value of said shares.
On March 18, 2021, the Linea Ambiente counsel was served with the notice of the preliminary hearing scheduled for June 10, 2021 before the Taranto Preliminary Hearings Judge.
On May 18, 2021, the Taranto Preliminary Investigation Judge (GIP), following the annulment by the Court of Cassation of the preventive seizure order notified on May 7, 2020, issued a new preventive seizure order recalculating the "profit from the crime" as 20,304,974.88 euro (compared to the previous amount of 26,273,298.13 euro) by subtracting the "out-of-pocket costs" incurred by Linea Ambiente and quantified as 5,968,323.25 euro. In fact, the Supreme Court found that the determination was erroneous of the alleged profit, identified by the GIP in the gross revenue that Linea Ambiente would have derived as a result of the landfill contributions made in the period April 2018 - February 2019, for a total amount of 26,273,398.13 euro. Consequently, the Supreme Court ordered the annulment of the decree and the return of the acts to the GIP of Taranto to comply with the principles of law dictated by the Supreme Court, according to which the profit is only the advantage of immediate and direct causal derivation of the crime. In the new seizure order notified on May 18, 2021, however, according to the Linea Ambiente defense, this principle was again disregarded and therefore on May 27, 2021, an appeal was filed with the Court of Cassation against the same, requesting its cancellation.
On June 29, 2021, the Linea Ambiente counsel was re-notified of the preventive seizure order issued on May 18, 2021 by the GIP and the minutes of the execution of the same by which it was ordered to release and return to Linea Ambiente 3.352% of the shares held by it in the company Lomellina Energia for an estimated value (by the Judicial Administrator) of 1,617,284.96 euro. It should also be noted that in May 2021, the Group complied with the request of the Judicial Administrator to pay the amounts seized up to the sum of 14 million euro.
At the scheduled hearing on June 10, 2021, the Municipality of Grottaglie filed a request to join the civil action. At the subsequent hearing on July 22, 2021, the defense of Linea Ambiente objected to the inadmissibility of the civil action of the Municipality of Grottaglie against Linea Ambiente. The Preliminary

Hearings Judge (GUP) accepted the objection and consequently declared the inadmissibility of the constitution of a civil party of the Municipality of Grottaglie, also rejecting the request of the latter, carried out in the alternative, to authorize the summons of the company as civil liable party, postponing the proceeding to November 11, 2021 for the continuation of the preliminary hearing.

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

Linea Ambiente vs.Provincia di Taranto – Grottaglie Landfill

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

Lecce Public Prosecutor's Office - Criminal Proceeding no. 6369/2019 R.G.N.R.

On February 26, 2020, at the Rovato headquarters of Linea Ambiente S.r.l., the Brescia Finance Police executed the "Search and Seizure Warrant" issued on February 5, 2020 by the Lecce Public Prosecutor's Office (Public Prosecutor Mignone) in relation to criminal proceedings no. 6369/2019 R.G.N.R..
The Finance Police then acquired a copy of the company's Organisational Model and the deeds and documents relating to the information flows destined for the Linea Ambiente S.r.l. Supervisory Body from November 2014 to January 2019.
The criminal proceedings have been filed against the company Linea Ambiente S.r.l. and the legal representative pro tempore for the offences referred to in articles 452 quaterdecies of the Italian Criminal Code (activities organised for the illicit waste trafficking) and 256 and paragraphs 1 and 3 of Legislative Decree 152/2006 (respectively waste collection, transport and disposal activities in the absence of the prescribed authorization/registration and the construction and management of unauthorized landfills) from which the company's administrative liability derives pursuant to articles 24 and 25 undecies of Legislative Decree 231/2001 and this - the said measure states - "in order to have, with several operations and through the setting up of continuous and organized means and activities, managed and illegally disposed of large quantities of urban waste, creating an illegal landfill, in order to obtain an unfair profit". These alleged offences were supposedly committed in "Rome and Grottaglie from November 1, 2014 to January 28, 2019 with permanence".

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

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

Amsa S.p.A.

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

On May 7, 2019, the Carabinieri investigative unit of Monza showed up at the Amsa S.p.A. headquarters to notify an order for the exhibition of documents issued by the Milan Public Prosecutor's Office, relating to the documentation concerning three tenders launched by Amsa S.p.A. in 2017-2018, as well as the supplies made to it by a specific supplier. In relation to these proceedings, the Company's Chief Operating Officer and other employees were investigated, as well as three members of a tender judging committee issued by Amsa S.p.A..

No dispute has been raised against Amsa S.p.A. on the basis of the regulations on the administrative liability of legal persons, as Amsa S.p.A. considers itself to be an "injured party" and, in fact, has filed a complaint with the Public Prosecutor's Office through a trusted lawyer.

On December 23, 2019, lawyer of Amsa - as the injured party - was served notice for the setting of the preliminary hearing on February 17, 2020. As a result of this hearing, the Judge for Preliminary Investigation adjourned the hearing to May 25, 2020, setting a provisional schedule for its continuation. The measure in question does not cover the members of the tender committee, whose position has been withdrawn and closed. Filed as civil parties were Amsa S.p.A. and A2A Calore & Servizi S.r.l., as it was found to be an injured party in the same proceedings in relation to agreements made to its detriment by some companies competing in the district heating installation tenders, which tended to distort free competition.

The trial was postponed to a hearing on November 12, 2020 and then to March 19, 2021.

On January 18, 2021, the lawyer of Amsa S.p.A. was served notice of the setting of the preliminary hearing relating to the second line of investigation, registered under number 34213/19 R.G.N.R. - 21296/19 R.G.I.P. connected to the first. The preliminary hearing of this second matter is set for March 19, 2021 for the joining of the proceedings.

Amsa also filed as civil party against some of the defendants and in respect of certain allegations in connection with this additional matter. The trial underwent a series of postponements and the discussion of the preliminary hearing ended at the hearing on July 15, 2021 in which the defendants were sent for trial and the first hearing was set for November 18, 2021. At the hearing of July 8, at the conclusion of the reconnaissance on the requests for alternative rites, the Judge also set the calendar for the treatment of alternative rites, scheduling numerous hearings between September and October 2021.

Linea Green S.p.A.

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

On September 22, 2020, the person in charge of the technical and operational management of the Isola hydroelectric plant on the Grigna stream in Barzio Inferiore was notified of a request for an extension of the preliminary investigation. The interested party thus learned of the existence of investigations involving the latter in relation to an alleged crime of environmental pollution in conjunction with the legal representative of the company that owns the plant, which does not belong to Linea Green, but to a third company with which Linea Green has signed a management contract.

Subsequently, on March 26, 2021, the Carabinieri from the Forestry Department appeared at the Linea Green offices to acquire documentation and, on that occasion, invited the company's legal representative to appoint a lawyer for the company, since, as shown in the report notified, it was "under investigation for the administrative offence depending on the crime referred to in article 25 undecies paragraph 1 letter a) of Legislative Decree 231/01", i.e. in relation to the offence of environmental pollution referred to in article 452 bis of the Criminal Code.

Unareti S.p.A.

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

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

After the Council Chamber of November 22, 2018, in which, at the joint request of the parties, the Regional Administrative Court adjourned the hearing on the merits, subsequently to November 21, 2019, the Regional Administrative Court issued Sentence no. 2598 on December 5, 2019 in which it upheld

three grounds of appeal by 2i Rete Gas and one ground for the cross-appeal filed by Unareti ordering the annulment of the award unless the Administration ordered it.

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

On February 18, 2021, 2i Rete Gas S.r.l. filed an appeal with the Court of Cassation pursuant to article 111 of the Italian Constitution, article 362, paragraph 1 of the Italian Code of Criminal Procedure and Article 110 of the Italian Code of Civil Procedure to ask the Court of Cassation, which will have to decide in Joint Sections, to ascertain the lack of jurisdiction of the Council of State when it issued Sentence no. 5370 on September 7, 2020. At present, no request to suspend the effectiveness of the sentence has been notified. Said request should in any case be filed with the Council of State. At present, therefore, Unareti and the Municipality of Milan, in its capacity as the contracting authority for ATEM Milano 1, can proceed with the signing of the service contract: discussions with the Municipality are still in progress with a view to signing the contract. Both the Company and the Municipality of Milan appeared by means of a counter-appeal in order to be able to participate in the trial, which will reasonably take several years, also considering that the Court of Cassation may await the outcome of an appeal on the matter, pending before the Court of Justice.
The company Unareti S.p.A., pending the stipulation of the service contract for ATEM management, is continuing to carry out its normal activities under an extension.

ACSM-AGAM S.p.A.

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

Acsm Agam Ambiente S.r.l. (beneficiary as a result of the extraordinary operations for the award of the municipal sanitation service in the municipality of Varese, which was granted to Aspem S.p.A. in 1999 and until December 31, 2030) file a complaint, supplemented by subsequent additional grounds, to the Milan Regional Administrative Court (TAR) against the numerous municipal acts which established that the award had ceased December 31, 2018 and which ordered the call for tenders for the municipal sanitation service in the Municipality of Varese. The appeal was discussed on June 20, 2019 and the Regional Administrative Court (TAR) filed Sentence no. 1633 on July 16, 2019 rejecting the fourth ground of appeal introduced by Acsm Agam Ambiente S.r.l. (early expiration on December 31, 2018) and affirming the lack of interest of the company in the grounds of appeal related to the tender documents, given that their possible acceptance would not lead to revival of the award of the service terminated on December 31, 2018.

The company notified an appeal to the Council of State to request the dismissal of the sentence because it is a mere acceptance of the Municipality's arguments, which the company does not agree on. The hearing on the merits, initially set for March 26, 2020, was then postponed to July 2, 2020, following which the Council of State filed the grounds on July 21 for Sentence 4469 rejecting the appeal. According to the Council of State, the Municipality of Varese applied Law 115/15, issued to prevent the risk of litigation before the Court of Luxembourg. Moreover, according to the Council of State, the company could not claim to remain operator for the years after 2018 because of the peculiarities of the procedure for the sale of Aspem shares that took place in 2009.

In the meantime, the service is managed by the company as a result of extension proceedings reiterated until May 1, 2021.
As a result of the execution of the extended service, Acsm Agam Ambiente S.r.l. filed an appeal with the Milan TAR against the resolution of the Municipality of Varese approving the 2020 PEF in order to restore the economic and financial operating balance.

Acsm Agam Ambiente S.r.l., without giving acquiescence, participated in the tender launched by the Municipality to assign the service and appealed to the Milan TAR against the final award decision that sees it third in the ranking. At the hearing on December 22, 2020, the Regional Administrative Court set a public hearing for April 21, 2021 and issued preliminary instructions to the municipality. The Municipality

of Varese, by order of December 31, 2020, annulled the award decision. The successful tenderer challenged the revocation of the award of the contract by applying for precautionary measures, which were only partially granted and the effects of the revocation of the award were preserved.
On February 4, 2021, the Municipality of Varese awarded the contract to the second-ranking bidder, and both Acsm Agam Ambiente S.r.l. and the original tenderer, which was later revoked, challenged this decision, requesting the suspension of effectiveness as a precautionary measure, a decision for which the Council Chamber has been set for March 3, 2021. Acsm Agam Ambiente S.r.l. waived the suspension, highlighting the need for the transfer of management to take place following the filing of the sentence on the merits, after the hearing of April 21, 2021. With Sentence no. 1080 of April 30, 2021, the Milan Regional Administrative Court rejected the appeals of Acsm Agam Ambiente and the original contractor, thus confirming the correctness of the actions of the Municipality of Varese. Both Acsm Agam Ambiente and the original contractor have lodged appeals with the Council of State against the Milan TAR ruling. At the Council Chamber on June 24, 2021, the State Council decided to postpone the case to the hearing on the merits set for October 21, 2021.
In the meantime, the Municipality of Varese has extended the previous assignment to Acsm Agam Ambiente until September 30, 2021.
The Group has set aside an adequate provision to cover any risk.

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

In 2020, ACSM-AGAM S.r.l. and Acsm Agam Ambiente S.p.A. filed a lawsuit with the Special Business Court of Milan seeking a declaration of contractual and non-contractual non-fulfilment by the Municipality of Varese, with a consequent order for damages. The Municipality of Varese caused direct damage to the assets of the ACSM-AGAM Group by ordering the early termination of the service contract signed with Acsm Agam Ambiente. In fact, Acsm Agam Ambiente reduced the income flows related to the contract and incurred unforeseen and otherwise avoidable charges for the transitional continuation of the contract at more onerous conditions and ACSM-AGAM S.p.A. suffered a significant reduction in the value of the subsidiary's shareholding, despite and after the signing of the Framework Agreement that characterized the extraordinary transaction in 2018. The conclusions clarification hearing was set for October 28, 2021.

AEB S.p.A.

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

With two initial appeals with cautionary request (R.G. 971/2020 submitted by CST Centro Servizi Termici, Decabo S.r.l. and Lombardy Regional Councillor Marco Fumagalli; R.G. 983/2020 submitted by Seregno Municipal Councillor Tiziano Mariani) filed with the Milan Regional Administrative Court, the Resolution of the Seregno Municipal Council, which approved the merger between A2A and AEB, was challenged.
Following the Chamber of Council of June 24, 2020, with Ordinances no. 868/2020 and no. 869/2020, the Regional Administrative Court upheld the cautionary requests submitted by the claimants and suspended the effectiveness of the Resolution of the Seregno Municipal Council, fixing the hearing on the merits for December 2, 2020. The Regional Administrative Court, despite the cautionary phase, did not appreciate the questions referred for a preliminary ruling and referred to the danger and made a summary assessment of the alleged flaws in the transaction represented by the claimants; as a result, it considered that the transaction violated the rules on public companies because there were conditions for the application of public procedures.
A third appeal was subsequently filed (R.G. 1095/2020 filed by Idrotech and Eco Term S.r.l.s.), for which the Chamber of Council of July 15, 2020 has been set for this appeal as well as the hearing on December 2, 2020.
A2A, the Municipality of Seregno and AEB have filed separate cautionary appeals before the Council of State to obtain the annulment and/or reform of the ordinances. The Council of State, at the outcome of the Council Chamber set for August 27, 2020, on August 28, 2020, upheld the appeals *"due to the clear lack of legitimacy and interest of the claimants at first instance and the consequent clear lack of the assumption of direct and immediate harm involving the same claimants from the contested deeds, in view of the nature of the corporate change and the inapplicability of the transaction subject to the appeal at first instance"*.
The resolution of the Municipality of Seregno, therefore, also took effect for the purposes of the corporate deeds that were in fact carried out. The company has evaluated the content of the Council of State's orders and the appeals and, also in light of the position of the appointed lawyers, has considered the prevalence of the principles of legal certainty and market confidence in consideration of the performance of corporate acts.
After the hearing on the merits on December 2, 2020, on February 15, 2021, the Milan Regional Administrative Court published the judgments upholding the three appeals filed respectively by (i) CST Centro Servizi Termici di Calzolari Maurizio, Depositi Carboni Bovisa DE.CA.BO. S.r.l. and Marco Fumagalli (Councillor Lombardy Region) Sentence no. 412/21, (ii) Tiziano Mariani (Councillor Municipality of Seregno) Sentence no. 413/21 and (iii) Idrotech di Corno Irwin Maria Sentence no. 414/21. The

sentences do not have immediate effects on corporate acts that have taken place and are effective in the meantime.
In order to enforce Sentence 413, Municipal Councillor Mariani has also appealed to the Milan TAR for a judgement of compliance. On March 2, 2021, the Regional Administrative Court, at the claimant's request, issued a precautionary decree in which it denied single-court precautionary measures, but set a Council Chamber for March 24, 2021. Following the hearing on the merits on April 28, 2021, with Sentence no. 1248 of May 20, 2021, the Regional Administrative Court rejected the appeal for compliance, on the grounds that delivery by AEB of the due diligence of the transaction to Councillor Mariani constituted full compliance with Sentence 413/21.
In the same sentence, the Lombardy Regional Administrative Court (TAR) also specified that "not included in the compliance effect" of the ruling for which compliance was requested (i.e. of Sentence no. 413/21) are "the validity and effectiveness of the corporate deeds adopted as a consequence of the contested resolution, for which the administrative judge does not have jurisdiction (Civil Cassation, Joint Sections, Ordinance January 23, 2014, no. 1237; Sentence December 30, 2011, no. 30167; Council of State, Plenary Meeting, Sentence June 3, 2011 , no. 10)", thus confirming that the acceptance of the appeal proposed by the Director Mariani did not produce immediate effects on the company deeds that have occurred in the meantime.
AEB and the Municipality of Seregno have filed an appeal with the Council of State requesting a suspension of the effects of Sentence 413/21. On March 22, 2021, the Council of State denied the suspension because it found that the ruling did not jeopardize the stability of the corporate integration transaction and, given the peculiarity and delicacy of the matter, scheduled a merit hearing as early as July 1, 2021. A similar appeal has been filed - without a request for precautionary measures - by A2A.

The two sentences 412 and 414 qualify the business combination as a transformation of AEB S.p.A. into a mixed company carried out in alleged violation of art. 17 Legislative Decree 175/16 and art. 3 Legislative Decree 50/16 and consider that the conditions do not exist for exemption from the procedures dictated by art. 10 of the same Legislative Decree no. 175/16. A2A, as well as AEB and the Municipality of Seregno, has notified appeal to the Council of State to request the annulment of the sentences. The public hearing to discuss the merits of the appeals was held on July 1, 2021, with the sole exception of the appeal notified by A2A against Sentence 413/21. To date, the Council of State has not yet published the rulings on the merits of the appeals.

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

On July 5, 2021, officers and agents of the Guardia di Finanza of Seregno showed up at the headquarters of AEB S.p.A. in Seregno to execute "personal and local search orders" and "request for delivery - local search order". The proceedings, which in the initial phase were against unknown persons, originated from two complaints submitted to the Prosecutor's Office on November 25, 2019 and on February 10, 2020 by Tiziano Mariani, Municipal Councillor of the Municipality of Seregno, who also notified an appeal to the TAR in the terms referred to above.
The known "personal and local search decree" concerns the Chair of the Board of Directors of AEB S.p.A. and is also valid as "information of guarantee" pursuant to art. 369 of the Italian Code of Criminal Procedure for the person under investigation. On the basis of this decree, the Chair of AEB is being investigated, in conjunction with others (art. 110 of the Criminal Code), who have not been named, for the offences referred to in art. 353 bis Criminal Code (disturbance of the freedom of the procedure for choosing a contractor), 319 Criminal Code (bribery for an act contrary to the duties of office), 321 Criminal Code (penalties for the briber), committed between "October 2019 and in present permanency."

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

* * *

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

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

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

and upheld by the Regional Tax Commission of Pescara. On May 8, 2019, the Company filed an appeal with the Supreme Court for IRES 2011 and 2012. In February 2020, the Company filed an appeal with the Supreme Court for IRES 2013 and 2014 and IRAP 2011-2014 and a counter-appeal with the Supreme Court for VAT 2011 and 2012. On May 5, 2020, the Company filed a counter-appeal with the Supreme Court for 2013-2014 VAT. A risk provision of 2 million euro has been recognized.

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

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

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

On March 7, 2013, the Brescia Customs Agency commenced a technical audit of the Brescia waste-to-energy plant owned by Aprica S.p.A. (now owned by A2A Ambiente S.p.A.). The audit was completed on January 16, 2014 with the serving of a formal notice of assessment for the years 2008 to 2011. For 2008 and 2009, the Customs Authority served payment notices together with the respective penalties on May 7 and 21, 2014. The company appealed against these two demands in July 2014. For the year 2009, in December 10, 2014, the company signed a conciliation agreement with the Customs Agency of Brescia for the final closure of the dispute and the consequent termination of the proceedings. For 2008, the litigation of first instance ended favourably for the company. On September 24, 2015, the Office appealed. The company filed counter-claims on November 17, 2015. With sentence of June 6, 2016, the Regional Tax Commission partially upheld the company's reasons. The Office has appealed to the Supreme Court and the company has resisted with counter-claim and cross-appeal notified on February 20, 2017. The Supreme Court referred the case back to the Regional Tax Commission and the Company filed an appeal for reinstatement on June 8, 2020. On August 5, 2014, the Customs Authority served formal notices of assessment for 2012 and 2013. In March 2016, the company defined with the Customs Agency of Brescia the years from 2010 to 2013 with the payment of the amounts due on the basis of the criteria identified in the deed of reconciliation for the year 2009. As a result of the settlement agreements, the fund has been released for the excess and there is a residual risks provision of 0.3 million euro for the year 2008.

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

In early 2006, the Italian Finance Police – Lombardy Regional Unit, Milan – carried out a tax audit of AMSA Holding S.p.A. (now A2A S.p.A.) for VAT purposes for tax years 2001 to 2005.
The audit ended with the issue of a final report contesting the legitimacy of the ordinary VAT rate, in place of the special rate applied by suppliers for waste disposal and plant maintenance, as well as the subsequent deduction made after the invoices issued for these services were duly paid.
The report was followed by formal notices of assessment from the Tax Revenue Office (Milan 3 Office) for each year audited; appeals were then filed with the Provincial Tax Commission within the term provided by law.
The appeals for 2001 and for 2004 and 2005 were discussed on January 25, 2010 and on February 17, 2010 respectively, with a favourable outcome for the company in all cases. The Tax Revenue Office appealed against the verdict of the first court. The Regional Tax Commission rejected this appeal for all three years, 2001, 2004 and 2005.
For 2001, the Tax Revenue Office filed an appeal with the Supreme Court against which AMSA Holding S.p.A. (now A2A S.p.A.), filed a cross-appeal on November 9, 2012. At the hearing on December 12, 2018, the Company requested that the case be suspended in order to assess the facilitated settlement of the dispute. On May 24, 2019, the company filed an application for a facilitated settlement of pending tax disputes and definitively settled its tax claim.
The outcomes of the 2002 and 2003 disputes were also favourable for the company but the Tax Revenue Office filed an appeal against both sentences. The appeal for 2002 was discussed on November 30, 2010, and by way of a sentence lodged on February 2, 2011 the Milan Regional Tax Commission overturned the sentence of the first court, upholding the Tax Revenue Office's appeal on almost all counts with the exception of the hazardous waste category. The Company filed an appeal with the Supreme Court for 2002. The hearing was held on December 12, 2018 and the appeal was upheld and the judgement was adjourned to the Regional Technical Committee (CTR). On December 23, 2019, the Company filed an

appeal for reinstatement in CTR and an appeal for revocation with the Supreme Court. For 2003 the appeal made by the Tax Revenue Office was discussed on November 7, 2011 before the Regional Tax Commission which rejected it with a sentence filed on November 11, 2011. The Tax Revenue Office has not appealed to the Supreme Court for 2003, 2004 and 2005 and the sentence has become final, thereby closing the litigation.
No provisions for risks have been recognized.

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

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

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

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

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

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

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

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

* * *

Consob Recommendation no. 61493 of July 18, 2013

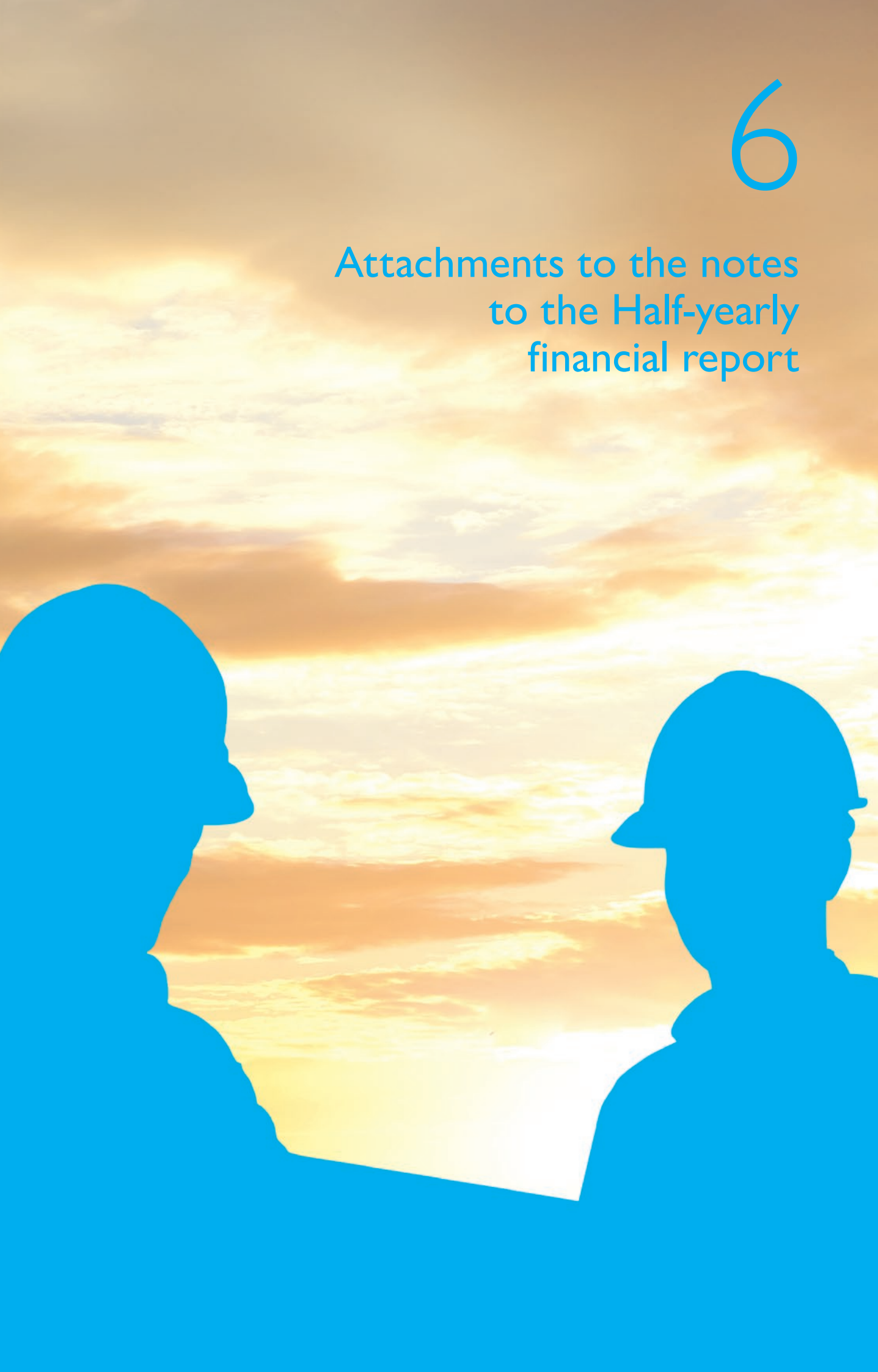
In response to Consob Recommendation no. 61493 published in July 2013, the A2A Group has carried out detailed analyses which have led to the identification of the hydroelectric production sector as the area applicable to the Group.
The capex made in this sector in the first half of 2021 were of a marginal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

* * *

The company has availed itself of the possibility permitted by article 70, paragraph 8 and article 71, paragraph 1-bis of the Issuers' Regulations, and hence of derogating from the requirement to make an information document available to public in the event of significant mergers, spin-offs, share capital increases by means of the contribution of assets in kind, acquisitions and disposals.

6

Attachments to the notes to the Half-yearly financial report



6.1 1. Statement of changes in tangible assets

Tangible assets millions of euro	RESIDUAL VALUE AT 12 31 2020	FIRST CONSOLIDATION	CHANGES DURING THE PERIOD	
			INVESTMENTS	CHANGES IN CATEGORY
Land	127	15	1	
Buildings	597		5	7
Plant and machinery	3,788	142	81	27
Industrial and commercial equipment	50		5	
Other assets	122		8	7
Landfills	26			
Construction in progress and advances	226	34	149	(42)
Leasehold improvements	113	2	9	
Right-of-use assets	113	14		
Total tangible assets	**5,162**	**207**	**258**	**(1)**

Tangible assets millions of euro	RESIDUAL VALUE AT 12 31 2019	FIRST CONSOLIDATION	CHANGES DURING THE PERIOD	
			INVESTMENTS	CHANGES IN CATEGORY
Land	112	1		
Buildings	594	10	3	1
Plant and machinery	3,591	74	56	41
Industrial and commercial equipment	45		4	
Other assets	127		4	3
Landfills	28			2
Construction in progress and advances	131	1	66	(47)
Leasehold improvements	101		6	1
Right-of-use assets	140			
Total tangible assets	**4,869**	**86**	**139**	**1**

CHANGES DURING THE PERIOD							RESIDUAL VALUE AT 06 30 2021
RECLASSIFICATIONS/ OTHER CHANGES		DISPOSALS/SALES		WRITE-DOWNS	AMORTIZATION	TOTAL CHANGES FOR THE PERIOD	
GROSS VALUE	ACCUMULATED AMORTIZATION	GROSS VALUE	ACCUMULATED AMORTIZATION				
(1)						-	142
(16)	19				(16)	(1)	596
163	(177)	(46)	45		(165)	(72)	3,858
6	(8)				(5)	(2)	48
27	(25)	(5)	5		(16)	1	123
10	(13)				(2)	(5)	21
(1)						106	366
4	(4)				(9)		115
8	(4)				(13)	(9)	118
200	**(212)**	**(51)**	**50**	**-**	**(226)**	**18**	**5,387**

CHANGES DURING THE PERIOD							RESIDUAL VALUE AT 06 30 2020
RECLASSIFICATIONS/ OTHER CHANGES		DISPOSALS/SALES		WRITE-DOWNS	AMORTIZATION	TOTAL CHANGES FOR THE PERIOD	
GROSS VALUE	ACCUMULATED AMORTIZATION	GROSS VALUE	ACCUMULATED AMORTIZATION				
(1)						(1)	112
					(16)	(12)	592
14	(10)	(2)	1		(140)	(40)	3,625
					(4)	-	45
		(2)	2		(15)	(8)	119
					(1)	1	29
(1)						18	150
					(8)	(1)	100
9	2				(14)	(3)	137
21	**(8)**	**(4)**	**3**	**-**	**(198)**	**(46)**	**4,909**

6.2 2. Statement of changes in intangible assets

Intangible assets millions of euro	RESIDUAL VALUE AT 12 31 2020	FIRST CONSOLIDATION	CHANGES DURING THE PERIOD	
			INVESTMENTS	CHANGES IN CATEGORY
Industrial patent and intellectual property rights	40		7	4
Concessions, licences, trademarks and similar rights	1,876		94	6
Goodwill	426	65		
Assets in progress	74		46	(9)
Other intangible assets	321	19	8	
Total intangible assets	**2,737**	**84**	**155**	**1**

Intangible assets millions of euro	RESIDUAL VALUE AT 12 31 2019	FIRST CONSOLIDATION	CHANGES DURING THE PERIOD	
			INVESTMENTS	CHANGES IN CATEGORY
Industrial patent and intellectual property rights	31		5	8
Concessions, licences, trademarks and similar rights	1,616		73	3
Goodwill	374			
Assets in progress	62		31	(12)
Other intangible assets	296	11	2	
Total intangible assets	**2,379**	**11**	**111**	**(1)**

CHANGES DURING THE PERIOD								
RECLASSIFICATIONS/ OTHER CHANGES		DISPOSALS/SALES		WRITE-DOWNS	AMORTIZATION	TOTAL CHANGES FOR THE PERIOD	RESIDUAL VALUE AT 06 30 2021
GROSS VALUE	ACCUMULATED AMORTIZATION	GROSS VALUE	ACCUMULATED AMORTIZATION				
					(11)		40
134	(128)	(6)	5		(71)	34	1,910
8	(20)					(12)	479
(2)						35	109
44	(4)				(15)	33	373
184	**(152)**	**(6)**	**5**	**-**	**(97)**	**90**	**2,911**

CHANGES DURING THE PERIOD							
RECLASSIFICATIONS/ OTHER CHANGES		DISPOSALS/SALES		WRITE-DOWNS	AMORTIZATION	TOTAL CHANGES FOR THE PERIOD	RESIDUAL VALUE AT 06 30 2020
GROSS VALUE	ACCUMULATED AMORTIZATION	GROSS VALUE	ACCUMULATED AMORTIZATION				
					(9)	4	35
(1)		(11)	8		(45)	27	1,643
						-	374
						19	81
19					(12)	9	316
18	**-**	**(11)**	**8**	**-**	**(66)**	**59**	**2,449**

6.3 3. List of companies included in the consolidated financial statements

Company name	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL (THOUSANDS)
Scope of consolidation			
Unareti S.p.A.	Brescia	Euro	965,250
A2A Calore & Servizi S.r.l.	Brescia	Euro	150,000
A2A Smart City S.p.A.	Brescia	Euro	3,448
A2A Energia S.p.A.	Milan	Euro	3,000
A2A Ciclo Idrico S.p.A.	Brescia	Euro	70,000
A2A Ambiente S.p.A.	Brescia	Euro	220,000
A2A Montenegro d.o.o.	Podgorica (Montenegro)	Euro	100
A2A Energiefuture S.p.A.	Milan	Euro	50,000
A2A gencogas S.p.A.	Milan	Euro	450,000
A2Abroad S.p.A.	Milan	Euro	500
A2A Telecommunications S.r.l.	Milan	Euro	2,110
Retragas S.r.l.	Brescia	Euro	34,495
Camuna Energia S.r.l.	Cedegolo (BS)	Euro	900
A2A Alfa S.r.l. in liquidation	Milan	Euro	100
Proaris S.r.l.	Milan	Euro	1,875
SEASM S.r.l.	Brescia	Euro	700
Azienda Servizi Valtrompia S.p.A.	Gardone Val Trompia (BS)	Euro	8,939
YADA ENERGIA S.r.l.	Milan	Euro	2,400
LaboRAEE S.r.l.	Milan	Euro	90
Ecodeco Hellas S.A. in liquidation	Atene (Greece)	Euro	60
Ecolombardia 4 S.p.A.	Milan	Euro	13,515
Sicura S.r.l.	Milan	Euro	1,040
Sistema Ecodeco UK Ltd	Canvey Island Essex (UK)	GBP	250
A.S.R.A.B. S.p.A.	Cavaglià (BI)	Euro	2,582
Nicosiambiente S.r.l.	Milan	Euro	50
Bioase S.r.l.	Sondrio	Euro	677
Aprica S.p.A.	Brescia	Euro	10,000
Amsa S.p.A.	Milan	Euro	10,000
SED S.r.l.	Robassomero (TO)	Euro	1,250
Bergamo Servizi S.r.l.	Brescia	Euro	10
A2A Recycling S.r.l.	Novate Milanese (MI)	Euro	5,000
A2A Integrambiente S.r.l.	Brescia	Euro	10
Electrometal S.r.l	Castegnato (BS)	Euro	200
Areslab S.r.l.	Brescia	Euro	10

6 Attachments to the notes to the Half-yearly financial report

1. Statement of changes in tangible assets

2. Statement of changes in intangible assets

3. List of companies included in the consolidated financial statements

4. List of shareholdings in companies carried at equity

5. List of holdings in other companies

% OF SHAREHOLDING CONSOLIDATED BY GROUP AT 06 30 2021	SHAREHOLDING %	SHAREHOLDER	VALUATION METHOD
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
93.63%	100.00%	A2A S.p.A. (87%) Linea Group Holding S.p.A. (13%)	Line-by-line consolidation
93.73%	100.00%	A2A S.p.A. (87.20%) Linea Group Holding S.p.A. (12.80%)	Line-by-line consolidation
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
91.60%	91.60%	A2A S.p.A. (87.27%) Unareti S.p.A. (4.33%)	Line-by-line consolidation
81.90%	89.00%	A2A S.p.A. (74.50%) Linea Green S.p.A. (14.50%)	Line-by-line consolidation
70.00%	70.00%	A2A S.p.A.	Line-by-line consolidation
60.00%	60.00%	A2A S.p.A.	Line-by-line consolidation
67.00%	67.00%	A2A S.p.A.	Line-by-line consolidation
74.80%	74.80%	A2A S.p.A. (74.55%) Unareti S.p.A. (0.25%)	
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	Amsa S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Ambiente S.p.A.	Line-by-line consolidation
68.78%	68.78%	A2A Ambiente S.p.A.	Line-by-line consolidation
96.80%	96.80%	A2A Ambiente S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2Abroad S.p.A.	Line-by-line consolidation
70.00%	70.00%	A2A Ambiente S.p.A.	Line-by-line consolidation
99.90%	99.90%	A2A Ambiente S.p.A.	Line-by-line consolidation
70.00%	70.00%	A2A Ambiente S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Ambiente S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Ambiente S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Ambiente S.p.A.	Line-by-line consolidation
100.00%	100.00%	Aprica S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Ambiente S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Ambiente S.p.A. (74%) Aprica S.p.A. (1%) Amsa S.p.A. (25%)	Line-by-line consolidation
90.00%	90.00%	A2A Ambiente S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Ambiente S.p.A.	Line-by-line consolidation

Company name	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL (THOUSANDS)
A2A Security S.c.p.a.	Milan	Euro	52
BIOENERGIA GUALDO S.r.l.	Gualdo Tadino (PG)	Euro	10
WALDUM TADINUM ENERGIA S.r.l.	Gualdo Tadino (PG)	Euro	10
ENERGIA ANAGNI S.r.l.	Anagni (FR)	Euro	10
BIOENERGIA ROCCASECCA S.r.l.	San Vito (FR)	Euro	10
LumEnergia S.p.A.	Villa Carcina (BS)	Euro	300
A2A Energy Solutions S.r.l.	Milan	Euro	4,000
Suncity Energy S.r.l.	Milan	Euro	100
ES Energy S.r.l.	Jesi (AN)	Euro	10
A2A Rinnovabili S.p.A.	Milan	Euro	50
INTHE 2 S.r.l.	Milan	Euro	210
Fair Renew S.r.l.	Milan	Euro	10
renewA21 S.r.l.	Milan	Euro	20
renewA22 S.r.l.	Milan	Euro	220
renewA23 S.r.l.	Milan	Euro	20
renewA24 S.r.l.	Milan	Euro	20
renewA25 S.r.l.	Milan	Euro	20
renewA26 S.r.l.	Milan	Euro	20
renewA27 S.r.l.	Milan	Euro	20
renewA28 S.r.l.	Milan	Euro	20
Trovosix S.r.l.	Milan	Euro	20
Des Energia Tredici S.r.l.	Milan	Euro	10
CS Solar2 S.r.l.	Milan	Euro	15
I.Fotoguiglia S.r.l.	Milan	Euro	14
Free Energy S.r.l.	Milan	Euro	10
Flabrum S.r.l.	Milan	Euro	100
Solar italy V S.r.l.	Milan	Euro	10
Rossini Energia S.r.l.	Milan	Euro	-
Verdi Energia S.r.l.	Milan	Euro	-
Vivaldi Energia S.r.l.	Milan	Euro	-

% OF SHAREHOLDING CONSOLIDATED BY GROUP AT 06 30 2021	SHAREHOLDING %	SHAREHOLDER	VALUATION METHOD
100.00%	100.00%	A2A S.p.A. (45.77%) Unareti S.p.A. (18.37%) A2A Ciclo Idrico S.p.A. (10.49%) Amsa S.p.A. (9.14%) A2A gencogas S.p.A. (3.95%) A2A Ambiente S.p.A. (3.95%) A2A Calore & Servizi S.r.l. (2.60%) A2A Energiefuture S.p.A. (1.93%) A2A Energia S.p.A. (0.19%) A2A Energy Solutions S.r.l. (0.19%) Linea Group Holding S.p.A. (0.19%) Linea Green S.p.A. (0.19%) Linea Gestioni S.r.l. (0.19%) LD Reti S.r.l. (0.19%) Linea Ambiente S.r.l. (0.19%) A2A Recycling S.r.l. (0.19%) A2A Smart City S.p.A. (0.19%) ACSM-AGAM S.p.A. (0.19%) Aprica S.p.A. (0.19%) Lomellina Energia S.r.l. (0.19%) Retragas S.r.l. (0.19%) Lereti S.p.A. (0.19%) Azienda Servizi Valtrompia S.p.A. (0.19%) Acel Energie S.r.l. (0.19%) Serenissima Gas S.p.A. (0.19%) Varese Risorse S.p.A. (0.19%) Reti Valtellina Valchiavenna S.r.l. (0.19%) AEVV Farmacie S.r.l. (0.19%)	Line-by-line consolidation
80.00%	80.00%	A2A Ambiente S.p.A.	Line-by-line consolidation
90.00%	90.00%	A2A Ambiente S.p.A.	Line-by-line consolidation
55.00%	55.00%	A2A Ambiente S.p.A.	Line-by-line consolidation
55.00%	100.00%	Energia Anagni S.r.l.	Line-by-line consolidation
94.72%	94.72%	A2A Energia S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
50.00%	50.00%	Suncity Energy S.r.l.	Line-by-line consolidation
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
60.00%	60.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation

Company name	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL (THOUSANDS)
Pergolesi Energia S.r.l.	Milan	Euro	-
Cilea Energia S.r.l.	Milan	Euro	-
Tosti Energia S.r.l.	Milan	Euro	-
Albinoni Energia S.r.l.	Milan	Euro	-
Bellini Energia S.r.l.	Milan	Euro	-
Corelli Energia S.r.l.	Milan	Euro	-
Leoncavallo Energia S.r.l.	Milan	Euro	-
Monteverdi Energia S.r.l.	Milan	Euro	-
Tartini Energia S.r.l.	Milan	Euro	-
Trovaioli Energia S.r.l.	Milan	Euro	-
Paganini Energia S.r.l.	Milan	Euro	-
Puccini Energia S.r.l.	Milan	Euro	-
Gash 1 S.r.l.	San Zeno Naviglio (BS)	Euro	10
Gash 2 S.r.l.	San Zeno Naviglio (BS)	Euro	10
Linea Group Holding S.p.A.	Cremona	Euro	189,494
Linea Gestioni S.r.l.	Crema (CR)	Euro	6,000
LD Reti S.r.l.	Lodi	Euro	32,976
Linea Green S.p.A.	Cremona	Euro	48,000
Linea Ambiente S.r.l.	Rovato (BS)	Euro	19,000
Fragea S.r.l. società agricola	Sesto ed Uniti (CR)	Euro	20,000
Agripower S.r.l.	Bologna	Euro	500
B-HOLDING S.R.L.	Bologna	Euro	50
CASTEL RITALDI BIOENERGIA SOCIETÀ AGRICOLA S.R.L.	Bologna	Euro	50
DONNA RICCA BIOENERGIA S.R.L. SOCIETÀ AGRICOLA	Bologna	Euro	10
GIULIANA BIOENERGIA SOCIETÀ AGRICOLA A.R.L.	Bologna	Euro	65
IUMAGAS BIOENERGIA SOCIETÀ AGRICOLA A.R.L.	Bologna	Euro	50
LA MARROCCA SOCIETÀ AGRICOLA A.R.L.	Bologna	Euro	10
LI.F.E. S.R.L.	Bologna	Euro	10
MARSICA AGROENERGIA S.R.L.	Bologna	Euro	60
PONZANO BIOENERGIA SOCIETÀ AGRICOLA A.R.L.	Bologna	Euro	40
PRATI BIOENERGIA SOCIETÀ AGRICOLA A.R.L.	Bologna	Euro	40
ROBERTA BIOENERGIA S.R.L.	Bologna	Euro	10
SAN QUIRICO BIOENERGIA SOCIETÀ AGRICOLA A.R.L.	Bologna	Euro	160
SCALENGHE BIOGAS SOCIETÀ AGRICOLA S.R.L.	Bologna	Euro	10
STROVINA BIOENERGIA SOCIETÀ AGRICOLA A.R.L.	Sanluri (SU)	Euro	40
SUGAR ENERGIA SOCIETÀ AGRICOLA A.R.L.	Bologna	Euro	100
TORRE ZUINA SOCIETÀ AGRICOLA A.R.L.	Bologna	Euro	10
TULA BIOENERGIA SOCIETÀ AGRICOLA A.R.L.	Bologna	Euro	40
VITTORIA BIOENERGIA S.R.L.	Bologna	Euro	50
CONSORZIO UMBRIA BIOENERGIA	Zola Predosa (BO)	Euro	1
Lomellina Energia S.r.l.	Parona (PV)	Euro	358
Asm Energia S.p.A.	Vigevano (PV)	Euro	2,511
ACSM-AGAM S.p.A.	Monza	Euro	197,344
Lereti S.p.A.	Como	Euro	86,450
ComoCalor S.p.A.	Como	Euro	3,516

% OF SHAREHOLDING CONSOLIDATED BY GROUP AT 06 30 2021	SHAREHOLDING %	SHAREHOLDER	VALUATION METHOD
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Rinnovabili S.p.A.	Line-by-line consolidation
51.00%	51.00%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	Linea Group Holding S.p.A.	Line-by-line consolidation
95.60%	95.60%	Linea Group Holding S.p.A.	Line-by-line consolidation
100.00%	100.00%	Linea Group Holding S.p.A.	Line-by-line consolidation
100.00%	100.00%	Linea Group Holding S.p.A.	Line-by-line consolidation
100.00%	100.00%	Linea Group Holding S.p.A.	Line-by-line consolidation
100.00%	100.00%	Linea Group Holding S.p.A.	Line-by-line consolidation
100.00%	100.00%	Agripower S.r.l.	Line-by-line consolidation
100.00%	100.00%	Agripower S.r.l.	Line-by-line consolidation
51.00%	51.00%	Agripower S.r.l.	Line-by-line consolidation
100.00%	100.00%	B-HOLDING S.r.l.	Line-by-line consolidation
51.00%	51.00%	Agripower S.r.l.	Line-by-line consolidation
100.00%	100.00%	Agripower S.r.l.	Line-by-line consolidation
100.00%	100.00%	Agripower S.r.l.	Line-by-line consolidation
54.02%	54.02%	LA MARROCCA SOCIETÀ AGRICOLA A.R.L.	Line-by-line consolidation
51.00%	51.00%	B-HOLDING S.r.l.	Line-by-line consolidation
51.00%	51.00%	B-HOLDING S.r.l.	Line-by-line consolidation
51.00%	51.00%	Agripower S.r.l.	Line-by-line consolidation
93.75%	93.75%	Agripower S.r.l.	Line-by-line consolidation
82.00%	82.00%	B-HOLDING S.r.l.	Line-by-line consolidation
51.00%	51.00%	Agripower S.r.l.	Line-by-line consolidation
100.00%	100.00%	Agripower S.r.l.	Line-by-line consolidation
51.00%	51.00%	Agripower S.r.l.	Line-by-line consolidation
51.00%	51.00%	B-HOLDING S.r.l.	Line-by-line consolidation
75.00%	75.00%	B-HOLDING S.r.l.	Line-by-line consolidation
90.92%	90.92%	CASTEL RITALDI BIOENERGIA SOCIETÀ AGRICOLA S.R.L.	Line-by-line consolidation
82.51%	100.00%	A2A Ambiente S.p.A. (64.30%) Linea Ambiente S.r.l. (35.70%)	Line-by-line consolidation
45.00%	45.00%	A2A Energia S.p.A.	Line-by-line consolidation
41.34%	41.34%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	ACSM-AGAM S.p.A.	Line-by-line consolidation
51.00%	51.00%	ACSM-AGAM S.p.A.	Line-by-line consolidation

Company name	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL (THOUSANDS)
Serenissima Gas S.p.A.	Como	Euro	9,230
Reti Valtellina Valchiavenna S.r.l.	Sondrio	Euro	2,000
Acel Energie S.r.l.	Lecco	Euro	17,100
Acsm Agam Ambiente S.r.l.	Varese	Euro	4,500
Varese Risorse S.p.A.	Monza	Euro	6,000
AEVV Impianti S.r.l.	Monza	Euro	21,800
AEVV Farmacie S.r.l.	Sondrio	Euro	100
A2A IDROGEN2 S.r.l.	Milan	Euro	10
Ambiente Energia Brianza S.p.A.	Seregno (MB)	Euro	119,496
A2A Illuminazione Pubblica S.r.l.	Brescia	Euro	19,000
Gelsia S.r.l.	Seregno (MB)	Euro	20,345
RetiPiù S.r.l.	Seregno (MB)	Euro	110,000
Gelsia Ambiente S.r.l.	Desio (MB)	Euro	4,671

(*) The percentage does not take into account the put option.

% OF SHAREHOLDING CONSOLIDATED BY GROUP AT 06 30 2021	SHAREHOLDING %	SHAREHOLDER	VALUATION METHOD
79.37%	78.44%	ACSM-AGAM S.p.A.	Line-by-line consolidation
100.00%	100.00%	ACSM-AGAM S.p.A.	Line-by-line consolidation
99.75%	99.75%	ACSM-AGAM S.p.A. (99.75%)	Line-by-line consolidation
100.00%	100.00%	ACSM-AGAM S.p.A.	Line-by-line consolidation
100.00%	100.00%	ACSM-AGAM S.p.A.	Line-by-line consolidation
100.00%	100.00%	ACSM-AGAM S.p.A.	Line-by-line consolidation
100.00%	100.00%	ACSM-AGAM S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
33.52%	33.52%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	Ambiente Energia Brianza S.p.A.	Line-by-line consolidation
100.00%	100.00%	Ambiente Energia Brianza S.p.A.	Line-by-line consolidation
100.00%	100.00%	Ambiente Energia Brianza S.p.A.	Line-by-line consolidation
100.00%	100.00%	Ambiente Energia Brianza S.p.A. (70%) A2A Integrambiente S.r.l. (30%)	Line-by-line consolidation

6.4 4. List of shareholdings in companies carried at equity

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

SHAREHOLDING %	SHAREHOLDER	CARRYING AMOUNT AT 06 30 2021 (THOUSANDS)	VALUATION METHOD
50.00%	A2A Alfa S.r.l. in liquidation	-	Equity
50.00%	A2A gencogas S.p.A.	-	Equity
50.00%	A2A Energia S.p.A.	2,862	Equity
49.00%	A2A S.p.A.	1,015	Equity
70.00%	Varese Risorse S.p.A. (55%) A2A Illuminazione Pubblica S.r.l. (15%)	11	Equity
40.00%	A2A S.p.A.	783	Equity
40.00%	A2A S.p.A.	10	Equity
24.29%	A2A S.p.A.	748	Equity
52.00%	A2A Calore & Servizi S.r.l.	-	Equity
32.90%	A2A Smart City S.p.A.	104	Equity
26.00%	A2A Energy Solution S.r.l.	5,696	Equity
40.00%	Aprica S.p.A.	2,992	Equity
50.00%	A2A Ambiente S.p.A.	79	Equity
25.00%	A2A Ambiente S.p.A.	247	Equity
49.00%	Linea Gestioni S.r.l.	4,864	Equity
20.00%	A2A Rinnovabili S.p.A.	131	Equity
70.00%	ACSM-AGAM S.p.A.	118	Equity
50.00%	ACSM-AGAM S.p.A.	-	Equity
12.47%	ACSM-AGAM S.p.A.	21	Equity
49.00%	A2A Energy Solution S.r.l.	7,707	Equity
27.71%	A2A Ambiente S.p.A.	7,116	Equity
20.00%	Agripower S.r.l.	387	Equity
		34,891	
47.00%	A2A S.p.A.	-	Equity

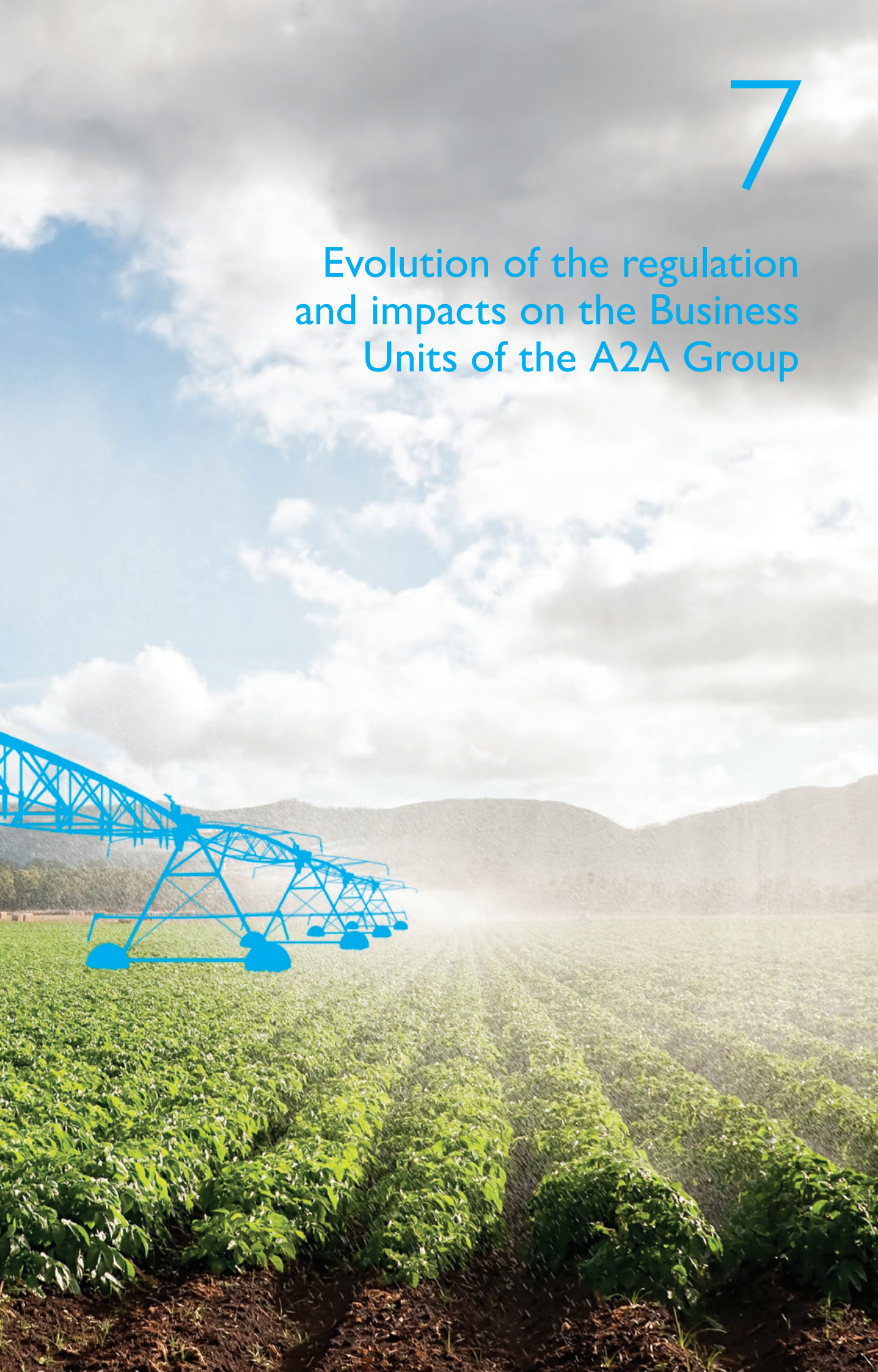
6.5 5. List of holdings in other companies

Company name	SHAREHOLDING %	SHAREHOLDER	CARRYING AMOUNT AT 06 30 2021 (THOUSANDS)
Immobiliare-Fiera di Brescia S.p.A.	0.90%	A2A S.p.A.	
AQM S.r.l.	7.80%	A2A S.p.A. (7.52%) LumEnergia S.p.A. (0.28%)	
AvioValtellina S.p.A.	0.18%	A2A S.p.A.	
Banca di Credito Cooperativo dell'Oglio e del Serio s.c.	n.s.	A2A S.p.A.	
Brescia Mobilità S.p.A.	0.25%	A2A S.p.A.	
Consorzio Italiano Compostatori	n.s.	A2A Ambiente S.p.A.	
L.E.A.P. S.c.a.r.l.	8.29%	A2A S.p.A.	
Guglionesi Ambiente S.c.a.r.l.	1.01%	A2A Ambiente S.p.A.	
S.I.T. S.p.A.	0.26%	Aprica S.p.A.	
Stradivaria S.p.A.	n.s.	A2A S.p.A.	
Tirreno Ambiente S.p.A. in liquidation	3.00%	A2A Ambiente S.p.A.	
IBF Servizi S.p.A.	14.50%	A2A Smart City S.p.A.	
DI.T.N.E. S.c.a.r.l.	1.86%	A2A S.p.A.	
E.M.I.T. S.r.l. in liquidation	10.00%	A2A S.p.A.	
COMIECO	7.54%	A2A Recycling S.r.l. (2.89%) A2A Ambiente S.p.A. (4.65%)	
CONAPI S.c.a.r.l.	18.18%	A2A Recycling S.r.l.	
Blugas Infrastrutture S.r.l.	27.51%	Linea Group Holding S.p.A.	
Casalasca Servizi S.p.A.	13.88%	Linea Gestioni S.r.l.	
Isfor 2000 S.c.p.a.	0.19%		
Sinergie Italiane S.r.l. in liquidation	22.10%	Linea Group Holding S.p.A. (14.92%) Ambiente Energia Brianza S.p.A. (7.18%)	
Cassa Padana S.c.a.r.l.	n.s.	A2A Smart City S.p.A.	
Confidi Toscana S.c.a.r.l.	n.s.	Linea Ambiente S.r.l.	
Credito Valtellinese	n.s.	Linea Ambiente S.r.l.	
Futura S.r.l.	1.00%	A2A Calore & Servizi S.r.l.	
MORINA S.r.l.	5.00%	Azienda Servizi Valtrompia S.p.A.	
Comodepur S.c.p.a.	9.81%	ACSM - AGAM S.p.A.	
T.C.V.V.V. S.p.A.	0.25%	ACSM - AGAM S.p.A.	
Società Cooperativa Polo dell'Innovazione della Valtellina in liquidation	n.s.	ACSM - AGAM S.p.A. A2A S.p.A.	
CIAL - CONSORZIO IMBALLAGGIO ALLUMINIO	0.60%	A2A Ambiente S.p.A.	
COREVE	0.89%	A2A Ambiente S.p.A.	
COREPLA - CONSORZIO RECUPERO PLASTICA NAZIONALE	3.04%	A2A Ambiente S.p.A.	
RICREA - CONSORZIO NAZIONALE RICICLO E RECUPERO IMBALLAGGI ACCIAIO	n.s.	A2A Ambiente S.p.A.	
CIC - CONSORZIO ITALIANO COMPOSTATORI	n.s.	A2A Ambiente S.p.A.	
SABB - SERVIZI AMBIENTALI BASSA BERGAMASCA S.P.A.	5.08%	Linea Gestioni S.r.l.	
SV.IM. CONSORTIUM CONSORZIO PER LO SVILUPPO DELLE IMPRESE S.c.p.a. in liquidation	0.35%	A2A Rinnovabili S.p.A. (0.05%) DES ENERGIA TREDICI S.R.L. (0.30%)	
Total investments in other companies			**7,341**

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

7

Evolution of the regulation and impacts on the Business Units of the A2A Group



The main changes in the first half of 2021 are described below, while the information published in the Financial Statements for the year ended December 31, 2020 remains valid.

7.1 Generation and Trading Business Unit

Remuneration of the availability of production capacity: capacity payment and capacity market

The mechanism for remunerating the availability of production capacity in force until 2021 is the Capacity Payment defined in 2003 by Legislative Decree no. 379 as an administered, transitional system aimed at ensuring the adequacy of the electricity system during critical days, identified by Terna S.p.A. with reference to which the difference between supply and demand could be at minimum levels. This mechanism has been operating since 2004 as a result of Resolution 48/04, which provides that the Authority determines ex ante a specific revenue (about 180-200 million euro/year) collected thanks to electricity bills and paid in the form of two payments (CAP1 and S) to plants authorized for the provision of dispatching services and that are available on critical days.

The accrual for capacity payments for 2021 amounts to approximately 24 million euro, of which approximately 14 million euro was settled on June 30, 2021.

Legislative Decree no. 379 of 2003 had required that, under regime, the availability remuneration was to be based on a market mechanism (capacity market), which was subsequently envisaged by Resolution ARG/elt 98/11. This mechanism consists of a one-way contract for differences, awarded following an auction in which producers awarded acquire the right to receive a bonus (in €/MW/year) with respect to the obligation to offer all the capacity committed in the MGP and the capacity not accepted as a result of the energy markets (MGP and MI) on MSD, returning to the counterparty Terna S.p.A. the difference - if positive - between the market benchmark prices and a strike price (in €/MWh).

After lengthy discussions with the European institutions, numerous consultations within the Italian context, and the endorsement of the capacity market obtained by the Commission, the Italian Ministry of Economic Development (MiSE) approved Terna S.p.A.'s regulation with Ministerial Decree of June 28, 2019 (after ARERA's positive opinion issued with Resolution no. 281/2019/R/eel).

In the auctions held on November 6 and 28, 2019 A2A S.p.A. was awarded all the capacity offered, namely around 5 GW/year for approximately 340 million euro in total premium for the two-year delivery period 2022-2023 (gross nominal value net of possible penalties for unavailability). Approximately 0.12 GW for 2022 and 0.24 GW for 2023 are related to new capacity. The award price was 33,000 €/MW/year for existing capacity and 75,000 €/MW/year for 15 years for new capacity.

Some operators and Associazione Italia Solare filed an appeal for the annulment of the Ministerial Decree Ministry of Economic Development of June 28, 2019 and related acts of ARERA and Terna S.p.A.. Some have filed appeals with the EU Court of Justice. The hearing on the merits by the Regional Administrative Court (TAR) (previously scheduled for March 24) has been postponed pending the decision of the EU Court. A2A S.p.A. has appeared as a counterparty to defend the legitimacy of the awards.

With reference to the 2022 and 2023 deliveries, Terna S.p.A., jointly with the MiTE (Ministry of Ecological Transition), intervened on several occasions granting an extension to the deadlines for submitting authorization certificates in the case of new non-authorized capacity and for the deadlines for the start of the delivery period for new capacity. In the latter case, the final term of the contract was also extended by a period equal to the extension granted for the start of the delivery period. The new deadlines are:

- presentation of the authorization certificates for the new non-authorized capacity: by December 31, 2020 (for delivery 2022) and by October 31, 2021 (for delivery 2023);
- start of delivery for new capacity (subject to reasoned request): July 1, 2022 (for delivery 2022) and July 1, 2023 (for delivery 2023).

For delivery in 2022, A2A S.p.A. has obtained the authorization certificates for the new unauthorized capacity awarded at auction (re-powering of the Cassano and Chivasso plants) while for delivery in 2023, the certificates for the re-powering of the Piacenza and Sermide plants have already been sent to Terna S.p.A..

Following the Commission's positive opinion of the “Implementation Plan”, submitted in June 2020 by the Italian government, preparatory activities were started to launch the auctions for the 2024 and 2025 deliveries. Terna S.p.A. initiated 3 consultations to review the mechanism: Discipline, Technical Operating Provisions, Proposal regarding the standard of adequacy of the electricity system. The most relevant proposed amendments concern:

- the possibility of submitting bids in relation to non-relevant new units, the introduction of more details for the participation of storage systems, the possibility for successful bidders of unauthorized new capacity to obtain authorization up to 6 months before the start date of delivery, the possibility of extending delivery by 1 year and the possibility of assigning the contract subject to Terna S.p.A.'s consent;
- revision, in accordance with EU methods, of the VOLL (Value Of Loss Load), CONE (Cost Of New Entry) and LOLE (Loss of Load Expectation) values. These values are key inputs for defining the economic parameters relevant to the auction mechanism.

The auction celebration for the 2024 delivery is currently estimated to take place during the fall of 2021.

Remuneration of plants essential for the safety of the electricity system

By means of Resolution 803/2016/R/eel, the 220 kV plant of the San Filippo del Mela power plant (groups 2, 5 and 6) was contracted by Terna S.p.A. under essentiality regime with the reintegration of costs for the five-year period 2017-2021 since the power line connecting Sicily to the Continent may not always be available and the island is currently still short in terms of supply. The Resolution establishes that group 1 at 150 kV is for back-up in the event of unavailability of group 2.

A2A Energiefuture S.p.A. undertook to contain the requests reinstatement of costs below a certain cap proposed by the company that ensures the coverage of fixed costs, variable costs of management and equitable remuneration, as well as a saving for the system as said level of reinstatement is lower with respect to the calculation provided by the standard must-run regime (pursuant to Resolution 111/06). The long-term contractualization of San Filippo del Mela therefore allows managing the plant in profit ensuring the maintenance in safety of the Sicilian system with overall cost savings.

The reinstatement of costs for 2021 was estimated at about 41 million euro.
Terna S.p.A. declared the plant "essential" even after December 31, 2021 and Resolution no. 269/2020/R/eel approved the application for the reinstatement of costs for 2022, without the provision of commitments on the amounts recognized (reinstatement is estimated at 82 million euro over the two-year period 2021-2022).

Forward procurement of resources for voltage regulation in the Brindisi area

Resolution 675/2018/R/eel approved the Regulations and the Draft Contract proposed by Terna S.p.A. for the forward procurement of resources for voltage regulation in the Brindisi area. The supply of reactive energy is necessary not only to maintain the stability of voltage in the area, compromised by the presence of intermittent renewable sources, but also to reduce dispatching costs in the shortest possible time.

Following the auction on February 20, 2019, A2A Energiefuture S.p.A. was awarded 286 MVAr of reactive energy at a weighted average price of 28,098 €/MVAr/year. The first device came into operation on March 1, 2020 and the second on June 1, 2020, one month ahead of the auction.

The contract provides for the supply of continuous and automatic voltage regulation, without active energy input, for a value no lower than the contracted power (net of scheduled maintenance and periods of accidental unavailability subject to deductibles). The remuneration is composed of a fixed part (to cover the investment and equal to the product between the capacity committed and the price offered) and a variable part (to cover the costs related to the withdrawal of electricity necessary for the operation of the device). The economic adjustment is made on a monthly basis.

Programmed and accidental unavailability up to a certain threshold is not subject to a penalty, while beyond this threshold there are penalties, which can reach, for each calendar year, up to 120% of the remuneration for each unavailable device. Finally, the guarantee requested by Terna S.p.A. is equal to 120% of the remuneration covered by the contract.
The margin expected for 2021 is approximately 4 million euro.

Incentives for production from renewable sources

Legislative Decree March 3, 2011, no. 28, in implementation of Directive 2009/28/EC, defined the framework of incentive schemes for electricity production from renewable sources in order to pursue the European strategy for the development of the sector. This Legislative Decree was followed by the Ministerial Decree of July 6, 2012 and June 23, 2016 relating to new investments in plants from renewable sources other than photovoltaic.

As of January 1, 2016, plants from renewable sources that began operating before December 31, 2012 and that are part of the previous incentivizing scheme of Green Certificates (GC) are recognized an incentive paid by the Energy Services Manager (GSE) on net production for the remaining period of the right to GCs and that is added to the sales revenues on the market. Said incentive (I) is equal to:

- I = k x (180 – Re) x 0.78;
- k = technological coefficient of 1 for plants that entered into operation by December 31, 2007 and for subsequent ones, it assumes the values defined by Law no. 244/2007;
- Re = is the sale price of electricity on the market, recorded in the previous year and communicated by the Authority.

In 2021, the incentive (I) was 109.36 €/MWh (in 2020, it was 39.80 €/MWh).
A similar instrument is granted to plants that benefited from the GCs issued on cogeneration combined with district heating for which the incentive (I) is set at 84.34 €/MWh (calculated with respect to the average market price recorded in 2010).

On June 14, 2019, the EU Commission approved, under the State Aid Guidelines, the new support scheme for renewable electricity and on July 4, 2019, MiSE, in agreement with MATTM, adopted RES1 Ministerial Decree, which defines the incentive framework for renewable sources considered mature and with low or however, decreasing fixed costs: wind, photovoltaic, hydroelectric, and sewage biogas.

For plants with a power of less than 1 MW, incentives are granted through registration in registers, while for plants with a higher power there is a downward auction (7 tenders until 2021), with bonus mechanisms (e.g. self-consumption, photovoltaic with asbestos removal), specific priority criteria for access and remuneration up to 20/30 years.

The incentive mechanism is of the Contract for Differences type: the operator is awarded a tariff (strike) and the GSE pays, if positive, the difference between the strike and the zonal hourly price while, if negative, the operator returns to the GSE. The total expenditure ceiling is always 5.8 billion euro/year for a maximum quota of 8,000 MW that can be allocated to new/renovated plants that will be commissioned by 2022/2023, depending on technology and size.

As part of the COVID-19 emergency, the Government intervened with DL no. 76 of July 16, 2020 (Simplification Decree Law) simplifying the authorization and environmental impact assessment procedures and introducing the possibility of accessing the incentives also for non-photovoltaic systems that had not participated in the incentive spread, providing separate procedures with an ad hoc quota and a rate reduced by 5%. In addition, in view of the state of emergency extended to July 31, 2021, the GSE has updated some deadlines for compliance.

In the first five auctions for access to incentives, A2A Energy Solutions S.p.A. was awarded a total of approximately 4.2 MW of photovoltaic plants to replace asbestos (type A-2).
At June 30, 2021 the incentives paid by the GSE to the A2A Group's plants powered by renewable sources amounted to 40.2 million euro.

GSE Incentive Type
millions of euro

Feed in tariff	23.3
TO and RID	4.0
Energy account (FV)	12.9
Total BU GENT	**40.2**

Large hydroelectric derivation concessions

Article 11-quater of Law no. 12/2019 amended the rules on large derivation hydroelectric concessions (plants with nominal power greater than 3 MW), repealing paragraph 8 bis of article 12 of Legislative Decree 79/1999. The new rules provide that the Regions shall regulate with their own laws by March 31, 2020 (deadline extended to October 31, 2020 by the Cura Italia Decree Law, and to date not respected by most Regions) methods, procedures and criteria for the allocation of concessions, which may be entrusted to economic operators identified through a tender, or to public/private joint ventures with selection of the private partner through a tender, or through forms of partnership under Legislative Decree 50/2016. The procedure for awarding the contract must be started within 2 years of the entry into force of the Regional Laws and, in any case, no later than October 31, 2022.

The Regions may also require concession holders to provide 220 kWh a year free of charge for each kW of average nominal power of the concession and may require the payment of an additional fee for expired concessions operated on a temporary basis.
In terms of compensation to outgoing operators, the new rule prescribes:

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

On April 8, 2020, Lombardy Region enacted Regional Law no. 5/2020, which governs the methods and procedures for awarding concessions for large-scale hydroelectric derivations and determines the related fees. The law has established the public tender as the main method of allocation, while the deadline for the start of the procedures is set:

- for concessions that have already expired and are in temporary continuation within 2 years of the entry into force of the law (i.e., by October 31, 2022), with re-allocation by July 31, 2024;
- for concessions expiring after the entry into force of the regional law: within 2 years of expiry.

The new state fee has a fixed part related to the concession power equal to 35 euro/kW to be paid every six months from 2021, and a variable part equal to a minimum of 2.5% of the revenues from the sale of the energy fed into the grid by the plant, net of the energy supplied free of charge to the Region, to be paid by March 31 of the following year.

Regional Law 23/2019 also imposed on concessionaires, starting in 2020, the obligation to provide free electricity to the Region to be used for at least 50% for public services in the provinces concerned with the derivation (220 kWh for each kW of concession power), providing for the possibility of monetizing the fulfillment. An annual additional fee of 20 euro/kW is payable for concessions under temporary continuation.

Finally, it should be noted that the PNRR dealt with the pro-competitive regulatory revision of large-scale hydroelectric concessions, putting it in the context of the legislative framework of the 2022 Annual Law on the Market and Competition. In particular, the report states the need to amend the regulations *"in order to favour, according to homogeneous criteria, the transparent and competitive allocation of concessions, also by eliminating or reducing the extension or automatic renewal provisions, especially with a view to stimulating new investments"*.

Most of A2A S.p.A. large-scale derivation concessions in Valtellina (for a nominal concession power of around 200 MW) have expired[1] and exercised under temporary continuation, also in accordance with Regional Council Resolution December 30, 2020, no. XI/4182 of the Lombardy Region. The Region has already requested payment of the additional fee, which has been provisionally set at 20 euro/kW, and ordered non-application of the partial exemption from the State fee for the Premadio 1, Grosio, Lovero and Stazzona plants[2].

Withreference to the Premadio 1 concession, the Supreme Court rejected[3] A2A S.p.A.'s appeal against Sentence no. 3/2017 of the Higher Public Water Court (TSAP), before which the company had challenged the regional resolutions containing the conditions for the temporary continuation of the concession, including the revocation of the partial exemption from state fees. For Premadio 1, A2A S.p.A. has paid the portion of the State fee, amounting to approximately 4.8 million euro, reserving the right to recover any amounts not considered due in the future. The judgment before the TSAP[4] regarding a partial exemption from the State fee for the Grosio concession is still pending.

1 The concessions of Grosotto, Lovero and Stazzona expired December 31, 2010 while the one of Premadio 1 at July 28, 2013 (Premadio 2 has validity until December 31, 2043). The Grosio concession expired on November 15, 2016.
2 Despite the non-application of the partial exemption of the State fee for the Lovero and Stazzona concessions only with Regional Council Resolution no. XI/4182/2020 starting from 2021, the Lombardy Region has requested the payment of the exempted State fees for the aforementioned concessions also for the previous years. This request is contested to date by A2A S.p.A..
3 Sentence no. 15990/2020 of the United Sections of the Supreme Court. For further information, reference should be made to the section entitled "Update of the main legal and tax disputes still pending".
4 With its non-definitive Sentence no. 22/2021 in March, the TSAP rejected all of A2A S.p.A.'s grounds for appeal, except for the complaint that the amount of the additional fee was manifestly disproportionate, and, limited to the profile of the quantification of the additional fee, adjourned for further discussion of the case to the collegial hearing scheduled for March 2, 2022. A2A S.p.A. has reserved the right to appeal this sentence to the Supreme Court together with the final ruling.

The unpaid past years of the additional fee - relating to the expired concessions of A2A S.p.A. and Linea Green S.p.A.[5] in the period from January 1, 2011 to December 31, 2019 - are still the subject of provisions in the financial statements given the continuation of the related judgments. Instead, A2A S.p.A. and Linea Green S.p.A. have paid the additional fee for the year 2020, due to the regulatory amendments of 2019, for an amount of approximately 4 million euro, reserving the right to recover any amounts not due in the future.

Other A2A S.p.A. hydroelectric concessions (plants in Mese, Udine and Calabria with total nominal power of about 345 MW) expire in 2029. The three large-scale derivations of Linea Green S.p.A. (Resio, Mazzuno and Darfo not yet expired), as well as the concession of Gravedona of ACSM-AGAM S.p.A. expiring in 2029 are also added.

Closing of the dispute concerning Resolution ARG/gas 89/10 and settlement of amounts

Following the appeal lodged by the A2A Group's sales companies against Resolutions ARG/gas 89/10 and 77/11, by which ARERA introduced an equal reduction coefficient k applied to the indexed component to cover procurement costs (QE) for thermal years 2010/11 and 2011/12, at the end of a lengthy dispute, the Council of State, with Sentence no. 4825 of November 18, 2016, confirmed the reasons of the claimants and annulled the measures.
By means of Resolution 737/2017/R/gas, the Authority redetermined the coefficient k, while by means of Resolutions 32/2019/R/gas and 247/2020/R/gas, it introduced a mechanism for recognizing the amounts due to sellers by establishing a socialization component on the distribution tariff and gas metering paid by customers with reference to the first 200,000 Scm consumed (sub-component of UG_2 called UG_{2k}).
On May 31, 2019, A2A Energia S.p.A., Lumenergia S.p.A., ACEL Energie S.r.l. and Enerxenia S.p.A. (now ACEL Energie) and Gelsia S.p.A. applied to the CSEA for access for a total of 24.7 million euro, which will be settled in three sessions between April 1, 2020 and December 31, 2021. With regard to the amounts attributable to the Generation and Trading Business Unit of 12.2 million euro, 75% of the amount owed was paid in 2020, while the remaining 25%, equal to about 1.5 million euro, will be paid in December 2021.

5 Linea Green S.p.A. holds the Resio concession in Valcamonica, which expired on October 31, 2010, and also operates under temporary continuation.

7.2 Market Business Unit

2017 Competition Law and removal of price protections for electricity and gas

Law August 4, 2017, no. 124, as amended. (Competition Law 2017) contains provisions aimed at removing regulatory barriers to the opening of markets, promoting the development of competition and guaranteeing the protection of consumers. Article 1, paragraphs 59 to 85, introduces relevant provisions relating to the energy market, providing, inter alia, for the end of price protection schemes from January 1, 2021, for small electricity businesses and from January 1, 2023, for electricity and gas household customers and micro electricity businesses[6].

While waiting for the government to fulfil its obligations, ARERA Resolution 491/2020/R/eel defined the Gradual Protection Service (STG) to be activated as from January 1, 2021 for small businesses, other than micro-businesses, without a supplier on the free market[7].

For the period from January 1 to June 30, 2021 (provisional regime), the STG was provided by the current operators of the greater protection at economic and contractual conditions almost unchanged while, from July 1, 2021 (definitive regime), for a period of 3 years, the STG will be provided by operators selected by auction organized by Acquirente Unico S.p.A.. The auction, which took place on April 26, 2021, provided for the award of 9 customer lots, with a maximum limit of areas that can be awarded per individual operator equal to 35% of total volumes. The lots were allocated on the basis of the lower value offered for the β parameter, expressed in €/MWh, to cover marketing and unbalancing costs not already recognized by ARERA, for which a floor was set at zero.

The contractual terms and conditions applied are the same as those for the PLACET Offer, while the economic conditions defined by ARERA provide for the introduction of a "single national fee" (determined by weighting the β parameters offered at auction in the various areas).

A2A Energia S.p.A. was awarded 3 lots (Lazio; Lombardy excluding Milan; Veneto, Liguria and Trentino-Alto Adige), for a total of approximately 100,000 PODs and around 2.5 TWh/year.

Lastly, we are still waiting for the MiSE Ministerial Decree concerning the Electricity Vendors List and the MiSE Ministerial Decree that will define the methods and criteria for the informed entry of residential customers and micro-businesses into the free market as of January 1, 2023.

Components to cover marketing costs on the electricity protected market, on the free electricity market and on gas protection

Resolutions 604/2020/R/eel and 603/2020/R/gas updated for 2021 the RCV and PCV components (covering the cost of marketing electricity in the greater protection and deregulated markets, respectively) and QVD (covering the cost of marketing gas in the retail market). At A2A Group level the intervention had a negative impact with respect to 2020 of around 1 million euro. In particular, in both resolutions, ARERA stated that "at the moment, there are no prerequisites for different or additional recognition interventions with respect to the ordinary ones provided by the regulations in force" with reference to delinquency rates, which remain in line with those of previous years despite the fact that 2020 was affected by the COVID-19 pandemic.

6 According to the EU definition, micro-electrical enterprises have fewer than 10 employees and an annual turnover not exceeding 2 million euro.

7 The perimeter of this first batch covered about 230,000 subjects between small businesses (number of employees between 10 and 50 and/or annual turnover between 2 and 10 million euro) owners of LV withdrawal points and micro-businesses owners of at least one point of withdrawal with contractually committed power greater than 15 kW that, at December 31, 2020, had not yet chosen supply in the free market.

PCV €/POD/year	2020	2021
	Single national	Single national
Domestic POD	65.12	65.44
Various use POD	125.64	124.71

RCV €/POD/year	2020		2021	
	C-North	C-South	C-North	C-South
Domestic POD	26.94	29.91	24.42	26.67
Various use POD	49.44	71.17	47.42	65.83
	C-North	C-South	C-North	C-South
Domestic POD (RCVsm)*	41.55	44.10	41.19	42.66
Various use POD (RCVsm)*	69.67	101.78	72.00	107.73
	C-Nord	C-Sud	C-Nord	C-Sud
Domestic POD	21.55	23.92	19.54	21.34
Various use POD	39.55	56.94	37.93	52.67

QVD €/PDR/year	2020		2021	
	€/PDR/year	c€/mc	€/PDR/year	c€/mc
Domestic PDR	63.61	0.7946	62.74	0.7946
PDR condominium home use<200,000	83.55	0.7946	82.39	0.7946

(*) Remuneration for marketing the sale of minor companies (≤ 10 MIO POD).

Additional mechanisms to cover efficient costs on the electricity protected market

With reference to the additional cost compensation mechanisms for the electricity greater protection service as per the TIV, the following is noted:

- in May 2021, A2A Energia S.p.A. submitted a request for access to the mechanism regarding the exit of customers from the greater protection service, aimed at recognising the additional fixed cost connected to a customer exit rate towards the free market greater than that implicitly recognized in the definition of the RCV component, for an amount equal to 30,000 euro, which will be paid in the 2nd half of 2021 (PUC 2020);
- in April 2021, A2A Energia S.p.A. submitted a request for access to the mechanism to compensate for arrears of end customers, aimed at recognizing any charges related to arrears exceeding the unpaid ratio already considered within the RCV component (COMP 2020), for an amount equal to about 900,000 euro, which will be paid in the 2nd half of 2021.

Compensation mechanism for general system charges not collected from final customers

Resolution 32/2021/R/eel introduced a mechanism for the recognition of General System Overheads (GSO) not collected from defaulting end customers and already paid to the distribution companies. The mechanism starts in 2016 (entry into force of the Standard Network Code) and will apply until the adoption of specific interventions, including legislative ones, aimed at a different management of the GSO collection chain and the related guarantee system. Transport users may participate, including on behalf of their commercial counterparts, choosing annually between:

- an ordinary regime: in which users are granted uncollected GSO for which invoices have been due for more than 12 months and the appropriate credit protection procedures have been activated, and GSO waived as a result of settlement, assignment or credit restructuring agreements;

- a simplified regime: in which 75% of the estimated amount of Uncollected Declared GSO is recognized, compared to the values found in the company's accounting situation indicated in the compulsory communications required by the regulation on accounting unbundling (TIUC) and in the approved financial statements

In this first session (previous), the amount recognized will be reduced by the recovery Pricing because it was assumed that an entity operating in the electricity market also recovered, in its pricing activity, the costs of the expected default related to the GSO until May 24, 2016, the date of publication of CdS Sentence 2182/2016 establishing the principle that the entities obliged to pay the GSO are the end customers.
In this first session of the mechanism, A2A Energia S.p.A. should receive an amount of more than 4 million euro.

Valuation of electrical imbalances

Resolution no. 111/06 defines the rules for the calculation of imbalance prices to be applied to the differences between the feed-in and consumption plans and the actual production and withdrawals. Proper scheduling is desirable from a system perspective since it allows for more effective management of system security and helps reduce costs that fall on customers. For these reasons, the discipline of these imbalances has been the subject of several amendments by the Authority in order to align the regulation to the need for an efficient market configuration, pushing operators to make increasingly better production and consumption forecasts, and avoiding arbitrage between prices on different markets.

In June 2016, given the significant increase in dispatching costs, ARERA launched a fact-finding investigation from which numerous prescriptive and/or asymmetric regulation and sanctioning measures were derived.

As regards the A2A Group, the adoption of prescriptive measures concerned:
- Linea Più S.p.A. (now A2A Energia S.p.A.). The measure imposed returning approximately 3.9 million euro to Terna S.p.A.;
- Enercity S.r.l. (now Suncity Energy S.r.l.). The measure imposed returning approximately 737 thousand euro to Terna S.p.A..

The same companies were also subject to sanctions for violation of article 14.6 of ARERA Resolution 111/06 ("diligent planning"). In particular:
- in relation to Linea Più S.p.A. (now A2A Energia S.p.A.), the proceedings resulted in the imposition of a fine of approximately 1.5 million euro (ARERA Resolution 164/2018/S/eel);
- in relation to Enercity S.r.l. (now Suncity Energy S.r.l.), the proceedings (initiated by ARERA Determination DSAI/81/2017/eel) have not yet been concluded.

Linea Più S.p.A. (now A2A Energia S.p.A.) appealed against both the prescriptive measure and the penalty measure (appeal still pending). Enercity S.r.l. (now Suncity Energy S.r.l.) also filed a judicial appeal against the measure.

In 2019, A2A Energia S.p.A. and Suncity Energy S.r.l. settled the amounts of the prescriptive measure to Terna S.p.A. and A2A Energia S.p.A. also the amounts of the fine to ARERA.

On September 24, 2020 for A2A Energia S.p.A. and on May 26, 2021 for Suncity Energy S.r.l., the Council of State upheld their respective appeals against the prescriptive measures and Terna S.p.A. compensated A2A Energia S.p.A. in November 2020 for an amount of approximately 3.9 million euro and Suncity Energy S.r.l. in June 2021 for an amount of approximately 737 thousand euro.

In light of the Authority's power of review, A2A Energia S.p.A. has set aside a provision of the same amount and Suncity Energy S.r.l. a provision of approximately 500 thousand euro. By way of Resolution 217/2021/E/eel, the Authority, in compliance with the rulings of the Council of State, has in fact initiated new proceedings aimed at revising or, possibly, confirming the aforementioned prescriptive measures.

Award of the safeguard service for the two-year period 2021-2022

The Law August 3, 2007, no. 125/07 established a safeguard service for all companies and public bodies without an electricity supplier and that have at least one medium or high voltage supply point or only low voltage points with more than 50 employees or an annual turnover of more than 10 million euro.

A2A Energia S.p.A. was selected, through a public tender procedure, for the period January 1, 2021 - December 31, 2022, as the electricity supplier for the safeguard service in batch 2 (Lombardy) and batch 4 (Marche, Tuscany and Sardinia), for about 650 GWh.

The prices charged are determined in accordance with the Authority's rules and the calculation methods laid down by the MiSE and include wholesale electricity costs, dispatching and commercialization costs. In particular, A2A Energia S.p.A. applies to the energy supplied and the related grid losses a consideration equal to the average monthly purchase prices on the GME market, differentiated by time slot and increased by the omega parameter (Ω) equal to 10.17 €/MWh for batch 2 and equal to 13.57 €/MWh for batch 4.

Closing of the dispute concerning Resolution ARG/gas 89/10 and settlement of amounts

Information about litigation is provided in the corresponding section that deals with the Generation and Trading Business Unit.

With regard to the amounts pertaining to the Market BU, in relation to the requests submitted on May 31, 2019 by A2A Energia S.p.A., Lumenergia S.p.A., ACEL Energie S.r.l., Enerxenia S.p.A (now ACEL Energie S.r.l.) and Gelsia S.p.A, amounting to 12.5 million euro, 75% was already paid in 2020 (with the exception of the amounts of Lumenergia S.p.A., amounting to approximately 0.15 million euro, for which payment is still pending), while the remaining 25%, amounting to approximately 3.1 million euro, will be paid in December 2021.

Closing of the AGCM PS10728 investigation against A2A Energia S.p.A. for the application of online payment service costs by credit card

With measure dated September 20, 2017, the AGCM imposed a fine of 220,000 euro to A2A Energia S.p.A. for violation of the provisions of art. 62 of the Consumer Code on the application of surcharges for the use of the credit card for the payment of bills via the website. The company filed an appeal before the Lazio Regional Administrative Court stating that the surcharge requested was not due to the use of the payment instrument, but to the provision of a service that brings with it an objective added value (considering that since January 1, 2017, the company has discontinued the function of collection at the physical counters).

In addition, in order to protect the opposing needs for the protection of users and the creation of a competitive market, in which the economic and financial equilibrium of operators is safeguarded, article 19 of Directive 2011/83/EU (Consumer Rights Directive), implemented by the rule in article 62 of the Consumer Code, provides that Member States prohibit professionals to impose on consumers, in relation to the use of certain payment instruments, fees that exceed those incurred by the professional for the use of such instruments thus legitimizing, in our opinion, the conduct of A2A Energia S.p.A..

The Council of State subsequently accepted the appeal filed by ACI (Automobile Club d'Italia) against the decision of the Lazio Regional Administrative Court, which had confirmed the validity of the measure by means of which AGCM had sanctioned the operator for violation of the aforementioned provision of the Consumer Code.

Electric mobility

The Ministry of infrastructure and sustainable mobility is currently reviewing the PNIRE (National Infrastructure Plan for the Recharge of Electric Vehicles), which defines the guidelines for the development of recharging infrastructures (IdR) for electric vehicles in Italy.

Given the growing dissemination of electric vehicles (the PNIEC estimates 6 million by 2030) and the consequent increase in IdR, not only will the energy required for recharging increase, but these vehicles, through IdR, will be able to provide valuable services to the transmission grid and, in the medium to long term, to the distribution networks: the batteries, in fact, have the ability to quickly provide input/output services.

With reference to recharging in the private sector, Resolution 541/2020/R/eel provided for the possibility for domestic users (or other LV users) with contractually committed power between 2 kW and 4.5 kW, connected to a recharging system for electric vehicles, to withdraw up to 6 kW at night, on Sundays and on all public holidays, without additional fees related to the increase in power. This trial is granted for the period July 1, 2021 through December 31, 2023.

With regard to recharging in the public area, article 57, paragraph 12, of Law Decree July 16, 2020 ("Simplification Decree") provides that "the Authority shall define the tariffs for the supply of electricity for recharging vehicles, applicable in the private and public sectors, so as to ensure a cost no higher than that provided for resident domestic customers". Discussions are currently underway between the Authority and MiTE for the implementation of this legislation, which would seem to require notification to the Commission under the State Aid rules.

In April 2021, the Authority, through the publication of a clarification, officially provided for the possibility that, in the same real estate unit, POD intended for the recharging of electric vehicles may be installed in the name of third parties - such as CPO, Charging Point Operators - with respect to the owner of the main POD. Operators are therefore allowed to intercept several end customers through a single POD, exploiting the synergies and savings deriving therefrom (sharing of fixed components, synergies on maximum power and connection costs).

7.3 Waste Business Unit

Waste Pricing Method for the period 2018-2021 (MTR)

ARERA Resolution 443/2019/R/rif approved the Tariff Method for the Integrated Waste Management Service (MTR), defining *"the criteria for the recognition of efficient operating and investment costs for the period 2018-2021"*. The measure applies to the tariff revenues for 2020/2021, compatibly with the time frame envisaged for the approval of the TARI by the Municipal Councils, the deadline of which, with reference to TARI 2021, has been extended to July 31, 2021 as a result of Decree Law no. 99/2020 (Enterprise and Works Decree).

MTR requires costs recognized to Operators of the municipal sanitation service to be determined starting from the actual costs recognized in the reference year (a-2) resulting from obligatory accounting sources[8] and those relating to integrated waste management, which includes the following activities:

- sweeping and street cleaning,
- collection and transport,
- treatment and recovery of urban waste,
- treatment and disposal of urban waste,
- tariff management and relations with users.

Other activities, such as deratization, snow clearance, mosquito pest control, garden cleaning, graffiti cleaning, etc., are considered external to the integrated urban waste cycle and therefore not subject to regulation. The costs of treatment and disposal are defined on a transitional basis as is pending the setting of criteria for the determination of tariffs for access to facilities by 2021 with effect from January 1, 2022.

MTR is based on the principle of full cost recovery and establishes that tariff revenues can grow year on year through the application of the price cap mechanism within a certain maximum limit to the increase. The entities territorially competent (ETC, which in Lombardy are Municipalities) may submit to the ARERA a request for the exceeding of this limit, if they deem it necessary to ensure the achievement of the expected quality improvements or to support the integration process of the activities managed.

Below are the main features of the new method:

- RAB-based with recognition of operating costs, amortization and return on invested capital (WACC at 6.3%, plus 1% for investments after December 31, 2017 related to the regulatory lag);
- it is permitted to include in the tariff forecast costs not yet finalized, without prejudice to subsequent verification mechanisms (COI component);
- sharing of revenues from the sale of materials and energy in a range between 40%-70%, which allows Operators to retain a portion of the income, also depending on the quality of differentiation conferred. The percentage of sharing must be established by the entity territorially competent (ETC);
- adjustments over the years 2018 and 2019, calculated on the basis of the difference between the costs provided for in the 2018 and 2019 PEF and the actual costs in 2017 inflated, to be applied according to gradual mechanisms on the basis of management efficiency indicators taking into account the evaluations of the entity territorially competent (ETC).

The approval procedure provides for the transmission of the PEF by the Manager to the entity territorially competent (ETC) which - after checking the correctness, completeness and congruity of the data - sends it, together with the tariff fees, to ARERA for approval.

In the first half of 2021, the urban hygiene companies of the A2A Group prepared their "raw" 2021 PEFs for each individual concession in accordance with the new ARERA methodology. The final 2021 PEFs, integrated by the municipalities with the costs for which they are responsible (i.e. billing activities and management of relations with users) were subsequently verified and validated by the ETCs.

All the Group companies, which manage around 300 municipalities in Lombardy, have sent the relevant documentation to the respective ETC for approval of the 2021 TARI and the underlying PEF. In most cases, in continuity with 2020 and in the presence of assignments obtained after competitive tendering procedures, ETC availed itself of article 4.5 of the MTR, preserving any efficiencies and thus applying the value envisaged by the previous contracts - if lower than the maximum value of the MTR - subject to compliance with the economic-financial balance of operations.
With reference to the Municipality of Varese, the ETC approved a 2021 PEF that is lower than the "raw" PEF submitted by Acsm Agam Ambiente S.r.l. with a negative impact of around 100,000 euro. Following

8 The method is in continuity with Presidential Decree no. 158/99 of April 27, but provides for the use of obligatory accounting sources for the preparation of the PEF and not forecast costs.

the publication of the Municipal Council Resolution, Acsm Agam Ambiente S.r.l. will assess the appeal, noting the same profiles as the appeal already promoted for the annulment of a similar resolution of the Municipal Council relating to the 2020 PEF. The PEF approved by the Municipality in its capacity as ETC, in addition to numerous objections of merit and illegality, does not guarantee the economic and financial equilibrium of operations. The Regional Administrative Court, in the precautionary session of January 13, 2021, found the potential existence of pecuniary damages, the amount of which will be determined during the proceedings. As of today, the contractual duration of the service by Acsm Agam Ambiente S.r.l. has been updated until September 30, 2021.

At June 30, 2021, ARERA published the following resolutions approving the 2020 PEF for the municipalities managed by the Group companies, confirming overall the maximum economic values of the tariff revenues proposed by the ETC in their respective municipal resolutions and with no significant deviations from the amounts provided for in the previous contracts, with the exception of the Municipality of Bergamo, managed by Aprica S.p.A., for which an increase of approximately 300,000 euro was recorded when applying MTR.

Municipality	ARERA Resolution	Operator	Tariff revenues 2020
Paderno Dugnano	369/2020/R/rif	RTI consisting of Amsa S.p.A. and ECONORD S.r.l. Comune di Paderno Dugnano	€ 5,963,484
Cremona	397/2020/R/rif	Linea Gestioni S.r.l. Municipality of Cremona	€ 10,333,852
Milan	476/2020/R/rif	Amsa S.p.A. Municipality of Milano	€ 298,617,329
Lodi	6/2021/R/rif	Linea Gestioni S.r.l. Municipality of Lodi	€ 7,617,815
Brescia	34/2021/R/rif	Aprica S.p.A. Municipality of Brescia	€ 34,340,730
Bergamo	56/2021/R/rif	Aprica S.p.A. Municipality of Bergamo	€ 19,198,125

EU Circular Economy Package

On June 14, 2018, the EU Circular Economy Package was published consisting of:
- 4 Waste Directives (Directive 2018/849 on end-of-life vehicles/waste batteries/WEEE, Directive 2018/850 on landfills, Directive 2018/851 on waste, Directive 2018/852 on packaging);
- 1 Regulation on the approval and market surveillance of vehicles.

The measures are aimed at promoting the application of the waste hierarchy (prevention, reuse, recycling, energy recovery, landfill) also through appropriate legislative and financial instruments, and in this context, some common objectives are set for the European Union:
- recycling of at least 55% of municipal waste by 2025. This portion is destined to rise to 60% by 2030 and to 65% by 2035;
- recycling of 65% of packaging waste by 2025 (70% by 2030) with material-specific targets.

The Directives also introduced the obligation to collect organic waste separately or ensure recycling from the end of 2023 and set a binding target of reducing landfill disposal: Member States will have to ensure that recyclable waste is no longer transferred to landfills in 2030 and that as of 2035, the total portion of municipal waste destined for landfills does not exceed 10%.

Central to the application of the waste hierarchy is the strengthening of Extended Producer Responsibility (EPR), by means of which producers are called upon to participate in the organizational and financial management of the life cycle phase in which the product becomes waste, contributing at least to 80% of the costs of collection, recovery and disposal of packaging placed on the market.

Among the main acts transposing the Directives, particular mention should be made of the following:
- Legislative Decree September 3, 2020, no. 116, on "Implementation of Directive (EU) 2018/851 amending Directive 2008/98/EC on waste and implementation of Directive (EU) 2018/852 amending Directive 1994/62/EC on packaging and packaging waste";
- Legislative Decree September 3, 2020, no. 121, on "Implementation of Directive (EU) 2018/850, amending Directive 1999/31/EC on waste landfills".

Legislative Decree September 3, 2020, no. 116, implementing Directive (EU) 2018/851 amending Directive 2008/98/EC on waste and implementing Directive (EU) 2018/852 amending Directive 1994/62/EC on packaging and packaging waste

In Italy, Legislative Decree 116/2020 implements two Directives of the EU Circular Economy Package, substantially amending part IV of Legislative Decree 152/2006 (TUA), in particular:
- Title I Waste management - Chapter I General provisions
- Title I Waste management - Chapter III Integrated waste management service
- Title II - Packaging management
- Title VI Penalty system and final provisions - Chapter I Penalties

The measure brought forward to December 31, 2021 the obligation to separately collect organic waste or ensure its recycling.

The amendments made effectively eliminate the category of "assimilated waste", referring to the domestic perimeter both the flows in the municipal waste categories (specified in article 183, paragraph 1, letter b-ter of the TUA) and the "waste similar in nature and composition" based on the type (Annex L-quater of the TUA) and the activities (Annex L-quinquies of the TUA) that generate them. The achievement of the recovery obligations introduced by the Directive is calculated on the basis of these flows.

This intervention, which could contribute to overcoming the lack of homogeneity in the definition of urban flows among the various territorial areas, seems however to require further operational clarification regarding categories that cannot be univocally classified (e.g. waste from construction and demolition, from canteens and offices located in industrial buildings) and a possible integration of the current perimeter of municipal privatisations.

Special waste is instead listed in article 184, paragraph 3, of the TUA and, in continuity with the past, also include waste from recovery and disposal activities. A number of definitions relevant to the activities carried out by the company have also changed, including "waste management", "recovery of material", "temporary storage prior to collection", and the legal provisions relating to temporary storage, classification, and criteria for admissibility of waste in landfills have been amended.

A revision of the regulations on waste traceability is also planned, with the advent of the RENTRI. The new traceability system will be integrated into the National Electronic Register established following the conversion of Law Decree no. 135/2018 and will be managed by the National Register of Environmental Managers.

Furthermore, the extended producer responsibility (EPR) is carefully regulated, reinforcing the institution (one of the cardinal principles of the reform) and with a view to progressively opening up consortium systems to competition. Under the new provisions, the EPR systems will have to cover at least 80% of the total cost of managing the waste released for consumption, without prejudice to the definition, after consulting ARERA and therefore in line with the MTR, of the permissible "efficient cost" level.

Legislative Decree Finally, the Ministry of the Environment, with the technical support of ISPRA, is entrusted with the definition of a "National Waste Management Programme" that defines the criteria and strategic guidelines to be followed by the Regions and Autonomous Provinces in drawing up regional waste management plans. The programme should indicate the recovery and disposal requirements to be met. A measure that will reduce the power of local authorities, with the regions that for their part will be able to define agreements for "the identification of macro areas" that allow "the rationalization of plants in terms of localization, environment and economic, based on the principle of proximity".

Legislative Decree September 3, 2020, no. 121, implementing Directive (EU) 2018/850, amending Directive 1999/31/EC on waste landfills

Legislative Decree 121/2020 implements another of the Directives of the EU Circular Economy Package and introduces new organic regulations on the landfilling of waste, making amendments to Legislative Decree January 13, 2003, no. 36 on topics such as:

- landfill acceptance criteria for certain classes of waste;
- basic characterisation and acceptance procedures, including arrangements for on-site verification and waste sampling and analysis;
- construction and management criteria for landfill facilities.

The decree provides for a gradual reduction in the amount of waste sent to landfills (no more than 10% by weight of municipal waste by 2035) and introduces a ban on the landfilling of separately collected waste intended for recycling or preparation for reuse.

The landfilling of all waste suitable for recycling or other recovery, in particular municipal waste, will also be banned from 2030, except for waste for which landfilling produces the best environmental outcome.

Law April 22, 2021, no. 53

Delegation to the Government for the transposition of European directives and the implementation of other acts of the European Union, European Delegation Law 2019-2020

The law provides the delegations to the Government in order to implement the directives issued by the EU Parliament and the EU Commission. With regard to the environment sector, of potential interest is the delegation to the Government for the implementation of EU Directive 2018/2001, on the promotion of the use of energy from renewable sources.

Certain guidelines will have to be followed in the implementation, among which:

- update, enhance and introduce support mechanisms for the production of biomethane, advanced biofuels, fuels derived from recycled carbon and hydrogen, in order to effectively contribute to the decarbonization of all forms of transport, depending on the life-cycle emissions of energy carriers and the vehicles that use them;
- provide for measures to facilitate the maximum use of energy that can be produced from renewable sources, including by encouraging the spread and use of energy storage systems, including electric vehicles, also through a simplified authorization process, and the related research and development requirements, taking into account the principle of technological neutrality.

Decree Law May 31, 2021, no. 77

Governance of the National Recovery and Resilience Plan and initial measures to strengthen administrative structures and speed up and streamline procedures

The Decree Law under analysis is an act that aims to speed up the implementation of the works envisaged in the National Recovery and Resilience Plan (PNRR) by strengthening administrative structures and streamlining procedures.

This regulatory act has a potential effect on the activities of the entire Waste Business Unit, in the areas of environmental impact assessment (EIA) and environmental permits, renewable energy plants, waste management and reclamation of contaminated sites. Given its nature as Decree Law, it needs to be converted into Law by July 31, 2021.

7.4 Networks Business Unit

Measures for the determination and updating of the WACC in the electricity and gas sectors for the second regulatory period (II PWACC)

Resolution 380/2020/R/com initiated the procedure for the adoption of measures concerning the methods and criteria for determining and updating the rate of return on invested capital (WACC) in the electricity and gas sectors for the second regulatory period (II PWACC), which will come into force from January 01, 2022. In particular, envisaging:

i. a duration of the II PWACC of not less than 4 years, with at least one update to allow for adjustments in line with economic developments;
ii. updating criteria in substantial continuity with those already in force with refinements referring to some specific aspects, such as the setting of the gearing level, the β parameter and the cost of debt;
iii. criteria for estimating the β coefficient as detailed as possible in order to improve predictability and reduce the margin of discretion in setting it;
iv. confirmation in the WACC formula of the Country Risk Premium (CRP) component for the risk for countries with medium-low ratings;
v. in-depth studies to avoid fragmentation in the timing of updates to regulations for electricity and gas infrastructure services and that of the WACC.

The Authority has recently launched a specific data collection exercise aimed at analyzing the cost of debt of the main Italian infrastructure operators, also involving the electricity and natural gas distributors of the A2A Group.
Below are the values of the WACC and the related parameters $\beta^{LEVERED}$ (typical riskiness of the sector) and gearing (ratio of debt capital to the sum of equity and debt capital) in force today.

	I PWACC			II PWACC		
Sectors	$\beta^{LEVERED}$ (*)	WACC	Application period	$\beta^{LEVERED}$ (*)	WACC	Application period
Electricity distribution and metering	0.616	5.6%	2016-2018	0.686	5.9%	2019-2021
Electricity transmission	0.553	5.3%	2016-2018	0.616	5.6%	2019-2021
Gas transport	0.575	5.4%	2016-2018	0.641	5.7%	2020-2021
Gas distribution and metering	Gas distribution 0.630 Gas metering 0.720	6.1% 6.6%	2016-2018	0.706	6.3%	2020-2021
				Gas distribution 0.706 Gas metering 0.807	Gas distribution 6.3% Gas metering 6.8%	2019
Storage	0.800	6.5%	2016-2018	0.891	6.7%	2020-2021
Regasification	0.828	6.6%	2016-2018	0.922	6.8%	2020-2021

(*) The $\beta^{Levered}$ is updated based on the value of the following parameters: β^{ASSET} (update of the tariff regulatory period), gearing level D/E and fiscal rate tc (TIWACC).

New tariff regulation criteria based on total expenditure

Resolution no. 271/2021/R/com initiated a procedure aimed at defining a new method for calculating recognized costs that goes beyond the current hybrid approach of rate of return for capital costs and price cap for operating costs, adopting one based on total expenditure, i.e. considering both operating and capital costs together.
The process for adopting the new approach (defined as Regulation by Expenditure and Service Objectives - ROSS) must be completed by December 31, 2022 and has the following main objectives:

- realignment of efficiency incentives so that they extend to total efficiency and are no longer limited to operating costs;

- use of capitalization rates set by the regulator, differentiated for each regulated service, to be applied to the total recognized expenditure so as to determine both the recognized capital expenditure (which increases the invested capital) and the recognized operating costs;
- provision of mechanisms to monitor returns on investment in order to assess the extent to which actual returns achieved deviate from those determined by the regulator;
- homogenize the criteria for regulating infrastructure services in the electricity and gas sectors, avoiding misalignments in returns on invested capital caused by differences in the treatment of specific operating and capital cost items. In this context, the profiles relating to the definition of the length of the regulatory period will be assessed, taking into account the overlaps between the specific periods of each service and the WACC regulatory periods.

2020 final and 2021 provisional reference tariffs for the distribution and metering of natural gas

Resolution 122/2021/R/gas approved the 2021 provisional reference tariffs for natural gas distribution and metering activities (based, among other things, on the 2020 pre-final investments and underlying WACC of 6.3%), while Resolution 117/2021/R/gas approved the 2020 final reference tariffs (based, among other things, on 2019 final investments and underlying WACC of 6.3%).

RAB GAS value underlying 2021 provisional reference tariffs millions of euro	Unareti (*)	ASVT	LD Reti	RetiPiù	ACSM-AGAM Group (**)	Total
Cap. Centralized	47	1	11	12	11	82
RAB Distribution	791	11	166	126	166	1,260
RAB Metering	137	1	27	36	27	228
Total	**975**	**13**	**204**	**174**	**204**	**1,570**

(*) The RAB of Unareti S.p.A. is net of the locations transferred to RetiPiù S.r.l. from November 1, 2020 (56, falling within the Bergamo 1, 2, 3, 5 and Milan 4 ATEMs) and of those transferred to Italgas S.p.A. from February 1, 2020 (7, falling within the Alessandria 4 ATEM).
(**) Includes Lereti S.p.A., Serenissima Gas S.p.A. and Reti Valtellina Valchiavenna S.r.l.. The RAB values of Lereti S.p.A. are expressed net of the 4 locations (Varese, Brizio, Casciago and Lozza) where the assets are 100% owned by the municipalities.

The DCVER component to cover the operating costs related to metrological testing as of 2018 has been zeroed, as these costs will be recognized on the basis of a methodology that will consider the net costs actually incurred, calculated according to criteria defined by the Authority, by operators as reported in separate annual accounts. The net costs incurred until 2019 are expected to be recognized, at least in part, by year-end. Starting from the net costs relating to 2020, the Authority has provided for a specific mechanism of advance payment and subsequent balance, the details of which, however, are not yet known.

Similarly, operating and capital costs not already covered by tariffs relating to remote management/remote metering and concentrators of electronic gas meters will continue to be recognized on an ex post basis until 2022, within a decreasing annual limit (2021: 3.74 euro/PdRsmart; 2022: 3.24 euro/PdRsmart)[9] and net of a flat-rate deduction for the portion of remote metering/remote management operating costs already included in the reference tariff of metering. After the recognition of the costs incurred in the years 2011-2016 and in the two-year period 2017-2018 as a result, respectively, of Resolutions 537/2019/R/gas and 568/2020/R/gas, ARERA, in mid-March 2021, communicated to Unareti S.p.A. the admission to the recognition of operating costs related to the remote management/remote metering of gas smart meters for the year 2019 for a gross amount of 2.7 million euro, which will be recognized following the issuance of the appropriate resolution. The costs relating to the years 2020-2022 will also be recognized as mentioned above and the amount of the flat-rate deduction will be updated by taking into account the actual costs incurred by operators for the remote metering/remote management of gas smart meters not already included in the reference tariffs of the metering activity of 2020, the first year of the fifth regulatory period.

Finally, Resolution 596/2020/R/gas determined the mandatory tariffs for end customers of gas distribution and metering services for 2021, valuing for the first time the VR and ST tariff components linked to the competitive procedures for the assignment of the natural gas distribution service, as well as the CE component applicable only in the new "Sardinia" tariff macro-area and intended to align the costs of the service for users there with those on the mainland.

9 For the years 2017, 2018, 2019 and 2020, the annual limit was 5.74 euro/PdRsmart, 5.24 euro/PdRsmart, 4.74 euro/PdRsmart and 4.24 euro/PdRsmart, respectively.

Tariff regulation for the natural gas distribution and metering service 2020-2025

Resolution 570/2019/R/gas approved the RTDG 2020-2025, defining the regulatory framework for gas distribution and metering service tariffs for the years 2020-2025 (5th regulatory period). Although the characteristics of the current regulation are confirmed, the main amendments can be summarized as follows:

- operating costs recognized: update of operating costs recognized from 2020 using the average (50:50) between the actual costs recorded in 2018 and the costs recognized in the same year as the basis of calculation. The update was carried out using the price cap method taking into account, in addition to the inflation, also an X-Factor differentiated by activity (distribution, marketing and metering) and, limited to distribution, operator size (large, medium, small). Compared to the previous period, there has been a considerable decrease in recognized operating costs and an increase in X-Factors relating to distribution and marketing, while the previous level is confirmed for metering;
- capital costs: revision of the beta parameter for the purpose of calculating the WACC in the metering activity in order to align the recognized return with that in force for the distribution activity and equal, for 2020 and 2021, to 6.3%. For calculating the invested capital subject to remuneration, as well as the related amortization, a specific mechanism is defined for the gradual release, over a long period of time that goes beyond the individual regulatory period, of the amount of contributions existing at December 31, 2011, currently not considered in defining tariffs.

Unareti S.p.A. challenged Resolution 570/2019/R/gas with the TAR highlighting the lack of investigation, due to the scarcity of information made available during the consultation phase, and the significant impact, unforeseen and not adequately justified, on the company's economic-financial balance. As part of this appeal, on February 5, Unareti S.p.A. filed a request for verification, which was subsequently accepted by the TAR. The verifiers are currently preparing their report to which the parties will then be able to submit their comments, with the process expected to be completed this year.

Tariff regulation for the natural gas transport and metering service 2020-2023

Resolution 114/2019/R/gas approved the rules applicable to natural gas transport tariffs for the period 2020-2023 (5th regulatory period - new RTTG). The main introductions are:

- definition of eligible revenues: the method adopted, similar to the current one, provides for the calculation of eligible revenues as the sum of the (i) return on net invested capital (WACC: applicable in 2021: 5.7%), (ii) portion of amortization (useful lives substantially unchanged) and (iii) operating costs (calculated from the individual operator's actual costs as presented in the 2017 separate annual accounts). For admission to the tariff recognition of investments relating to specific interventions on the transport network, the provisions of Annex A to Resolution 468/2018/R/gas and subsequent amendments and integrations are valid, as well as compliance with criteria of cost-effectiveness and efficiency in their implementation. Incentive mechanisms for infrastructure development are foreseen;
- recognition of costs relating to network losses, self-consumption and gas not accounted for: the current method of recognition in kind of these items is exceeded, moving to monetary recognition based on the weighted average price of forward products with delivery to the PSV in the reference tariff year;
- equalization mechanisms: in addition to the pre-existing mechanisms relating to the equalization of revenues relating to the regional network (between TSO and CSEA) and the variable unit fee (between TSO), a new monthly flow from transport companies other than Snam Rete Gas S.p.A. is introduced for the latter for the equalization of national network revenues relating to the revenues associated with the exit fees, aimed at transferring the share of revenues pertaining to the national network from the transport companies that collect the revenues deriving from the CPu fee to the companies that carry out the transport activity on the national network.

The new RTTG has also provided for a new way of managing the Corrective Factors (FC) of the eligible revenues, i.e. elements aimed at ensuring, annually and for each operator, equality between the eligible revenues and the revenues actually obtained from the application of the tariffs fixed by the Authority. Until 2019, these amounts were accrued in 4 annual instalments where the amount relating to a single year was then subtracted directly from the revenues allowed for the same year. Starting from the fifth regulatory period, the accrual is eliminated and the management of these differences is by the CSEA in the year following the reference year where the revenues allowed are not netted by this amount.

Resolution 230/2021/R/gas approved the revenues recognised and the tariff fees for the activity of natural gas transport and metering for 2022, while those for 2021 had been approved by Resolution 180/2020/R/gas.

RAB value Retragas S.r.l. underlying 2021 final tariffs and 2022 provisional tariffs millions of euro	Final tariffs 2021	Provisional tariffs 2022
RAB Transport	42.5	45.9
RAB Metering	0.8	1.6
Total RAB	**43.3**	**47.5**

Resolution 539/2020/R/gas, among other things, assessed the ten-year development plans for the natural gas transport network prepared by the operators for 2019 and 2020. With reference to the plan of Retragas S.r.l. aimed at the new methanization in the Autonomous Province of Trento, the Authority, in light of a number of critical points, considered it appropriate to continue evaluating it in future plans.

Infra-period updating of tariff regulation of electricity transmission, distribution and metering services 2020-2023

Resolution 568/2019/R/eel approved the tariff regulation for electricity transmission, distribution and metering services for the 2020-2023 (NPR2) half-period and the related TIT, TIME and TIC[10] integrated texts. The measure, substantially in line with the criteria adopted in the first half-period 2016-2019 (NPR1), defines in particular:

- the initial levels, referring to 2020, of the cost recognized to cover operating costs, a profit sharing with symmetric distribution (50:50) between distribution companies and end users of any increased efficiencies achieved in the previous NPR1 and the productivity recovery rate (X-Factor) for their annual update. The new X-Factor applicable to electricity distribution activities is 1.3% (1.9% in the previous half-period), while the X-Factor applicable to metering activities is 0.7% (1% in the previous half-period);
- a mechanism for distributing net revenues from the joint use of electricity infrastructures for purposes other than those subject to tariff recognition (i.e., use by TELCO), which may be activated only if the amount is greater than 0.5% of the revenue allowed to cover the costs of the distribution service and managed under the equalization mechanisms already provided for by the regulation;
- incentives for aggregations between distribution companies, giving priority to smaller ones, with the possibility of using the instrument of the "Network Contract";
- a mechanism for the recovery of bad debts not otherwise recoverable relating to network tariffs access to which by distributors is subject to the fulfilment of specific conditions (refer to the specific paragraph);
- a revision of the tariff regulation for withdrawals and injections of reactive energy (refer to the specific paragraph).

Lastly, the Authority deemed it appropriate to defer to subsequent consultation documents the gradual introduction of the new regulatory approach defined as *"Regulation by Expenditure and Service Objectives - ROSS"* (refer to the specific paragraph).

Tariff regulation of withdrawals and injections of reactive energy

Resolution 568/2019/R/eel intervened on the subject of regulating the flow of reactive energy on the grids, with significant introductions, in particular defining minimum power factor levels for both withdrawals and injections of reactive energy, in excess of which penalties must be paid. Resolution 395/2020/R/eel postponed by one year, i.e. to 2022, the entry into force of these provisions in light of the COVID-19 emergency.

10 TIT (Provisions for transmission and distribution services), TIME (Provisions for the metering service), TIC (Economic Conditions for the connection service).

	Minimum power factor levels	Unit fees (c€/kVArh)
End customers and HV/EHV distribution companies	0.95 for withdrawals 1 for injections (*)	equal to 1.333 to be applied: - for withdrawals in the F1 and F2 bands - for injections in the F1, F2 and F3 bands
MV and LV end customers	1 for injections (*)	equal to 0.327 in MV and 0.959 in LV to be applied: - for withdrawals between MV and LV distribution networks in the F1 and F2 bands - for injections by end customers and MV and LV distribution companies in the F1, F2 and F3 bands
Reactive energy transits between MV and LV distribution networks	0.95 for withdrawals 1 for injections (*)	

(*) In fact, a prohibition on the introduction of reactive energy

ARERA has, however, provided for the right, on the part of Terna S.p.A. and the distribution companies, to sign exceptions to the application of fees for excessive withdrawals and injections of reactive energy if such application determines criticalities in grid management. In fact, Determination 02/2021 DIEU approved a program of preparatory actions for the implementation of the aforementioned regulation in order to acquire the elements necessary to define the subsequent measures, defining a precise timetable and assigning specific "tasks" to each party involved:

- the distribution companies directly connected to the National Transmission Grid in high or extra-high voltage must send, by June 30, 2021, the type and annual economic amount of the interventions carried out since 2017 and those planned by 2024 in order to control the voltage and manage the injection and withdrawal of reactive energy with the transmission grid;
- Terna S.p.A. shall send, by June 15, 2021, with reference to the years 2019 and 2020, a report - publishable - analyzing the volumes of reactive energy injected and withdrawn by end customers in high or very high voltage and by distribution companies connected to the National Transmission Grid in high or very high voltage, divided between: a) reactive energy withdrawn from the transmission grid with active energy withdrawn, b) reactive energy injected into the transmission grid with active energy withdrawn, c) reactive energy withdrawn from the transmission grid with active energy injected, d) reactive energy injected into the transmission grid with active energy injected;
- Terna S.p.A. and the distribution companies directly connected to the high or extra-high voltage National Transmission Grid must send a joint report to ARERA on the results of the coordination activities of the planning of interventions for voltage control and the management of reactive energy exchanges by October 31, 2021.

In light of the aforementioned reporting obligations towards ARERA and with a view to optimizing the investment plan to be implemented, Unareti S.p.A. started a technical discussion with Terna S.p.A. aimed at identifying the grid nodes on which to compensate the reactive energy injected/withdrawn for the areas of Milan and Brescia through the installation of power factor correction systems, also evaluating the adoption of an aggregative logic for primary substations with the same voltage level.

2020 final and 2021 provisional reference tariffs for the distribution and metering of electricity

Resolution 159/2021/R/eel approved the 2021 provisional reference tariffs for the electricity distribution and metering service (based, among other things, on the 2020 pre-balance investments) for companies that serve over 25,000 POD. Resolution 131/2021/R/eel approved the 2020 final reference tariffs (based, among other things, on the 2019 balance investments) for companies that serve over 25,000 POD. For both years, the underlying WACC is 5.9%.

Following the publication by ARERA of the detailed elements relating to the definitive 2020 reference tariffs for distribution and metering services, as envisaged by Determination DIEU 12/2020, the values of the electricity RAB are reported.

RAB ELECTRIC Value underlying the provisional tariffs 2021 millions of euro	Unareti (*)	LD Reti	RetiPiù	Reti Valtellina Valchiavenna	Total
RAB Distribution	604	53	22	14	693
RAB Metering	68	3	1	2	74
Total	**672**	**56**	**23**	**16**	**767**

(*) Unareti S.p.A.'s Measure RAB contains approximately 21 million euro of investments in 2G meters relating to 2020 pre-balance, which will be managed using the fixed installment method (i.e. Amortization and Remuneration Portion together and fixed for the entire useful life of the 2G assets and equal to 15 years), which, compared to the normal method of tariff recognition of investments, results in a different allocation of the recognition over time.

With regard to operators up to 25,000 POD, Resolution 237/2018/R/eel defined the criteria for the recognition of operating and capital costs in the tariff. In particular, tariffs for distribution activities are calculated using a parametric method, effective from 2018 tariffs, which provides for the application of a graduation mechanism[11]. According to this methodology, the recognized opex and capex are set taking into account certain relevant quantities such as distributed energy and user density (opex) and, together with the above, the age of the networks (capex), while those for metering activities take into account a conventional profile for the installation of LV electronic meters, an average unit cost of 126 €/meter (2014 values) and an investment turnover factor set at 2% (to be applied from 2015). It should also be noted that by way of Resolutions 104/2021/R/eel and 187/2021/R/eel, the Authority approved, respectively, the reference tariffs for 2016 and 2017 for distributors serving fewer than 25,000 POD.

Resolutions 564/2020/R/eel and 566/2020/R/eel set the obligation tariffs for the year 2021 for electricity distribution and metering services related to non-domestic and domestic customers respectively.

With regard to obligatory tariffs, the Authority, in application of the DL Sostegni and in full consistency with what was already done in 2020, with Resolution 124/2021/R/eel and subsequently with Resolution 279/2021/R/eel, modified, respectively, for the months of April - June and July 2021, for non-domestic customers connected to LV, the network tariffs and general system overheads acting on the fixed quotas and power quotas so as to determine savings. In addition, starting on July 1, 2021, residential users with an installed capacity of up to 4.5 kW and wallboxes with certain characteristics will be able to participate in the tariff experimentation mentioned in Resolution 541/2020/R/eel, which will enable them to withdraw up to 6 kW at night, without any additional cost to their bills.

Infra-period updating of quality regulation of electricity distribution and metering services (i.e. TIQE): 2020-2023

Resolution 566/2019/R/eel updated the TIQE for the regulatory half-period 2020-2023, introducing specific measures aimed at reducing service continuity gaps between the various areas of the country, through ad hoc regulatory instruments. In particular, a special voluntary regulation has been defined for the areas with the highest number of interruptions:

a) the payment of a premium at the end of the period (2023), if the target level set by ARERA is reached and a penalty (equal to 1/3 of the premium) if it is not reached;
b) the possibility of requesting to postpone the target year from 2023 to 2025, upon presentation by the distributor of a specific Technical Report proving the reasons in consideration of the presence of structural criticalities; if the request is accepted, the trends would be recalculated at the same time.

Resolution 431/2020/R/eel approved Unareti S.p.A.'s application to participate in the special regulation for the Milan area, with the recalculation of trends.
Moreover, with particular reference to the number and duration of interruptions, the Authority has also ordered the start of a regulation for experiments (regulatory sandbox), mutually exclusive with the special regulation, in areas identified by distributors. Without prejudice to the achievement of the target level set for 2023, the distributor has the opportunity to propose an improvement path different from that defined by the ordinary regulation, presenting innovative solutions from a technological point of view for the improvement of service quality. Also in this case it is foreseen to recalculate the trends, deactivated in the years of experimentation.

11 The graduation mechanism is based on the weighted average (weight of the parametric method equal to 10% in 2018; 20% in 2019; 30% in 2020; yet to be defined for the period 2021-2023) between the individual tariff scheme and the parametric one.

Resilience Plans for the electrical network

TIQE also contains initiatives aimed at increasing the resilience of the electricity system: specifically, Title 10 was the subject of significant additions aimed at defining the scope of application of resilience obligations, the content and timing of implementation of the action plan and appropriate incentive mechanisms.

Determination 2/2017 DIEU approved the *"Guidelines for the submission of Work Plans for increasing the resilience of the electricity system - part one"*, which illustrate the methodology for identifying priority interventions to address the issue of grid resilience and for estimating the costs and related benefits associated with such interventions. The MiSE also intervened on the matter with its own guidance document on prevention and management of adverse weather events that required electricity distribution service concessionaires to integrate development plans with a special section that is very analytical and subject to monitoring, dedicated to interventions to increase the resilience and for robustness of the network.

Following this, Resolution 31/2018/R/eel: i) introduces the obligation for all the main distribution companies[12] to draw up, and periodically communicate to the Authority, resilience plans for at least three years and coordinated with Terna S.p.A. or with the reference distributor; ii) provides for a single reputational incentive mechanism consisting of the obligation to publish the resilience plan on the website by June 30 of each year.

In addition, Resolution 668/2018/R/eel defined a bonus/penalty type economic incentive for resilience enhancement interventions based on:

a) specific criteria aimed at identifying which interventions can be considered eligible for the incentive mechanism;
b) a method of calculating bonuses and penalties respectively at a percentage share of the net benefit of the individual intervention carried out within the established time frame and of the net present value of the actual costs based on the extent of the delay.

In addition to the ceiling already in force for the total net premiums of each distributor, equal to 25% of the net present value of the sum of the expected costs of all interventions, Resolution 534/2019/R/eel established a maximum limit to the premium of a single intervention, making it equal to the cost of the same in order to avoid the recognition of over-remuneration higher than the cost of the intervention already covered in RAB. Finally, with reference to the methods and timing of payment of the premiums[13] and penalties, the TIQE (art. 79 quinquies.3) provides that, by December 31 of each year from 2020 to 2025, the Authority shall determine the premiums and penalties to be paid into the CSEA account "Quality of electrical services" relating to eligible interventions, with date of actual completion in the previous year. In this regard, it should be noted that Resolution 432/2020/R/com, following the COVID-19 epidemiological emergency, defined the postponement of one semester for the conclusion of only the interventions included in the 2019-2021 Plan.

At the moment, the obligations to develop the resilience plans refer only to the aspect of the validity of distribution networks to mechanical stress (i.e. to specific critical risk factors such as floods, fall of out-of-band trees, ice sleeves and heat waves), while for that relating to the timeliness of the restoration of the supply, please refer to subsequent measures.

By June 30, 2021, Unareti S.p.A. sent ARERA the 2021 Development Plan within which the section dedicated to the 2021-2023 Resilience Plan has been prepared, which contains 21 new interventions for total investments of about 10 million euro. It should also be noted that, pursuant to art. 79 septies.2 of the TIQE, LD Reti S.r.l. and RetiPiù S.r.l., although obliged from 2020 to publish the section dedicated to the Resilience Plan on their website, have opted for deferred participation in the rewards/penalties mechanism, which will therefore take effect from 2022.

Remediation of the old riser columns of the electricity distribution network in condominiums

Resolution 467/2019/R/eel defined an experimental three-year regulation, postponed by one semester following Resolution 432/2020/R/com (January 1, 2020 - June 30, 2023) on the modernization - with or without centralizing the meters - of the old riser columns of the electricity distribution network in condominiums, required of all distributors, regardless of their size in terms of POD served.

12 The "main distribution companies" are those with: i) more than 300,000 users; ii) more than 100,000 users; iii) less than 100,000 users directly connected to the National Transmission Grid.
13 Resolution 566/2019/R/eel subsequently established that premiums for increasing the resilience of distribution networks will be financed by the MV Users Fund.

In order to overcome any reluctance on the part of condominiums to carry out such interventions, in addition to the definition of a "Model Contract", the Authority has provided an incentive mechanism whereby the distributor:

- will have to pay the condominium an amount to cover the costs incurred by the latter in relation to the demolition/restoration works (and possibly electrical works in the case of centralization) in an amount equal to the lesser of the amount actually spent and a parametric amount calculated on the basis of the number of users and the level of value of the building;
- this amount will be recognised under the tariff mechanisms[14], subject to completion by March 31, 2023[15] of the obligatory census of its old riser columns.

The COVID-19 pandemic and related restrictive measures have forced a postponement of the start of the inspection campaign due to the lack of safe access to private areas. Activities, therefore, kicked off in a massive way in early 2021.

Unareti S.p.A. will carry out most of the interventions in the Milan area, the most critical due to the higher number of "single users" connected to the network through a riser owned by the distributor: the following are estimated, in particular, 9,500 condominium buildings with pre-1970 risers, most of which are composed of a large number of buildings that leads to quantify the presence of about 23,500 buildings with old risers in service. In Brescia, however, approximately 1,900 condominiums are estimated for approximately 2,100 buildings concerned.

In terms of inspections, the company has also defined a general schedule that envisages approximately 550 inspections per month in Milan and more than 140 in Brescia.

2G Smart Metering Systems for the metering of low voltage electrical energy and approval of PMS2 by Unareti S.p.A.

In view of the replacement of first generation (1G) electricity meters that will have completed their regulatory useful life (15 years), Resolution 87/2016/R/eel defined:

a. functional requirements and specifications of electricity meters in LV - version 2.0;
b. levels of performance of the related second-generation smart metering systems.

Resolution 646/2016/R/eel defines, for distributors serving more than 100,000 POD, the cost recognition methods, subsequently updated for the period 2020-2022 by Resolution 306/2019/R/eel.

The main applicable provisions can be summarized as follows:

- the presence of obligations relating to the start/conclusion of the massive phase of the replacement plan. In particular, for distributors >100,000 PODs, it is assumed that the massive phase will start by 2022 with the objective of replacing at least 90% of the existing meters by 2025. The obligations for distributors <100,000 POD will be defined by a subsequent measure;
- obligation to prepare detailed plans for the commissioning and public consultation of a 2G smart metering system (PMS2), in the terms and manner defined by the Authority;
- determination of a single threshold of 130 €/meter for the calculation of the maximum capital expenditure condition for admission of the plan to a fast track valuation;
- specific methods for recognizing investments in 2G smart meters, with the possibility of obtaining premiums or penalties based on the degree of consistency between the unit costs actually incurred and those agreed with the Authority. In addition, a maximum number of 2G meters of first installation is provided, recognizable in tariff for each year of the plan (Conventional Plan - PCO, defined according to the tariff profile for the installation of 1G meters). In this context, a corrective mechanism for the PCO has been introduced, which is modulated so as to anticipate from the end to the beginning of the period the tariff recognition of part of the total quantity of meters to be replaced;
- presence, starting from the 4th year of the plan, of a penalty mechanism in case of non-compliance with the performance levels set by Annex B to Resolution 87/2016/R/eel (% of readings collected within 24 hours and % of success of remote management operations within 4 hours). The annual penalty is based on the capital expenditure allowed for tariff recognition and the level of non-compliance. There is also provision for a penalizing mechanism in the event of non-compliance with the progress of the PMS2. There are, however, annual and multi-year ceilings on the penalties that may be imposed on the operator.

14 The construction works will be recognized in RAB through their accounting in the fictitious asset "Old riser columns", while the costs incurred for the census of the riser columns will be covered with a contribution of 20 euro/condominium surveyed (linked to the completion of the census, as well as the proper storage of information for 5 years) and with a further contribution of 70 euro/condominium surveyed to be included among the costs capitalized in the aforementioned asset "Old riser columns".

15 Pursuant to Resolution 432/2020/R/com.

Finally, there are specific provisions for reporting both the capital and operating costs actually incurred in each year and the physical quantities of meters actually installed.

Pending the start of the replacement plans, the Authority has established the modalities for the recognition of investments in 1G meters for the years 2017-2020 (2018-2021 tariffs), limiting the recognized unit cost to 105% of the unit cost of 1G meters for the year 2015. Similarly, the method for the recognition of investments in 2G meters made outside the replacement plan and relating to "ordinary user management" (see TIME 2020-2023) was defined. The maximum recognizable gross investment value per 2G meter installed in the years 2018-2020 (2019-2021 tariffs) is equal to the sum of:

- 125% of the average unit cost incurred by the distribution company in 2015 for the supply of 1G meters of first installation;
- 105% of the gross investment per 1G meter, net of the average cost for the supply of installed meters, incurred in the same year 2015 (therefore equivalent to the cost of installation).

In September 2019, Unareti S.p.A., pursuant to the provisions of Resolution 360/2019/R/eel, submitted for approval its 2G plan, which contains the replacement of approximately 1.3 million meters with a massive phase planned for the period 2020-2024. Following an extensive discussion with the Authority's offices, Resolution 278/2020/R/eel approved the plan proposed by the company, which is currently being implemented and will involve, for the first 2 years, the localities in the Brescia area, including the provincial capital.

Resolution No. 106/2021/R/eel defines, for distributors serving fewer than 100,000 POD, the methods for recognizing the costs of 2G smart meters:

- mandatory installation from January 1, 2022 and mandatory commissioning by 2025 of at least 90% of the meters installed on LV active points at December 31, 2020;
- recognition of 2G investments based on an all-inclusive standard unit cost (fixed for the entire plan period and equal to 145 euro to be applied to the physical quantity of 2G meters put into service in the reference year, calculated considering a maximum limit to 2G meters put into service to replace 2G meters already installed. Existing invested capital at December 31, 2021 related to 1G systems will be recognized in the tariff until the end of its remaining life, while new 1G investments will not be recognized;
- penalty mechanisms similar to those defined for larger operators are envisaged (i.e., one-off penalties for failure to make progress with the massive roll-out and penalties for under-performance of the 2G smart metering system), albeit with much more simplified application systems.

Instruments to protect distributors' credit: general system overheads and network overheads

Since 2016, as a result of the insolvencies accounted for by some sales companies and the litigation involving the Standard Network Code for the transport of electricity (i.e. CTTE) on the issue of financial guarantees to be presented to cover General System Overheads (GSO), ARERA has undertaken many initiatives aimed at strengthening the credit protection of distributors.

Resolution 50/2018/R/eel introduced a mechanism for the compensation of GSO paid but not collected by distributors. The mechanism is financed by an Account set up at the CSEA, supplemented both by any amounts collected by distributors subsequent to the recognition of the amount for previous years, and by tariff revenues supplemented by the components covering the GSO. Unareti S.p.A., as for the previous years, intends to adhere to this mechanism also for 2021, consequently implementing the provisions of CSEA by the deadline of July 31, 2021.

Resolution 461/2020/R/eel subsequently introduced a similar compensation mechanism for the non-collection of network overheads not otherwise recoverable relating to the period January 1, 2016 to December 31, 2019. Unareti S.p.A. has adhered to this mechanism and, by the deadline of June 30, 2021, requested recognition of a net amount of approximately 800,000 euro that will be disbursed, following the required verifications, by CSEA net of the advance already recognized in December 2020 (and equal to approximately 500,000 euro).

Lastly, with Resolution 261/2020/R/eel, ARERA made urgent additions to the CTTE concerning the provision of guarantees and the handling of defaults, with the aim of strengthening the protection of distributors. In particular, limiting provisions have been introduced to the forms of credit rating and acceptable insurance sureties.

Energy efficiency certificates and tariff contribution recognized to distributors for fulfilment of the obligation

Energy Efficiency Certificates (TEE) or White Certificates (WC) are negotiable certificates issued by the GSE that certify the achievement of energy savings in final uses through the realization of energy efficiency interventions. The system was introduced by Ministerial Decrees July 20, 2004 as amended, and provides for electricity and natural gas distributors to reach annual quantitative targets for primary energy savings, expressed in tonnes of oil equivalent (TOE) saved. A TEE/WC is equivalent to 1 TOE.

Electricity and gas distributors can fulfil the obligation by directly realizing energy efficiency projects that entitle the issue of WC or by purchasing the certificates from other entities that generate them on the market (typically from Energy Service Companies – ESCO). The Authority defines the methods for determining and paying the tariff contribution to be paid to distributors and the revenue is collected through fees applied to electricity and gas bills.

The following table shows the energy saving targets defined by the MiSE MD May 21, 2021.

		Targets for distributors of electricity(1)	Targets for distributors of gas(1)	Minimum target(2)	Period to compensate the residual obligatory portion(2)
		Millions of WC	Millions of WC	(%)	(no. years)
Ministerial Decree January 11, 2017	2020	3.17	3.92	60%	2
Ministerial Decree May 21, 2021	2020	1.27	1.57	60%	2
	2021	0.45	0.55	60%	2
	2022	0.75	0.93	60%	2
	2023	1.05	1.3	60%	2
	2024	1.08	1.34	60%	2

(1) Obliged entities: electricity and gas distributors with more than 50,000 final customers.
(2) Minimum target and compensation period: the obliged entity that achieves an obligation portion of less than 100% but still at least the minimum target set by the Ministerial Decree (60%) may offset the residual portion in the following two-year period (n+2) without incurring penalties.

MD May 21, 2021 amended MiSE MD January 11, 2017 (as updated by MD May 10, 2018), by providing:

- a reduction in 2020 obligations, the postponement of the 2020 obligation year deadline to July 16, 2021, and the definition of obligations for the 2021-2024 regulatory period;
- the establishment of a maximum value (cap) for the tariff contribution defined by ARERA, taking into account the trend of WC prices on the market and those recorded in bilateral trades;
- the issuance of WC to the overrun by the GSE to distributors that request it at a value equal to the difference between 260 €/WC and the value of the tariff contribution for the year of obligation, up to a maximum delta of 15 €/WC and setting a floor of 10 €/WC.

The obliged parties can request the WC to the overrun until the minimum obligation is reached and to cover the residual amounts of obligation expiring, provided they are already in possession of a WC amount of at least 20% of the minimum obligation on their ownership account. For the cancellation of these WC, the tariff contribution will not be recognized. Distributors can then redeem all or part of the amount paid for the purchase of WC from the GSE for delivery of WC generated by projects or bought on the market. The redemption takes place from the first WC and is possible only if the obliged party holds a number of WC exceeding the minimum obligation for the current obligation year, and within two years following the expiry of the obligation. However, it is not possible to proceed with the redemption in the same obligation year in which the WC were issued.

WC cancelled in lieu of the GSE ones are paid the current year's tariff contribution and the refund of the amount paid to the GSE is made through a tariff contribution adjustment.

The new MD also introduces a system of incentives for savings through downward auction procedures, to be defined by a subsequent MiTE MD by December 31, 2021. Auctions will be for the economic value of the saved TEP - on a pay-as-bid basis - and may cover specific sectors and projects. This incentive system will be available to entities that support the investment for the implementation of the energy efficiency project.

MD May 21, 2021 incorporates many of the elements proposed by ARERA in its Opinion 153/2021/I/efr on the draft decree and in Brief 165/2021/I/eel submitted to the Senate during the hearing at the Industry Committee held on April 20. In particular, the Authority represented that the update of the PNIEC should take into account the present and future role of TEE and the mechanism of downward auctions being defined; in relation to the definition of the tariff contribution, it specified that no floor should be provided to avoid remuneration for distributors in case of excess supply of TEE, it should be independent of market stability measures and be defined ex ante, without being subject to change during the year.

Unareti S.p.A. is the third distributor in Italy obliged to achieve energy savings under the WC mechanism. ARERA Determination DMRT/EFC/6/2021 defined the quantities of WC to be annulled for the 2020 obligation year, taking into account the lowering of the targets set by the new MD.

Obliged Party	TEE 2020 Obligation old	TEE 2020 Obligation new
Unareti S.p.A.	372,009	149,008
Lereti S.p.A.	41,874	16,771
Lario Reti Gas S.r.l.	23,510	9,416
LD Reti S.r.l.	81,140	32,497
RetiPiù S.r.l.	46,292	18,540
Total	**564,825**	**226,232**

In light of the amendments introduced by MD 21 May 2021, we are waiting for ARERA to define the new methods for calculating the tariff contribution and the related quantification for the 2020 obligation year.

Activities of ARERA in the regulation and control of the Integrated Water Service (SII)

Approval of the water tariff method for the third regulatory period 2020-2023

Resolution 580/2019/R/idr approved the SII Tariff Method (MTI-3) for the third regulatory period (2020-2023), defining the rules for calculating the costs eligible for tariff recognition, as well as the limits to the applicable tariff increases (reduced compared to the maximum levels provided for in the previous regulatory period). In the same Resolution, the parameters were updated of the Water Risk Premium (1.7%), beta (relative riskiness of the SII equal to 0.79), inflation rates to update operating costs, gross fixed investment deflators, and rate tc for the calculation of financial and fiscal charges (it follows that the component covering financial and fiscal charges stands at 5.2%).

The regulations confirmed the four-year duration of the regulatory period as well as the time frame for the Ambit Government Entity (EGA) tariff provisions, with an update every two years.

The main additions concern:

- the change in the recognition of financial charges on Work in Progress (LIC):
  - LIC with balances that have remained unchanged for more than 4 years excluded from tariff recognition;
  - application to LIC of a lower rate compared to fixed assets entered into operation and decreasing over time;
- the drafting, in addition to the Plan of Interventions, of a Plan for Strategic Works (POS) 2020-2027 containing the forecast of infrastructural interventions dedicated to complex works with a useful life greater than/equal to 20 years priority for the quality of service. The LIC of the works contained in the POS benefit from full (and not decreasing) tariff recognition;
- the modification of the regulatory useful lives, for assets that came into operation in 2020, dividing the assets between aqueduct, sewerage, purification and common activities and associating them with the relative macro-indicator of technical and commercial quality;
- the introduction of an incentive for the measures put in place by the Operator to make users more aware of their consumption and to encourage the procedures for limitation in case of default and selective disconnection of supply;
- in the calculation of the adjustments of the other water activities, the activities linked to energy and environmental sustainability objectives have been separated, to which the Manager is granted a sharing equal to 75% of the difference between revenues and costs incurred. The benefits of this "incentive" will apply in the tariffs 2022 (a+2);
- the application to ordinary LIC, for the years 2020 and 2021, of the rate recognized for fixed assets relating to strategic works.

In the Brescia area, the tariff proposals for the 2020-2023 period, approved by the EGA Board on December 29, 2020, were confirmed by the Provincial Council on March 2, 2021. Tariff increases of 2% and 1.5% per annum respectively have been approved for A2A Ciclo Idrico S.p.A. and Azienda Servizi Valtrompia S.p.A. for the two-year period 2020-2021.

With regard to the Operator Lereti S.p.A. belonging to the ACSM-AGAM Group:
- with regard to the Varese area, the 2020-2023 aqueduct tariff proposals were approved by the Provincial Council on April 29;
- with regard to the Como area, the 2012-2023 aqueduct tariff proposals were approved by the Provincial Council on March 9, 2021.

millions of euro	Constraint to Operator Revenues (VRG) 2021	RAB 2019 (net residual) underlying 2021 tariffs
A2A Ciclo Idrico S.p.A.	90.3	305.7
ASVT S.p.A.	9.6	20.1
Lereti S.p.A. - COMO	16.4	46.2
Lereti S.p.A. - VARESE	26.6	38.7

Appeals toward approvals of 2020-2023 tariff proposals

A2A Ciclo Idrico S.p.A. has lodged an appeal with the Brescia Regional Administrative Court (TAR) for the annulment of the MTI-3 tariff arrangement approved by the Provincial Council, contesting the scope of the costs (capital and operating) recognized in that not all of the municipalities managed by the company in the years considered were taken into account.

With regard to the Como area, the operator Lereti S.p.A. notified an appeal to the Regional Administrative Court (TAR) on March 23, 2021 due to the failure to complete the preliminary investigation into the so-called prior year items amounting to approximately 37.9 million euro. In fact, the Como ATO Office approved the aqueduct tariffs for the years 2012-2019 and for the last period 2020-2023 without providing for the differential in revenues for the periods prior to ARERA management (considering that no prejudice was caused by the non-recognition of this differential, the company did not allocate any provision for risks).

Revision of the tariff structure applied to end users

In order to harmonize the tariff structure applied to end users throughout the national territory, ARERA Resolution 665/2017/R/idr introduced the Integrated Text of Water Service Fees (TICSI) in force since January 1, 2018. The TICSI introduces the concept of standard per-capita tariff and includes:
- the distinction between resident and non-resident, condominium and non-domestic users;
- the application to resident domestic users of a standard per-capita tariff for a transitional period (2018-2021) and, in any case, until the actual availability of information, defined on the basis of a typical family of 3 members (with the first facilitated bracket equal to 55 mc/year) and an actual per-capita tariff (facilitated bracket: at least 18.25 mc/year per member) only in the case of self-declaration regarding the number of members of the household;
- the regime tariff structure as from 2022 with the application of the effective per capita tariff to all resident domestic users;
- the rationalization of tariff types for uses other than domestic;
- the application of a trinomy tariff (fixed portion, capacity portion and variable portion) uniform at national level for industrial users related to discharges of waste water authorized to discharge into public sewers. This tariff is designed to intercept with the variable portion, quality in terms of pollution of the discharge, with the capacity portion, the correct allocation of the costs to use the treatment capacity of the plant destined to receive the discharges, and with the fixed portion, the coverage of administrative and metering costs;
- the assessment of the effects of the new tariff structure on the revenues of the Operator, providing for ex ante and ex post checks.

The tariff structure is adopted by the EGA on the basis of the data provided by the Operators and was to be submitted to the Authority by June 30, 2018.
- the Brescia EGA approved the new structure on February 13, 2020 and on July 31, defined the guidelines to be used for billing: each Area Operator must recalculate the annual payments for 2018, 2019 and 2020 by December 31, 2021. During 2021, the necessary steps were taken to obtain the information required to correctly calculate the tariff adjustments for the 2018, 2019 and 2020 years, which were made in the spring of 2021;

- the Como EGA approved the tariff rate structure at the January 19, 2021 BoD meeting effective January 1, 2018. Therefore, during 2021, the 2018, 2019 and 2020 annuities must be recalculated by Lereti S.p.A. with the related tariff increases, resolved at the same meeting;
- the Varese EGA had already approved the new TICSI articulation in 2019.

2018 Budget Law: National plan for action in the water sector

Article 1, paragraph 516, of Law 205/2017 requires, for the purpose of planning and implementing the measures necessary to mitigate the damage related to the phenomenon of drought and to promote the strengthening and adaptation of water infrastructures, with a specific Prime Ministerial Decree adoption of the "National Plan of Action in the Water Sector", divided into two sections: "aqueducts" section and "reservoirs" section, for the achievement of the following priority objectives:

a) achievement of adequate levels of technical quality;
b) recovery and expansion of the maintenance and transport of the water resource, also with reference to the storage capacity;
c) dissemination of tools aimed at saving water in agricultural, industrial and civil uses.

The measures of the National Plan and reported by the EGAs to the ARERA are financed with public resources.

With Report 268/2018/R/idr and subsequent 252/2019/R/idr, the Authority has drawn up a first list of necessary and urgent interventions, including construction of the aqueduct, sewerage and treatment network, which is currently absent, in the municipality of Calvisano (BS) managed by A2A Ciclo Idrico S.p.A.. To date, this intervention has benefited from contributions of 5.3 million euro.

With Prime Ministerial Decree of August 1, 2019 *"Adoption of the first excerpt of the National Plan of interventions in the water sector - aqueducts section"*, 26 interventions were approved (among which the one for the Municipality of Calvisano) for a total amount of 80 million euro for the two years 2019 and 2020.

Resolution 284/2020/R/idr initiated the procedure for the identification of the second list of necessary and urgent interventions for the purpose of updating the "aqueducts" section of the National Plan. The Authority, as part of the launch, intends to define a single plan (submitted by the respective EGAs and Regions) based on a multi-year programme for the period 2021-2028, to which the entirety of the residual resources provided for in article 1, paragraph 155, of Law 145/2018 for the "aqueducts" section of the National Plan will be allocated. As part of this process, in September, the ACSM-AGAM Group presented some strategic projects that still need to be validated by the Lombardy Region.

In view of the continuing health emergency, Resolution 58/2021/R/idr introduces simplification measures to ensure the timely disbursement of resources for the design and implementation of the interventions contained in Annex 1 to the Prime Ministerial Decree DPCM of August 1, 2019. With reference to Calvisano, in the first half of 2021, no grants have yet been disbursed (remaining funding of approximately 2.3 million euro).

Activities of ARERA in the regulation and control of the district heating/cooling sector (or district heat)

Legislative Decree no. 102/2014, which transposes Directive 2012/27/EC on energy efficiency, granted the Authority specific powers to regulate and control under articles 9, 10 and 16, including in the district heating/cooling sector, even if only on specific aspects, since this is not a real tariff regulation. The powers concern, in fact, the preparation of measures on connection and disconnection from the networks, withdrawal rights, commercial and technical quality of service, the way in which operators make public the prices of the supply of heat.

The Authority is also entrusted with the task of implementing the provisions on metering, billing, access to consumer data in order to increase customer awareness and change consumer behaviour.

Resolution 548/2019/R/tlr defined, for the period January 1, 2021 - December 31, 2023, the regulation of the technical quality (RQTT) with reference to the safety and continuity of the service, introducing obligations on emergency response, the management of interruptions (with a specific general quality standard) and dispersions as well as obligations to record information relating to safety and quality for annual communication to the Authority. The aim is to guarantee a greater degree of protection for users and to encourage the spread of the service through a progressive increase in the performance of the sector with the definition of uniform minimum standards at national level.

Resolution 478/2020/R/tlr defined the regulation of metering (TIMT) for the period January 1, 2022 - December 31, 2024, introducing service obligations and quality standards for the metering of energy supplied to users by defining minimum reading frequencies, obligations for the communication of readings by Operators, the introduction of the obligation to self-read, the definition of calculation methods for estimating and reconstructing consumption and rules for archiving data. The regulation of the minimum performance characteristics of the meters has been postponed to a subsequent provision.

Resolution 537/2020/R/tlr extended, from July 1, 2021, also to the district heating sector the system of protections for the handling of complaints and the out-of-court settlement of disputes with end users already in place in the other regulated sectors. The Authority has introduced two levels of protection: a basic level that provides for the extension of the contact center service of the Energy and Environment Consumer Desk to district heating, and a second level that allows end users to activate a conciliation procedure before the Authority's Conciliation Service.

Lastly, proceedings were started for the revision of some regulations for the second regulatory period: Resolution 11/2021/R/tlr began the process of adopting measures concerning connection fees and methods for exercising the right of withdrawal, while Resolution 27/2021/R/tlr began the process of adopting measures concerning commercial quality. In February 2021, a focus group was set up with stakeholders on the first hypotheses of regulation regarding the conditions of access of third-party heat production plants to district heating networks.

GSE checks: cogeneration plant combined with district heating in Canavese (MI)

The cogeneration plant combined with district heating called Canavese and located in Milan was qualified IAFR by the GSE on July 28, 2010 (code 5072) for the purpose of obtaining Green Certificates (GCs) pursuant to Law 239 of August 23, 2004 and the subsequent Ministerial Decree of October 24, 2015. The incentive period was from January 1, 2011 through December 31, 2018.

On March 12-14, 2018, the GSE initiated a verification procedure aimed at analyzing the achievement of: i) CAR (high-efficiency cogeneration) qualification and ii) GC incentives.

On March 25, 2019 , after a series of integrations provided by the Company, the GSE sent a letter of first outcome in which it contested the undue obtaining of GCs for heat delivered on primary pipeline that came into operation after December 31, 2009, a date considered the deadline to extend the network for the purposes of the incentive, and requests the restitution of a number of GCs equal to 109,032 MWh in addition to the restitution of 23,447 MWh of GRIN Tariff received since January 1, 2016.

In February 2020, the GSE closed the inspection visit with reference only to the verification of the CAR qualification in view of a malfunction of the metering instruments.

With reference to the exact quantity of CVs due, a number of discussions are underway between A2A Calore & Servizi S.r.l. and the GSE, which have led to various additions being made to the documentation by the company, which prudently decided to further increase the risk provision at the end of 2020. It totals more than 14 million euro.

8

Scenario and Market

8.1 Macroeconomic scenario

Overview

The global economy showed a faster-than-expected recovery in the first two months of 2021 after the deep recession caused by the COVID-19 pandemic. Beginning in early March, the resurgence of contagions prompted governments to again impose stricter shutdown measures, resulting in a slowdown in global growth in both advanced and emerging economies. The advanced economies have been more resilient than expected, showing greater diligence to lock-downs, faster vaccination campaigns and a good response to the additional economic stimulus measures introduced. In contrast, the slowdown in emerging economies was more pronounced due to deteriorating epidemiological conditions and the slow pace of the vaccination campaign.

In the United States, economic activity is expected to expand as a result of the vigorous support measures and the gradual reopening of the economy. After the solid growth of +6.4% recorded in the first quarter of 2021, in the second quarter, activity is expected to mark a further expansion in the context of an increase in consumer spending supported by the direct provision of public income support to households. China lost momentum in the second quarter of the year recording +7.9% growth, following the explosive +18.3% growth recorded in the first three months of 2021. This rebound reflects a post-Covid normality with a slight slowdown in industrial production (+8.3% in June versus +8.8% in May) and retail sales (+12.1% in June versus +12.4% in May). Overall, according to data released by the National Bureau of Statistics in Beijing, in the first half of the year, China's economy grew by +12.7% compared to the same period last year.

According to the preliminary estimate released by the European Commission, the Eurozone GDP, after contracting by 0.3% in the first quarter of the year, is expected to recover to +1.3% in the second quarter thanks to the recovery of economic activity, the easing of restrictions on businesses and mobility.

As far as Italy is concerned, the recovery of GDP is faster and ahead of schedule by 1-2 months. Consumer confidence is up, there are more orders, more credit and interest rates remain low. In this context, the preliminary estimate, prepared by the European Commission, confirms a GDP growth of 0.8% in the second quarter of 2021, while the GDP for the first quarter of the year was revised upwards by Istat to +0.1% compared to the figure released on April 30 and equal to -0.4%.

According to the preliminary estimate released by Eurostat, inflation in the Eurozone fell to 1.9% in June from +2% in May. Considering the main components, energy should record the highest annual rate in June with +12.5% (+13.1% in May) followed by non-energy industrial goods with +1.2% (+0.7% in May) and services with +0.7% (+1.1% in May). On average in the first half of 2021, the inflation acquired was +1.4%.

In Italy, according to preliminary estimates by Istat, in June 2021, the national consumer price index (NIC) recorded a positive change of the same intensity as in May and equal to +1.3%. Inflation is mainly attributable to the sustained growth in energy prices (which accelerated slightly from +13.8% in May to +14.1%). Also worth noting is the recovery in the prices of recreational, cultural and personal care services (+0.9% from a trend of zero) and the zeroing of the decline in those of processed foods (from -1.1%). On average in the first half of 2021, the inflation acquired was +0.9%.

Since the outbreak of the COVID-19 emergency, rapid and significant interventions by several central banks have been crucial to prevent an even greater decline in confidence and asset prices. In all major countries, monetary and fiscal authorities have put in place significant expansionary measures to support household and corporate income, credit to the economy and liquidity in the markets. Of particular importance was the activation and creation of swap lines between the major central banks to provide liquidity at international level. At its meeting on June 10, the European Central Bank (ECB) left the reference rate at an all-time low of zero, reaffirming its commitment to maintain it at its current levels at least until inflation converges to values close to 2%. The ECB also confirmed that it will continue to make purchases under the Pandemic Emergency Purchase Programme (PEPP) amounting to 1,850 billion euro with a time horizon that remains extended until the end of March 2022 and, in any case, until it deems that the critical phase linked to COVID-19 is over. At the same time, the ECB confirmed that purchases under the Asset Purchase Programme (APP) will continue at a monthly pace of 20 billion euro, and will end shortly before the increase in key interest rates and in any case, as long as necessary to maintain favourable liquidity conditions and a broad degree of monetary accommodation. At its June meeting, the Federal Reserve (FED) decided to leave interest rates unchanged in the 0.00-0.25% range, and announced its intention to hold them steady until employment and inflation reach the expected targets. Also confirmed are the purchases of government bonds for 80 billion dollars monthly and asset-backed securities for 40 billion dollars at least until the end of 2023.

In the first half of 2021, the EUR/USD exchange rate stood at 1.21 dollars, up 9.5% over the same period of the previous year.

Outlook

The Organization for Economic Co-operation and Development (OECD) in its "Interim Economic Outlook" has improved the scenario for the global economy. World GDP will grow 5.8% this year (from +5.6% expected in March) and 4.4% in 2022 (+0.4% from the previous estimate).

The outlook for the global economy has improved considerably, although the trend is uneven across countries. In advanced economies, the acceleration of the vaccination campaign has allowed a gradual reopening of activities with higher contact rates, and fiscal stimulus measures have helped increase demand by reducing spare capacity and lowering the risks of serious long-term repercussions from the pandemic. The performance of the United States GDP stands out, which, according to the Federal Reserve, is expected to increase by 7% in 2021 (+0.5% compared to the March estimate), 3.3% in 2022 and then settle at +2.4% in 2023 (revised upwards by +0.2%) thanks to the economic support measures and the new anti-COVID plan launched by the Biden administration. Japan's GDP, after -4.8% in 2020, is expected to rise to +3.1% in 2021 (downward revision of -0.2%) and +2.5% in 2022. China, the only major economy not to experience a contraction in economic activity in 2020, is expected to post +8.5% this year (+0.1% from the March estimate) and then expand by +5.8% in 2022.

Concerns instead for many emerging economies whose growth will continue to be affected, for some time, by slow vaccination campaigns, greater exposure to the risk of new variants and the consequent containment measures. India's growth forecasts for the current year are down from the +12.6% expected in March to +9.9%, while the estimate for 2022 remains unchanged at +6.9%. Estimates have been improved for Brazil, which is expected to grow by +3.5% in 2021 and +3.6% in 2022. Russia is expected to grow by +3.8% this year and +2.7% next.

The European Commission, in its summer forecasts published in July, revised upwards the growth estimates of the Eurozone: GDP is expected at +4.8% this year (+0.5% compared to May) and +4.5% in 2022 (+0.1% compared to the previous estimate). Among the major economies of the Eurozone, the most significant growth is expected from Spain, which should go from a contraction of 11% in 2020 to +6.2% in 2021 and +6.3% in 2022 followed by France with +6.0% in 2021 and +4.2% in 2022. Germany, Europe's largest economy, is expected to grow +3.6% this year and +4.6% next year.

The Bank of Italy, in its June Monthly Bulletin, has improved its growth estimates for Italy: GDP is expected to grow by +4.9% this year (against +3.5% of the previous estimate), by +4.5% in 2022 (against +3.8%) while confirming +2.3% in 2023. The upward revision mainly reflects the stimulus effects of the support and recovery measures financed by the national budget and European funds, including those outlined in the National Recovery and Resilience Plan (NRRP). On the other hand, the trend in the unemployment rate will reflect the gradual normalization of the labour market with an increase in the current year to 10.2%, a slight drop in 2022 to 9.9% and then to 9.5% in 2023.

Global consumer prices are expected to rise in 2021. In the short term, the rise in inflation will be further accentuated by the positive effect of the reaction of commodity prices to the post-pandemic shock recovery. However, this increase in inflation is likely to be transitory, given the significant level of spare capacity in the world economy. The Federal Reserve estimates that US inflation will rise to +3.4% this year, +2.1% in 2022 and +2.2% in 2023.

According to the June forecasts formulated by ECB experts, inflation in the Eurozone is estimated at 1.9% in 2021, 1.5% in 2022 and 1.4% in 2023. Compared with the analysis conducted in March 2021 by Eurosystem experts, the inflation outlook has been adjusted upwards for 2021 and 2022, mainly as a result of higher energy commodity prices, while it remains unchanged for 2023.

Inflation prospects in Italy have also been revised upwards, and are estimated at +1.3% this year, +1.2% in 2022 and +1.3% in 2023 (source: Bank of Italy).

As regards the level of interest rates, both the European Central Bank (ECB) and the Federal Reserve (FED) will be faced with important monetary policy choices and both will be faced with the risk of a fall in inflationary expectations. The Governing Council of the European Central Bank has declared itself ready, if necessary, to increase the extent and change the composition of its purchasing programmes and to do whatever is necessary, within the framework of its mandate, to support the Eurozone and ensure that inflation continues to approach the target level of around 2%. The decisions of the Board of Directors will support the liquidity and financing of the economy, contribute to credit for households and businesses in all sectors and in all countries to promote economic recovery. In contrast, the Federal Reserve is changing

direction and plans to raise interest rates by the end of 2023, earlier than previously expected, although it says it is prepared to change the direction of monetary policy if inflation trends or long-term inflation expectations move noticeably and persistently above levels consistent with the 2% target.

Macroeconomic projections made by leading analysts indicate that the EUR/USD exchange rate will fluctuate within a range of 1.20-1.25 in the three-year period 2021-23, with expectations of a continuation of the depreciation trend of the dollar as a result of the Federal Reserve accommodative policy and the substantial stimulus to the US economy launched by the Biden administration.

8.2 Energy market trends

Electricity

As far as the national electricity market is concerned, in Italy in the period January-May 2021, there was a net requirement of 127,460 GWh (source: Terna), up (+6.6%) compared to the same period of 2020; in seasonally adjusted terms, and corrected for calendar and temperature, the change is equal to +7.5%. The above requirements were met 49% from non-renewable sources, 37% from renewable sources and the remainder from imports.

Net electricity production in the first five months of 2021 amounted to 110,341 GWh, up +2.8% compared to the corresponding period of the previous year. Specifically, as regards renewable production sources, both hydroelectric (+2.2%) and wind power (+11.5%) show an increase; on the other hand, the geothermal source (-4.7%) and the photovoltaic source (-3.0%) show a decrease. Thermoelectric production increased, showing +3.0% compared to the corresponding period of the previous year, which stood at 69,842 GWh. National production, excluding pumping, accounted for 86.6% of the demand for electricity, while net imports satisfied the remainder. In the first five months of 2021, energy production from renewable sources was 42.7 TWh, an increase of +2.3% compared to 2020.

The average value of the PUN Base Load in the first half of 2021 shows an increase of +107.6% compared to the first half of 2020, reaching 66.9 €/MWh. The dynamic is mainly driven by a return of electricity consumption to pre-pandemic levels and a significant rise in gas and CO2 costs. In January 2021, the PUN stood at 60.7 €/MWh, declining slightly in February, followed by an upward trend that culminated in June with a value of 84.8 €/MWh. Average prices on the rise also for the price in the hours of high load (PUN Peak Load) with a value that stood at 73.9 €/MWh (+107.6% compared to 2020). The average price during off-peak hours (PUN Off-Peak) increased to 63.0 €/MWh, an increase of 107.9% compared with the previous year. For all of 2021, forward curves indicate Base Load PUN prices with average values close to 84.4 €/MWh.

Natural Gas

In the average of the first half of 2021, natural gas consumption in Italy shows a growing trend and stands at 39,779 Mcm recording an increase of 11.0% compared to the corresponding period of 2020 (source: Snam Rete Gas). The growth was across the board: consumption in the thermoelectric and industrial sectors increased by 8.8% and 11.4%, respectively, compared with the first half of 2020, which was characterized by lower demand for electricity and lower industrial production due to the crisis triggered by the Coronavirus. Similar dynamics also for consumption in the civil sector, which amounted to 19,356 Mcm (+11.3%).

On the supply side, higher demand during the period under consideration favoured an increase in imports to 36,728 Mcm (+9.0%), which represented 95.9% of domestic demand net of the trend in stocks. Domestic production, which satisfied the remainder, fell by 20.6% to 1,560 Mcm.

Insofar as prices are concerned, the upward trend in the average price of natural gas at the Virtual Exchange Facility (PSV) continued unabated. After falling slightly in February and holding relatively steady in March, it peaked in June at 28.1 €/MWh. Specifically, the average price of gas to the PSV for the first half of 2021 amounted to 21.8 €/MWh, up 137.9% compared to the first half of 2020. For all of 2021, forward curves indicate prices with average values close to 27.6 €/MWh. The price dynamics on the main European hubs were similar: the average price of gas at the TTF in the first half of 2021 was 21.6 €/MWh, up 187.0% compared to the same period in 2020.

The trend in the respective prices resulted in a PSV-TTF differential of 0.2 €/MWh for the reporting period, significantly down compared to the differential of the first half of 2020 (1.6 €/MWh). Gas prices on the main European markets tend to confirm a continuation of the upward trend during the second half of the year, with the expected price of gas at the TTF higher than the PSV: the forward curves predict a negative PSV-TTF differential of about 0.5 €/MWh.

Oil and coal

In the first six months of 2021, oil products return to levels near or above pre-COVID 19 levels. Oil prices continued their upward trend, rising to an average of 65.1 $/bbl, or 54.3% more than in the first six months of the previous year. In June 2021, Brent crude prices reached their highest level since May 2019 and stood at 73.4 $/bbl. In the first half of 2021, the upward trend in prices stated in €/bbl was dampened (+41.2%) by the appreciation of the euro versus the dollar, which increased by 9.5% compared with the same period in 2020 (USD/EUR 1.21). For 2021, oil forward curves indicate prices with average values close to 70.1 $/bbl.

The Energy Information Administration (EIA) reported that global oil demand is expected to return to pre-recession levels as early as the end of next year. After a record decline of 8.6 million barrels per day in 2020, the agency's estimate is for a rebound in global demand of 5.4 million barrels per day this year and another 3.1 million barrels per day in 2022. This would reach an average of 99.5 million barrels per day to reach 100.6 million barrels per day in the fourth quarter of 2022, even surpassing the peak of 100.5 million barrels per day in the fourth quarter of 2019, before the pandemic broke out.

The EIA announced that global oil supply will grow at a faster pace in 2022, with the United States among the top producers outside of OPEC+ countries. In July, a meeting of OPEC+ countries was held in Vienna with the objective of further increasing total production by 400 thousand barrels per day in order to satisfy the growing demand due to the global economic recovery. The inability to reach a deal suddenly sent oil prices soaring with Brent hitting 77.5 $/bbl on July 6, 2021.

Coal also accelerated its growth, returning above 100.0 $/tonne for the first time since September 2018, standing at 110.2 $/tonne in June. The price, on average for the first half of 2021, was 78.6 $/tonne with a 73.6% increase compared to the figure in the same period of the previous year (45.3 $/tonne). The appreciation of the euro against the dollar mitigates the upward trend in prices expressed in euro (+58.7%). For all of 2021, forward curves indicate prices with average values close to 97.2 $/tonne.

9

Result sector by sector

9.1 Result sector by sector

Generation and Trading Business Unit

The activity of the Generation and Trading Business Unit is related to the management of the generation plants portfolio[1] of the Group with the dual purpose of maximizing the availability and efficiency of the plants, minimizing operating and maintenance costs (O&M) and maximizing the profit deriving from the management of the energy portfolio through the purchase and sale of electricity and fuels (gaseous and non-gaseous) and environmental certificates on domestic and international wholesale markets. This Business Unit also includes the activity of trading on domestic and foreign markets of all energy commodities (gas, electricity, environmental certificates).

Market Business Unit

The activities of the Market Business Unit are aimed at the retail sale of electricity and natural gas to customers in the free market and sale to customers served under protection scheme, the management of public lighting, traffic regulation systems, votive lamps. Furthermore, it deals with providing energy efficiency and electric mobility services.

Waste Business Unit

The activities of the Waste Business Unit relates to the management of the integrated waste cycle, which ranges from collection and street sweeping to the treatment, disposal and recovery of materials and energy.
In particular, collection and street sweeping mainly refers to street cleaning and the collection of waste for transportation to its destination.
Instead, waste treatment is an activity that is carried out in dedicated centers to convert waste in order to make it suitable for the recovery of materials.
Disposal of urban and special waste in combustion plants or landfills ensures the possible recovery of energy through waste-to-energy or the use of biogas.
The Waste Business Unit includes the activities of the International Business Unit for the provision of know-how and technologies for the realization of waste pre-treatment plants.

Networks Business Unit

The activities of the Networks & District Heating Business Unit mainly consists of the technical and operational management of networks for the distribution of electricity, the transport and distribution of natural gas and the management of the entire integrated water cycle (water captation, aqueduct management, water distribution, sewerage network management, purification). It is also aimed at the sale of heat and electricity produced by cogeneration plants (mostly owned by the Group), through district heating networks and ensures the operation and maintenance of cogeneration plants and district heating networks. Also included are the activities related to the management services for heating plants owned by third parties (heat management services).
The Networks & District Heating Business Unit also provides telecommunication services, in particular, services relating to the management of fixed and mobile phone lines and data transmission lines, as well as services related to the management and development of infrastructures supporting communications, and the implementation and management of video surveillance and access control systems. Finally, it designs solutions and applications aimed at creating new models of cities and territories and improving the quality of life of citizens.

Corporate

Corporate services include the activities of guidance, strategic direction, coordination and control of industrial operations, as well as services to support the business and operating activities (ex. administrative and accounting services, legal services, procurement, personnel management, information technology, communications etc.) whose costs, net of amounts recovered from accrual to individual Business Units based on services rendered, remain the responsibility of the Corporate.

1 Total installed capacity of 9.2 GW.

The following is a summary of the main economic data by sector:

Results by sector first half 2021

millions of euro	Generation and Trading	Market	Waste	Netwotks	Corporate	Eliminations and adjustments	Total
Revenues from the sale of goods and services	2,312	1,516	604	579	141	(1,197)	3,955
Other revenue and income	66	8	8	25	6	(8)	105
Total revenues	**2,378**	**1,524**	**612**	**604**	**147**	**(1,205)**	**4,060**
Labour costs	45	32	178	53	71		379
Gross operating margin - EBITDA	**150**	**126**	**164**	**260**	**(10)**		**690**
Depreciation, amortization, provisions and write-downs	98	26	59	127	25		335
Net operating income - EBIT	**52**	**100**	**105**	**133**	**(35)**		**355**
Capex	**37**	**39**	**109**	**209**	**27**	**(8)**	**413**

Results by sector first half 2020

millions of euro	Generation and Trading	Market	Waste	Netwotks	Corporate	Eliminations and adjustments	Total
Revenues from the sale of goods and services	1,689	1,239	522	515	114	(995)	3,084
Other revenue and income	69	5	13	8	10	(8)	97
Total revenues	**1,758**	**1,244**	**535**	**523**	**124**	**(1,003)**	**3,181**
Labour costs	46	29	160	54	66		355
Gross operating margin - EBITDA	**98**	**111**	**143**	**220**	**(13)**		**559**
Depreciation, amortization, provisions and write-downs	82	28	53	96	19		278
Net operating income - EBIT	**16**	**83**	**90**	**124**	**(32)**		**281**
Capex	**19**	**22**	**55**	**145**	**13**	**(4)**	**250**

9.2 Generation and Trading Business Unit

The following is a summary of the main quantitative and economic data relating to the Generation and Trading Business Unit.

150 million euro
EBIDTA
+53.1% compared to 2020

37 million euro
CAPEX
19 million in 2020 (+94.7%)

127,460 GWh(*)
Energy demand in Italy
(+6.6% vs 2020)
(*) January-May 2021

2,286 GWh
Production from renewable sources
of which 151 GWh photovoltaic and wind (+15.5% vs 2020)

6,052 GWh
Thermoelectric production from other facilities
(+26.9% vs 2020)

74 GWh
Production of coal-fired plants
(-35.1% vs 2020)

66.9 €/MWh
Single National Price
(+108% vs 2020)

-2.7 €/MWh
Clean Spark Spread
(-1.9 €/MWh in 2020)

Operating figures

Net electricity production GWh	06 30 2021	06 30 2020	CHANGE	% 2021/2020
Net thermoelectric production	**6,126**	**4,882**	**1,244**	**25.5%**
- CCGT	5,639	4,554	1,085	23.8%
- Olio	413	214	199	93.0%
- Coal	74	114	(40)	(35.1%)
Net production from Renewable Sources	**2,286**	**1,979**	**307**	**15.5%**
- Hydroelectric	2,135	1,912	223	11.7%
- Photovoltaic	139	67	72	n.s.
- Wind	12	-	12	n.s.
TOTAL NET PRODUCTION	**8,412**	**6,861**	**1,551**	**22.6%**

The Group's electricity production amounted to 8,412 GWh, with a positive change of 1,551 GWh, to which all sources contributed positively, with the exception of the Monfalcone coal plant.

Thermoelectric production in the first half of the year totalled 6,126 GWh (4,882 GWh at June 30, 2020). The growth recorded (+25.5%) is linked to the higher output of combined cycle plants, following the increase in demand for contestable energy recorded in the period in question.

Production from renewable sources increased by 15.5% over the same period of the previous year, reaching 2,286 GWh, mainly due to the contribution of the hydroelectric plants in the North (+223 GWh) and the significant contribution during the period of the new photovoltaic (+72 GWh) and wind power (+12 GWh) renewable sources.
As far as new renewable sources are concerned, we note the acquisition in March 2021 of 17 photovoltaic plants with a nominal capacity of 173 MW (portfolio of photovoltaic plants acquired by the English fund Octopus), in addition to the 111 MW already held by A2A and the 8.2 MW of wind power capacity acquired at the end of 2020 (Flabrum).

At June 30, 2021, the A2A Group had a total installed capacity from renewable sources (hydroelectric, photovoltaic and wind) of 2,235 MW, an increase of 14% compared to the corresponding period in 2020.

Economic figures

millions of euro	01 01 2021 06 30 2021	01 01 2020 06 30 2020	CHANGE	% 2021/2020
Revenues	2,378	1,758	620	35.3%
Gross Operating Margin - EBITDA	150	98	52	53.1%
% of Revenues	6.3%	5.6%		
Depreciation, amortization, provisions and write-downs	(98)	(82)	(16)	19.5%
Net Operating Income - EBIT	52	16	36	n.s.
% of Revenues	2.2%	0.9%		
Capex	37	19	18	94.7%
Labour costs	45	46	(1)	(2.2%)
FTE	1,046	1,078	(32)	(3.0%)

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 rise in the PUN this year compared with the collapse recorded in the same period last year;
- higher production volumes from both hydroelectric and combined-cycle thermoelectric power plants;
- 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.

Depreciation, amortization, provisions and write-downs totalled 98 million euro (82 million euro at June 30, 2020). The change is mainly related to depreciation and amortization of capex made in the period July 2020 - June 2021 and newly acquired companies in the renewable segment and higher net allocation for release of excess provisions made last year.

As a result of the above changes, Net Operating Income amounted to 52 million euro (16 million euro at June 30, 2020).

Capex totalled approximately 37 million euro and included about 20 million euro for extraordinary maintenance, of which 13 million euro at thermoelectric power plants and 5 million euro at the hydroelectric power plants of the Group.
Moreover, during the period in question, development work totalling 16 million euro was carried out on thermoelectric power plants (gas turbine upgrade) and photovoltaic systems (trade fair project). Adjustments to standards amounted to around 1 million euro.

In the first half of 2021, FTEs stood at 1,046 units (1,078 FTEs at June 30, 2020). The negative change is due to the continuation of the efficiency plan implemented for some hydroelectric and thermoelectric power generation plants (Monfalcone).

9.3 Market Business Unit

The following is a summary of the main quantitative and economic data relating to the Market Business Unit.

126 million euro
EBIDTA
+13.5% compared to 2020

39 million euro
CAPEX
22 million in 2020

8,594 GWh
Electricity Sales
(+22.8% vs 2020)

1,479 Mcm
Gas Sales
(+19.8% vs 2020)

1,290 (#/1000) POD
Retail market ele customers
Free market: 876 POD
(+20% compared to 2020)

1,592 (#/1000) PDR
Retail market gas customers
Free market: 900 PDR
(+16% compared to 2020)

Operating figures

Electricity	06 30 2021	06 30 2020	CHANGE	% 2021/2020
Electricity Sales (GWh)	**8,594**	**6,996**	**1,598**	**22.8%**
Electricity Sales Free Market	7,776	6,286	1,490	23.7%
Electricity Sales under Greater Protection Scheme	557	613	(56)	(9.1%)
Electricity Sales Safeguard Market	261	97	164	n.s.
POD Electricity (#/1000)	**1,290**	**1,192**	**98**	**8.2%**
POD Electricity Free Market	876	731	145	19.8%
POD Electricity under Greater Protection Scheme	414	461	(47)	(10.2%)

Gas	06 30 2021	06 30 2020	CHANGE	% 2021/2020
Sales (Mcm)	**1,479**	**1,235**	**244**	**19.8%**
Gas Sales Free Market (Mcm)	1,138	932	206	22.1%
Gas Sales under Greater Protection Scheme (Mcm)	341	303	38	12.5%
PDR GAS (#/1000)	**1,592**	**1,495**	**97**	**6.5%**
PDR Gas Free Market	900	773	127	16.4%
PDR Gas under Greater Protection Scheme	692	722	(30)	(4.2%)

The quantities are stated gross of losses.
The data related to the POD and PDR does not include the numbers relating to large customers.

In the first half of 2021, the Market Business Unit recorded 8,584 GWh of electricity retail sales, up 22.8% compared to the same period of the previous year. The increase recorded was attributable to the higher quantities sold in the free market, in particular to large customers, the greater contribution of the safeguard market and the sales of the AEB group, consolidated since November 2020.
Natural gas sales to end markets, equal to 1,479 million cubic metres, increased by 19.8% compared to the first half of 2020, partly due to higher sales to large customers and partly to the consolidation of AEB. There was also an increase in the number of mass-market free market customers, both in the electricity and gas segments (85 thousand more than at the end of 2020).

Economic figures

millions of euro	01 01 2021 06 30 2021	01 01 2020 06 30 2020	CHANGE	% 2021/2020
Revenues	1,524	1,244	280	22.5%
Gross Operating Margin - EBITDA	126	111	15	13.5%
% of Revenues	8.3%	8.9%		
Depreciation, amortization, provisions and write-downs	(26)	(28)	2	(7.1%)
Net Operating Income - EBIT	100	83	17	20.5%
% of Revenues	6.6%	6.7%		
Capex	39	22	17	77.3%
Labour costs	32	29	3	10.3%
FTE	1,019	893	126	14.1%

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;
- the increase in the number of mass-market customers, both electricity and gas;
- greater sales to large customers in the electricity and gas market;
- 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 spread of COVID-19.

Depreciation, amortization, provisions and write-downs totalled 26 million euro (28 million euro at June 30, 2020) due to the combined effect of higher depreciation and amortization and lower provisions for bad debts (in 2020, write-down of receivables in relation to the emergency situation arising from the pandemic).

As a result of the above changes, Net Operating Income amounted to 100 million euro (83 million euro at June 30, 2020).

In the first half of 2021, the Market Business Unit capex amounted to 39 million euro. These investments concerned approximately 26 million euro for the energy retail segment, for expenses incurred to acquire new customers and for the maintenance and development of hardware and software platforms, aimed at supporting billing and marketing activities (acquisition of a dynamic pricing platform) and the start-up of NEN (the A2A Group's full-digital start-up for the sale of electricity and gas). In addition, capex of approximately 6 million euro were made in the public lighting sector for the launch of projects in new municipalities and 7 million euro for energy efficiency and e-moving projects.

In the first half of 2021, FTEs stood at 1,019 units (893 FTEs at June 30, 2020). The change is due partly to the change in scope (consolidation of the AEB Group) and partly to the higher number of people hired to strengthen, in line with development objectives, traditional and innovative areas of activity, such as the hiring of the new company NEN.

9.4 Waste Business Unit

The following is a summary of the main quantitative and economic data relating to the Waste Business Unit.

164 million euro
EBIDTA
+14.7% compared to 2020

109 million euro
CAPEX
+55 million nel 2020 (+98%)

1,754 Kton
Waste disposed of
(+9% vs 2020)

of which:

497 Kton
Disposals material recovery
(+37.3% vs 2020)

781 Kton
Disposals energy recovery
(+4.1% vs 2020)

920 GWht
Heat sold
(+9.5% vs 2020)

1,057 GWh
Electricity sold
(+10.7% vs 2020)

Operating figures

	06 30 2021	06 30 2020	CHANGE	% 2021/2020
Waste collected (Kton)	928	806	122	15.1%
Residents served (#/1000)	4,172	3,669	503	13.7%
Electricity sold	1,057	955	102	10.7%
Heat sold (GWht)*	920	840	80	9.5%

(*) quantities at the plant entrance.

In the first half of 2021, the quantity of waste collected, equal to 928 thousand tonnes, was up by 15.1% compared to the same period of the previous year, penalized by the slowdown in economic activities following the spread of COVID-19, especially in the City of Milan. The consolidation of AEB (+94 thousand tonnes) also contributed to the change in the period.
The quantities of electricity and heat produced by waste-to-energy plants increased by 10.7% due to fewer shutdowns for maintenance of waste-to-energy plants and by 9.5% as a result of the greater quantities requested by the district heating sector.

Waste disposed of (kton)	06 30 2021	06 30 2020	CHANGE	% 2021/2020
Urban waste disposal	**1,374**	**1,335**	**39**	**2.9%**
- WTE	720	691	29	4.2%
- Landfill	1	1	-	0.0%
- Treatment plants	653	643	10	1.6%
Industrial disposals	**380**	**274**	**106**	**38.7%**
- WTE	37	34	3	8.8%
- Landfill	5	13	(8)	(61.5%)
- Treatment plants	338	227	111	48.9%
TOTAL	**1,754**	**1,609**	**145**	**9.0%**

The quantities reported are net of intra-group disposals.

Waste disposed of, net of intra-group disposals, increased by 9%, thanks to the growth in waste-to-energy plants disposals as a result of the increased availability of these plants (fewer days of downtime for maintenance) and to the contribution of industrial treatment plants.
The growth showed a greater weight of waste disposals for material recovery +37% (significant growth in paper and bulky items) and energy +4% (greater quantities treated in waste-to-energy plants). On the other hand, the quantities intermediated and disposed of to third-party plants and waste treated but not sent for recovery fell (-4%).

Economic figures

millions of euro	01 01 2021 06 30 2021	01 01 2020 06 30 2020	CHANGE	% 2021/2020
Revenues	612	535	77	14.4%
Gross Operating Margin - EBITDA	164	143	21	14.7%
% of Revenues	26.8%	26.7%		
Depreciation, amortization, provisions and write-downs	(59)	(53)	(6)	11.3%
Net Operating Income - EBIT	105	90	15	16.7%
% of Revenues	17.2%	16.8%		
Capex	109	55	54	98.2%
Labour costs	178	160	18	11.3%
FTE (*)	6,419	5,967	452	7.6%

(*) Does not include units related to AEB.

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 operational since March 2020 and AEB consolidated 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 June 30, 2020).
Net of non-recurring items (+1 million euro in the first half of 2021 and in the first half of 2020), the Ordinary EBITDA of the Business Unit came to 163 million euro, up 21 million euro compared to June 30, 2020.
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 same period of the previous year) made a positive contribution to the period result, 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 higher prices following the strong appreciation of this recycled product due to high demand recorded on the European market starting from the first lockdown;
- incremental contribution of the biomass 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 (-3 million euro), despite the contribution of the AEB Group.

Depreciation, amortization, provisions and write-downs equalled 59 million euro (53 million euro at June 30, 2020). The increase results from higher depreciation and amortization and release of provisions realized in the first half of 2021.

As a result of these changes, Net Operating Income totalled 105 million euro (90 million euro at June 30, 2020).

Capex for the first half of 2021 amounted to 109 million euro and mainly regarded development and maintenance work on:

- waste-to-energy plants for 64 million euro, of which 44 million euro relating to development work on the Parona waste-to-energy plant and 6 million euro relating to the new flue gas purification line at the Brescia waste-to-energy plant;
- treatment plants for 37 million euro, in particular development investments at the organic waste treatment plants, SSF Cavaglià and sludge Corteolona plants;
- purchase of vehicles, containers, operating systems and the renovation of company buildings in the collection sector for a total of 7 million euro.

In the first half of this year, the FTEs of the Waste Business Unit amounted to 6,419 units (5,967 FTEs in the same period of 2020).
The change was linked to changes in the scope of consolidation (consolidation of the AEB Group, acquisition of Agripower and winning new tenders for the management of collection services) and to recruitment planned for 2020 and postponed to 2021.

9
Result sector by sector

Result sector by sector

Generation and Trading Business Unit

Market Business Unit

Waste Business Unit

Networks Business Unit

Corporate

9.5 Networks Business Unit

The following is a summary of the main quantitative and economic data relating to the Networks Business Unit.

260 million euro
EBIDTA
+18.2% compared to 2020

209 million euro
CAPEX
145 million in 2020 (+44.1%)

1,565 M€
RAB Gas
(+9.4% vs 2020)

753 M€
RAB Electricity
(+12.9% vs 2020)

411 M€
RAB Water Services
(+8.4% vs 2020)

1,823 GWht
Heat sold
(+16.3% vs 2020)

Operating figures

Networks

	06 30 2021	06 30 2020	CHANGE	% 2021/2020
Electricity distributed (GWh)	5,632	5,061	571	11.3%
Gas distributed (Mcm)	1,957	1,618	339	21.0%
Water distributed (Mcm)	36	36	-	0.0%
RAB Electricity (M€) (*)	753	667	86	12.9%
RAB Gas (M€) (*)	1,565	1,431	134	9.4%
RAB Water (M€) (*)	411	379	32	8.4%

(*) Provisional figures, underlying the calculation of allowed revenues for the period.

The quantities of electricity and gas distributed by the Networks Business Unit increased by 11.3% and 21%, respectively, compared with the first half of the previous year, which had been significantly impacted by the slowdown in economic activities caused by the measures adopted to counter the health emergency. The quantities of water distributed amount to 36 Mcm, in line with the same period of the previous year.
In the first half of 2021, the RAB related to electricity distribution and the RAB related to gas distribution were up 12.9% and 9.4%, respectively, compared to the same period in 2020. This increase is due to the greater capex and, in particular for the gas sector, also to the consolidation of the AEB Group from November 1, 2020.
The share of RAB for water services increased by 8.4% as a result of the capex made.

Heat

GWht	06 30 2021	06 30 2020	CHANGE	% 2021/2020
SOURCES				
Plants in:	**867**	**763**	**104**	**13.6%**
- Lamarmora	245	245	-	0.0%
- Famagosta	51	37	14	37.8%
- Tecnocity	33	32	1	3.1%
- Other plants	538	449	89	19.8%
Purchases from:	**1,242**	**1,121**	**121**	**10.8%**
- Third parties	294	268	26	9.7%
- Other Business Units	948	853	95	11.1%
TOTAL SOURCES	**2,109**	**1,884**	**225**	**11.9%**
USES				
Sales to end customers	1,823	1,568	255	16.3%
Distribution losses	286	316	(30)	(9.5%)
TOTAL USES	**2,109**	**1,884**	**225**	**11.9%**
Electricity from cogeneration	154	183	(29)	(15.8%)

Note:
- The figures only refer to district heating and include cold sales. Sales relating to heat management are not included.
- Purchases include the quantities of heat purchased from the Waste Business Unit.

Heat sales by the Networks Business Unit in the period in question amounted to 1,823 GWht, an increase of 16.3% over the volumes sold in the previous year. The increase recorded is attributable not only to the acquisition of new customers and the contribution of AEB Group sales, but also to the colder temperatures recorded in the first half of 2021 compared to the same period last year.

Economic figures

millions of euro	01 01 2021 06 30 2021	01 01 2020 06 30 2020	CHANGE	% 2021/2020
Revenues	604	523	81	15.5%
Gross Operating Margin - EBITDA	260	220	40	18.2%
% of Revenues	43.0%	42.1%		
Depreciation, amortization, provisions and write-downs	(127)	(96)	(31)	32.3%
Net Operating Income - EBIT	133	124	9	7.3%
% of Revenues	22.0%	23.7%		
Capex	209	145	64	44.1%
Labour costs	53	54	(1)	(1.9%)
FTE (*)	2,930	2,788	142	5.1%

(*) Does not include units related to AEB.

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 significantly 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 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.

Depreciation, amortization, provisions and write-downs equalled 127 million euro (96 million euro at June 30, 2020). The change was attributable to higher depreciation in the period due to the consolidation of AEB, for capex made in the period July 2020 to June 2021 mainly for the electricity meter replacement plan.

As a result of the above changes, Net Operating Income amounted to 133 million euro (124 million euro at June 30, 2020).

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

- in the electricity distribution segment, 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 (74 million euro);
- in the gas distribution segment, development and maintenance work on plants relating to the connection of new users and the replacement of medium and low pressure pipes and gas smart meters (55 million euro);
- in the integrated water cycle sector, maintenance and development work carried out on the water transport and distribution network, as well as works and restoration works on the sewer networks and purification plants (45 million euro);

- in the district heating and heat management sector, development and maintenance works on the plants and networks for a total of 29 million euro;
- in the Smart City segment, development and maintenance work on TLC projects (6 million euro).

In the first half of 2021, FTEs stood at 2,930 units (2,788 units at June 30, 2020). The change was related to the consolidation of the AEB Group and the undertaking of new investment projects.

9.6 Corporate

Economic figures

millions of euro	01 01 2021 06 30 2021	01 01 2020 06 30 2020	CHANGE	% 2021/2020
Revenues	147	124	23	18.5%
Gross Operating Margin - EBITDA	(10)	(13)	3	(23.1%)
% of Revenues	(6.8%)	(10.5%)		
Depreciation, amortization, provisions and write-downs	(25)	(19)	(6)	31.6%
Net Operating Income - EBIT	(35)	(32)	(3)	9.4%
% of Revenues	(23.8%)	(25.8%)		
Capex	27	13	14	n.s.
Labour costs	71	66	5	7.6%
FTE	1,505	1,399	106	7.6%

The Gross Operating Margin, corresponding to the Corporate structure costs not charged back to the various Group companies in the first half of 2021, amounted to -10 million euro (-13 million in the first half of 2020).
The positive change in margins is due to the greater weight in the current year of costs charged back compared to total Corporate expenses and, in particular, to the higher costs incurred in the first half of 2020, charged back in part, as a result of the health emergency to ensure expected safety levels.
The year 2020 was also affected by some costs incurred by way of donations to finance works for the containment and management of the epidemiological emergency in the most affected areas of Lombardy (Milan, Brescia and Bergamo).

Depreciation, amortization, provisions and write-downs equalled 25 million euro (19 million euro at June 30, 2020). The change was driven by higher depreciation and amortization for capex during the period July 2020 to June 2021.

After depreciation, amortization, provisions and write-downs, there was a Net Operating Loss of 35 million euro (a Net Operating Loss of 32 million euro at June 30, 2020).

Capex totalled 27 million euro, including 14 million euro for information systems and 8 million euro for buildings.

In the first half of the year in question, FTEs amounted to 1,505 units, an increase of 106 units compared to 2020, due to the change in the scope of consolidation of AEB, the postponement of recruitment planned for 2020 and additions to strengthen some areas of activity, in line with the Group's development needs and objectives.

10

Risks and uncertainties

10.1 Risks and uncertainties

The A2A Group has a risk assessment and reporting process which is based on the Enterprise Risk Management method of the Committee of Sponsoring Organizations of the Treadway Commission (CoSO report) and best risk management practice and is in compliance with the Corporate Governance Code, which states: "…Each issuer shall adopt an internal control and risk management system consisting of policies, procedures and organizational structures aimed at identifying, measuring, managing and monitoring the main risks.... ".

The Group has also adopted a specific procedure that defines in detail the roles, responsibilities and methodologies for the Enterprise Risk Management (ERM) process.

This process requires a risk model to be set up that takes account of the Group's characteristics, its multi-business vocation and the sector to which it belongs. This model is subject to periodic revision consistent with the evolution of the Group, and the context in which it operates. The methodology adopted is characterized by the regular identification of the risks to which the Group is exposed. In this context, an assessment process is carried out which, through the involvement of all its structures, allows the Group to identify the most important risks and establish the relative controls and mitigation plans. At this stage, the involvement of risk owners is essential as responsible for the identification, assessment and update of risk scenarios (specific events in which risk can materialize) related to activities of its competence. This phase is carried out with the support and coordination of the Group Risk Management organizational structure through operating methods that allow clearly identifying risks, the related causes and management methods.

The methodology adopted is modular and leverages on the fine-tuning of the experience gained and methods of analysis used: on the one hand, it aims to develop the risk assessment further with specific reference to the consolidation of the mitigation process and on the other to develop and integrate risk management activities in business processes. This evolution is carried out consistent with the gradual increase in the awareness of management and the business structures about risk management issues, achieved among other things through the use of specific training support provided by Group Risk Management.

The ERM process also supports the Group's ISO 9001, ISO 14001 and ISO 45001 certifications.

Set out below is a description of the main risks and uncertainties to which the Group is exposed.
The Coronavirus emergency, having possible repercussions on more than one of the types of risk, is dealt with in this opening section.

Health emergency COVID-19 virus

With reference to the rise of the Coronavirus emergency, it should be noted that crisis management measures have been put in place, as well as the identification of appropriate prospective mitigations linked to the risk of temporal extension of the emergency.

Since 2018, the A2A Group has had a Group crisis plan that identifies the organizational system, activities and procedures necessary to deal with the events that led to the declaration of crisis, with the aim of protecting human resources inside and outside the A2A Group, containing material and immaterial damage and guaranteeing the correct management of communication flows externally and the continuity of the services offered, quickly organizing normal operating conditions and safeguarding the company's reputation. It should be noted that the A2A Group is managing the COVID-19 health emergency in full application of the provisions of the above procedure with the establishment and management of special Crisis Committees. These committees, which meet to coordinate crisis management activities, make it possible to direct the company's actions in line with the provisions of the various Prime Ministerial Decrees issued and carry out preventive activities by defining mitigation plans to be activated if the emergency situation worsens.

The main monitoring and mitigation actions identified are described below:

- definition of the minimum functional services to be monitored by the plant managers and the list of managers necessary to manage the plants and related back-up, also with reference to contractors; this activity has been completed and can be activated in the event of personnel unavailability;
- activities to raise awareness with the ATS (Health Protection Agencies) so that the personnel of some Group companies are guaranteed recognition of their status as workers who perform an essential service for the community, making exceptions to the health protocols to be activated if necessary;

- actions involving personnel aimed at avoiding assemblages and ensuring the safety of people (preparation of the procedural documents according to the provisions of health protocols, adoption of PPE, sanitization of premises, temperature measurement, etc.); the segregation of the personnel of external companies was also guaranteed;
- preparation of a plan of equipment and PPE requirements for use in disposable mode;
- adoption of organisational and technological solutions to ensure that certain critical processes can be carried out remotely and methods for the execution of emergency intervention;
- provision of "filter villages" with container-rooms available for personnel to be quarantined;
- establishment of "points of care" at the Group's main sites, i.e., areas equipped for the administration of rapid swabs for the benefit of workers who have been in close contact with someone who tested positive.

Achievement of the objectives defined in the business plan

Reference is made to the risks connected with failure to achieve or partial achievement of the objectives outlined in the Business Plan, which could have both an economic and financial impact as a result of lower growth in the Group's margins and a reputational impact as a result of failing to meet the expectations of stakeholders with regard to sustainability commitments.

The 2021-2030 Plan outlines ambitious growth targets, mainly in terms of the circular economy (recovery of materials and energy, exploitation of heat otherwise dispersed, preservation of water resources) and energy transition (support for growth in renewable energy sources, exploitation of the electricity generation of combined cycle plants, increase in the customer base, support for the electrification of consumption). The main risk factors affecting the various areas of development include: possible critical issues related to authorizations and adverse territorial contexts, the presence of major competitors capable of hindering the achievement of market shares in domestic and foreign markets, legislative and regulatory uncertainties related to the deregulation of domestic energy markets, and commercial risks related to the targets defined in the Plan adopted to increase the customer base.

To support the realization of development initiatives, mainly organizational measures are highlighted, with corporate structures focused on the analysis of the markets and development areas covered by the Plan, on the management of technical and engineering aspects, on the maintenance of relations based on transparency and collaboration with the territories, bodies and institutions involved, as well as commercial development initiatives that also envisage the use of innovative communication channels and methods. To support the path of sustainable growth, training activities and the identification of focal points are underway to support the process of increasing integration of sustainability principles in business processes, contribute to the definition of the objectives of the Sustainability Plan, promote and enhance new sustainability projects and encourage the circulation of information on these issues.

Legislative and regulatory risks

The A2A Group operates in highly regulated sectors whether they are managed under natural monopoly (such as infrastructure for the distribution and transport of electricity and gas, the integrated water cycle and district heating) or under free market regime (such as energy management, trading and sale of energy carriers and other services to customers).
The 2018 Budget Law, moreover, has extended the regulatory and control competences of the Authority for Electricity, Gas and Water System (AEEGSI, which changed its name to ARERA - Regulation Authority for Energy, Networks and the Environment) to include the separate and combined municipal and equivalent waste collection cycle.
Among the risk factors, therefore, the constant and not always predictable evolution of the legislative and regulatory framework of reference shall be considered.
For these risk factors, the Group adopts a legislative and regulatory risk monitoring and management policy in order to mitigate, to the extent possible, the effects through oversight on various levels, which primarily involves collaborative dialogue with the institutions (ARERA, Competition and Market Protection Authority, Authority for Communications Guarantees, Ministry of Ecological Transition) and with technical bodies of the sector (GSE Energy Services Operator, GME Energy Markets Operator, Terna) as well as active participation in category associations and working groups established at said entities.
Also the view to European regulations, following the work of Brussels through participation in the tables of Eurelectric and Cedec, allows seeing "in advance" the subject of transposition into Italian law (in some cases automatic as per regulations).
To address these issues, the top management set up a specific organization structure called Regulatory Affairs and Competition, broadening the mandate, strengthening the link with the business and exceeding the vision for which the relationship with the regulator shall be interpreted solely as compliance (or litigation).

Constant dialogue with Business Units is also envisaged, not only for the simulation of impacts on current activities but also for the evaluation of new initiatives.
Regulatory Affairs and Competition also implemented constantly updated monitoring and control tools (ex. Regulatory Review produced every six months or the Regulatory Agenda drawn up at the time of the Budget/Plan), in order to consider the potential impacts on the regulation on the company.
From January 2017 and January 2019, respectively, the organizational structure also monitors the regulatory risk for the LGH Group and the ACSM-AGAM Group in order to monitor and manage their impact in a coordinated manner. As of 1 July 2021, a similar regulatory oversight body was established in the AEB Group with the secondment of personnel from Regulatory Affairs and Competition.

The main topics involved in current changes in regulations and legislation, with major potential effects on the Group, are as follows:

- the rules governing large-scale diversion of hydroelectric concessions following Law no. 12/2019 which, in article 11-quater, provided for an overall reorganization of the subject, giving the Regions an increasingly important role (for the Lombardy Region, reference is made to the Regional Law no. 5 of April 8, 2020);
- the outcome of the appeals filed by some operators and a trade association for the annulment of the Ministerial Decree MiSE of June 28, 2019 and all related acts of ARERA and Terna that implemented the capacity market regulations;
- tenders concerning the granting of concessions for the gas distribution service;
- the termination of the SII concessions held by the Group companies operating in the sector and their transfer for consideration to the Single Area Operator (with particular reference in the immediate future to the municipalities managed on a transitional basis by A2A Ciclo Idrico in the province of Brescia and to most of the municipalities of ASVT expiring on December 31);
- the certification of energy savings and the consequent issue of White Certificates by the Energy Services Manager;
- the impact on the development of district heating due to the lack of a specific incentive tool and the start of regulation of the sector by ARERA only for aspects relating to commercial and technical quality and not also for support for investments;
- the impacts on the waste sector of the ARERA measures on the treatment phase (in particular for the definition of plant access fees);
- the provisions of the 2017 Competition Act on the termination of price protection schemes for customers in the electricity and gas sectors, the date of which is now set for January 1, 2023 for domestic electricity customers, micro electricity business and gas customers (as most recently postponed due to the effect of the Milleproroghe DL);
- update from January 1, 2022 of the rate of return on invested capital (i.e. WACC) for regulatory purposes for electricity and gas distribution network infrastructure. ARERA Resolution 583/2015/R/com has, in fact, provided for a WACC regulatory period of 6 years (with an intra-period review). The updating mechanism that will start next year is related both to the evolution of certain macroeconomic indicators and to tax changes.

Finally, it should be noted that, in view of the numerous interventions by the Antitrust Authority in the sectors of interest to the A2A Group (in terms of initiating investigations into abuse of a dominant position, agreements and investigations) the Board of Directors of A2A S.p.A. approved during the meeting of June 20, 2019, the adoption of the Antitrust Compliance Programme with the consequent appointment of a person responsible for its implementation and during the meeting of January 20, 2020, adoption of the Antitrust Code of Conduct. Finally, on June 23, 2020 an Antitrust Guideline was adopted, which regulates the rules of conduct that A2A Group employees must observe in order to avoid antitrust violations (document available on the company Intranet). The first training sessions started in 2020 and are continuing into 2021.

For a more detailed discussion of these risks, reference should be made to the section "Regulatory developments and impacts on the Business Units of the A2A Group".

Financial risks

Liquidity risk

Liquidity risk regards the Group's timely ability to meet its payment commitments. To hedge this risk, the Group ensures the maintenance of adequate financial resources, as well as a liquidity buffer sufficient to meet unexpected commitments. At June 30, 2021, the Group had cash and cash equivalents totalling 324 million euro and 1,165 million euro in unused loans and committed credit facilities. The management of liquidity risk is pursued by the Group also by means of a Bond Issue Program (Euro Medium Term Note Programme) sufficiently large and partially unused as to enable the Group to timely resort to the Capital market. At June 30, 2021, this program amounts to 6 billion euro, of which 3,400 million euro still available.

The Group's ability to obtain loans in the banking or financial markets depends, among other things, on prevailing market conditions and the Group's rating at the time of the need for financing. There is no guarantee that the Group will be able to access financing on equal or better terms than it currently has.

Risks associated with compliance with debt covenants

This risk exists if the loan agreements provide for the option by the lender, upon the occurrence of certain events, to request early repayment of the loan, thus entailing a potential liquidity risk for the Group. The section "Other Information/Covenants Compliance Risk" of the consolidated Financial Report illustrates in detail these risks related to the A2A Group. The same section also lists the loans that contain financial covenants. At June 30, 2021, there was no situation of non-compliance with the covenants of the A2A Group companies.

Interest rate risks

Interest rate risk is related to the uncertainty associated with the trend in interest rates, changes in which can result in, given a certain amount and composition of debt, an increase in net financial expenses. The volatility of financial expenses associated to the performance of interest rates is therefore monitored and mitigated through a policy of interest rate risk management aimed at identifying a balanced mix of fixed-rate and floating rate loans and the use of derivatives that limit the effects of fluctuations in interest rates.

To provide a better understanding of the risks of interest rate fluctuations to which the Group is subjected every six month at December 31 and June 30, a sensitivity analysis was conducted of net financial expenses and valuation items of derivative financial contracts as a result of interest rate fluctuations. The section "Other Information/Interest Rate Risk" of the consolidated Financial Report illustrates the effects on the change in financial charges and in the fair value of derivatives resulting from a change in the forward curve of interest rates of +/- 50 bps.

Risks associated with industrial and business activities

Macroeconomic context risks (GDP)

The Group's activities are sensitive to economic cycles and general economic conditions in the countries in which it operates. A slowing economy could determine, for example, a drop in consumption and/or of industrial production, having as a result a negative effect on the demand for electricity and of other carriers offered by the Group, thereby affecting the results and prospects and preventing the implementation of planned development strategies.

The current situation in the energy markets in which the production facilities operate, particularly thermoelectric power plants, shows encouraging signs of recovery also as a result of the gradual easing of the restrictive measures adopted at the time at national and international level to address the COVID-19 emergency. However, it cannot be ruled out that the overall economic situation could experience further deterioration in the future, also with reference to a possible re-occurrence of the pandemic and the related response measures, with a potential increase in the time required for the production system to recover.

To ensure this, it should be pointed out that all the measures undertaken in the past for combined-cycle plants are still active and in operation, with the aim of guaranteeing their operating flexibility, efficiency and availability at times when such requirements are requested of them.

For the years to come, macroeconomic projections foresee a gradual recovery in international trade and a moderate expansion in domestic demand; this will lead to a partial recovery in GDP with consequent positive repercussions on the demand for electricity and energy carriers offered by the Group.

Risks related to commodity and energy prices

Given the features of the sectors in which it operates, the Group is exposed to energy scenario risk, namely the risk linked to changes in the price of energy raw materials (electricity, natural gas), and the prices of CO_2 emissions allowances (EUA). Significant, unexpected and/or structural changes in commodity prices, especially in the medium term, may result in a reduction in the Group's operating margins and cash flows.

To mitigate these risks, the Group has approved an Energy Risk Policy that regulates the procedures by which commodity risk is monitored and managed, or the highest level of variability to which the result is exposed with reference to the trend of prices of energy commodities. Consistent with the provisions of the Policy, the commodity risk limits of the Group are defined and approved annually by the Board of Directors.

Market risk is mitigated by constantly monitoring the total net exposure of the Group's portfolio and addressing the main factors affecting the trend. Appropriate hedging strategies are defined, where necessary, designed to maintain this risk within the established limits, typically through hedging at 12 and 24 months.

The objective of stabilizing the cash flows generated by the asset portfolio and outstanding contracts is thus pursued through the management of physical contracts and derivative financial instruments, limiting to the extent possible, the volatility of the Group's economic and financial results following changes in commodity prices.

Social-environmental context risk

Possible opposition (the so-called "Not In My Back Yard" phenomenon) to the presence of plants promoted by certain stakeholders and amplified through the use of social networks, due to a negative perception of certain activities (such as waste recovery and disposal) in the areas served could hinder the regular operation of existing plants as well as the authorization process for new plants (for example, waste recovery or disposal plants and the conversion of thermoelectric plants), and therefore the growth planned by the Group in certain business areas.

To mitigate this risk, the Group has set up organizational structures dedicated to monitoring institutional relations, with local communities and the territory, in order to establish and maintain collaborative dialogue with the various stakeholders. Within this framework, the Group, in order to build consensus around its initiatives, participates in technical round tables with institutional counterparts, especially at local level, as well as through the organization of multi-stakeholder forums designed to promote dialogue with the local community. The forum was established with the aim of identifying solutions that can respond in a targeted and effective manner to the needs and expectations of stakeholders and that allow promoting the environmental, economic and social sustainability activities carried out by the Company and the Group and services provided in the territory.

Risks related to climate change

The Group's hydroelectric power generation, the consumption of electricity, gas and heat for winter heating and the electricity and drinking water distribution services provided by the Group may be impacted by unfavourable changes in weather and climate parameters, such as scarcity and changes in rainfall patterns, particularly mild temperatures in winter and heat waves in summer. Changes in the availability of water resources can also lead to conflicts between various stakeholders as well as restrictions on the operation of hydroelectric plants. These factors can have an unfavourable impact on the Group's production, sales and reputation and, consequently, have negative economic and financial impacts. As part of the operating activities of the electricity grids, the issue of continuity of service during periods of special climatic conditions, with specific reference to particularly violent and concentrated heat waves and/or precipitation, affecting the areas served, generating reputational risks as a result of prolonged interruptions in the provision of the service.

Several actions are underway to mitigate this risk:

- to ensure optimum exploitation of water resources available for energy, the Group has established organizational structure dedicated to the development of analyses and engineering models to support the programming, both medium and short-term, of hydroelectric plants;
- with reference to the reduction in demand for thermal energy by end users compared to as planned, the Group has set up company organizational structures dedicated to constantly updating demand forecasts in relation to expected temperature trends. In addition, long-term investments have been planned to reduce the costs of heat production through heat recovery and to develop district heating networks with a view to optimizing distribution methods;
- with reference to the operation of the electricity grids, in addition to the usual maintenance activities, the Group planned and launched the strengthening of the interventions to rationalize the meshing of the grids, the construction and commissioning of new primary substations, a three-year plan to increase the resilience of the grid in agreement with ARERA. There are also remote operational controls, advanced technical safety tools, emergency intervention teams as well as specific safeguards for infrastructure, which are more exposed to risks of interruption in the delivery of services.
- in order to guarantee, even in the long term, the supply of drinking water on an ongoing basis, the A2A Group monitors and maps leaks from the water network in order to identify the priority of investments to contain them and is studying the interconnection of aqueducts and the search for new sources of water supply.

In addition, extreme weather phenomena such as floods and landslides can have a negative impact on the Group's assets (such as canals, dams, plants) as well as on third-party infrastructures necessary for the continuity of the Group's activities (e.g. electricity transmission lines). These factors can result in direct damage to assets and/or indirect damage due to the interruption of production activities. To mitigate this

risk, the Group has implemented emergency management plans and procedures. In addition, insurance policies have been taken out to cover direct and indirect damage caused by natural phenomena.
Finally, the Group is exposed to the risks associated with the transition to a low-carbon economy, which is expressed through regulatory amendments, possible conflicts for the use of resources, technological innovation, changes in consumption styles and stakeholder expectations. If these factors were not sufficiently taken into account in the definition of the Group's strategic choices, they could lead to economic and financial impacts due, for example, to the depreciation of industrial assets and possible reputation impacts.

To contribute to the decarbonization process, the Group is committed to reducing its CO_2 emissions - both direct and indirect. In fact, the Board of Directors approved a target for the Group's overall emissions to be achieved by 2030, which was recognized as a Science Based Target, i.e. in line with the level of decarbonization required to achieve the objectives of the Paris Agreement (limiting global warming to values well below 2 °C above pre-industrial levels and continuing efforts to limit warming to 1.5 °C). The main strategies adopted by the Group to achieve this objective include: ending the use of coal and fuel oil, increasing the efficiency of thermoelectric power plants fired with natural gas (combined cycles) and reducing emissions, adopting a strategic plan that calls for a significant increase in energy production from renewable sources, consistent with the target, and using energy entirely from renewable sources for consumption.

Operating risks due to the ownership and operation of electricity generation, cogeneration, waste treatment and recovery plants and distribution networks and plants

The Group manages production sites, infrastructure and services that are operationally and technologically complex (power plants, dams, waste recovery and disposal plants, cogeneration plants, electricity, gas and heat distribution networks, waste collection and urban hygiene services, integrated drinking water supply service, etc.). Accidental mechanical and/or electrical failures, structural failures, fires, terrorist attacks, labour unrest and health emergency situations (e.g. pandemics) could result in damage to assets and, in the worst cases, compromise the Group's production capacity, as well as the possibility of guaranteeing the continuity of services provided. All these factors can also lead to cost increases, damage to third parties, as well as penalties imposed by the competent authorities.

In order to mitigate these risks, the Group implements preventive management strategies aimed at reducing the probability of their occurrence and/or mitigating their impact. In addition, the Group has investments in place to ensure constant technological updating and adequate levels of plant maintenance, emergency management plans and procedures and a crisis management procedure that provides for the establishment of interdisciplinary management committees, organized at both Group and Business Unit level and coordinated among them. Finally, work is in progress to structure the Business Continuity Plan for the A2A Group.

The Group takes out insurance cover against any direct and indirect damage which may arise from other types of risk. As part of the insurance contract periodically (every 3 years), inspections are carried out on the plants and measures to improve the safety of assets and loss prevention are recommended/verified.

Information technology and operational technology risks

The A2A Group's activities are managed through IT (Information Technology) and OT (Operational Technology) systems and networks that support the main business processes, whether operational, administrative or commercial. In particular, the Group uses IT systems to record, process and summarize financial information and results of operations for internal reporting purposes and to comply with regulatory, legal and tax requirements. In addition, the Group collects and stores at Data Centers, sensitive data, including intellectual property, business information and personal information of customers, service providers and employees. The functioning of these information and technology systems and networks, as well as the processing and storage of this data in a secure manner, are fundamental to the Group's activities.

Increased threats to the security of information infrastructure, including from the use of personal tools as a result of the remoteness of work in the period of health emergencies, and increasingly sophisticated forms of cybercrime pose a risk to the security of the Group's systems and networks and to the confidentiality, availability and integrity of its data. A security breach could expose the Group, its customers, service providers and employees to risks of misuse of information or systems, compromise of confidential information, loss of financial resources, data manipulation and destruction and operational disruption. All these factors could have a negative impact on the Group's reputation, competitive position, activities and results. Security breaches could also lead to disputes, fines and disqualifications, as well as operating and other costs.

In order to mitigate this risk, numerous actions are in place within the Group: internal policies and procedures, tools for segregating access to information, specific policies on the use of mobile devices, assessments of the vulnerability of systems and applications, specific software for detecting malware, training activities to increase employee awareness, periodic IT Security risk assessment activities to identify the most critical applications. In addition, corporate reorganizations were implemented aimed, among other things, at guaranteeing an integrated and holistic management of corporate security for all assets, both physical and digital, and activities are being carried out to structure an evolved Security Operations Center capable of increasing the effectiveness of threat monitoring, as well as specific interventions to mitigate emerging risks, also following the consistent use of remote working modes linked to the COVID-19 pandemic.

Any inadequacies, fragmentations, unavailability and/or malfunctioning of the applications could compromise the Group's ability to operate within the set times and methods. These factors could result in a loss of reputation with customers, as well as economic and financial impacts. In order to mitigate this risk, activities are underway to renew existing platforms or to rationalize the applications in use, particularly for Customer Relationship Management platforms supporting commercial activities.

There is also the risk of possible relevant and prolonged interruptions to information systems and company infrastructures as a result of potential events (natural or otherwise) affecting them, with potentially even critical consequences on the Group's ability to maintain the continuity of its systems. To mitigate this risk, the Group has put in place a process to ensure business continuity, based on the presence of a primary Data Center residing in the infrastructure of an external provider and equipped with high levels of security in terms of service continuity as well as the implementation of data backup solutions. In addition, the project aimed at guaranteeing the company's business continuity is nearing completion: critical processes have been identified and a Business Continuity Management System - SGCO - is being created, also with the aim of obtaining ISO 22301 certification. As part of the broader business continuity project, activities are being developed to further strengthen and expand the Disaster Recovery plan.

Health and safety risks

The occurrence of such risks may occur both in the event of accidents or serious or very serious injuries affecting employees and workers of contractors and/or third parties and in the event of occupational illnesses. These risks are related to the Group's activities such as, for example, those related to operational services in the territory and the performance of operating and maintenance processes at the plants.

The occurrence of such risks may lead to loss of reputation, as well as criminal, civil and/or administrative proceedings for violations of regulations, and/or sanctions, costs for compensation and/or increase in insurance premiums and, in the worst cases, interruption of plant operations, with consequent negative economic and financial impacts for the Group.

In order to mitigate these risks , the Group has set up organizational structures dedicated to the management of Health and Safety aspects at the parent company as well as at the Business Units, the individual companies and the main plants. The Group also maintains Health and Safety Management Systems certified in accordance with ISO 45001 for the parent company A2A and most of its Subsidiaries. In addition to specific compulsory training plans for each role and company assignment, Leadership in Health and Safety – LiHS training programs have been implemented and progressively extended also to all Business Units, which envisage at all levels emotional involvement on the issue of security and the dissemination of security culture through leaders identified within the operating areas.

In relation to the COVID-19 pandemic, given the current regulatory framework, this type of risk also includes the possibility of legal action brought by employees leading to alleged liability profiles of the employer and Group companies in the event of contact with the virus and contraction of the disease. In order to manage this risk, the Group is scrupulously adopting the prescriptions and protocols provided for by current regulations and guidelines issued by the competent bodies, as well as maximizing remote work.

Environmental risks

The emergence of such risks may occur as a result of accidents in production processes or as a result of the particular characteristics of the business carried out by the Group, which may lead to reactions by the public opinion about presumed repercussions on the environment and/or on the health of resident populations. These risks are related, for example, to the disposal of production residues, emissions from production processes, the management of waste collection, storage, treatment and disposal activities, water purification, the management of the emptying and maintenance of water reservoirs for electricity production, etc. All these factors can potentially lead to loss of reputation, criminal, civil and administrative proceedings, penalties, environmental reclamation and restoration costs and, in the worst cases, interruption of plant operations with consequent negative economic and financial impacts for the Group.

It is also noted that any amendments to the existing legislation could entail costs and investments to ensure compliance with the new requirements as well as operational impacts on certain industrial activities.

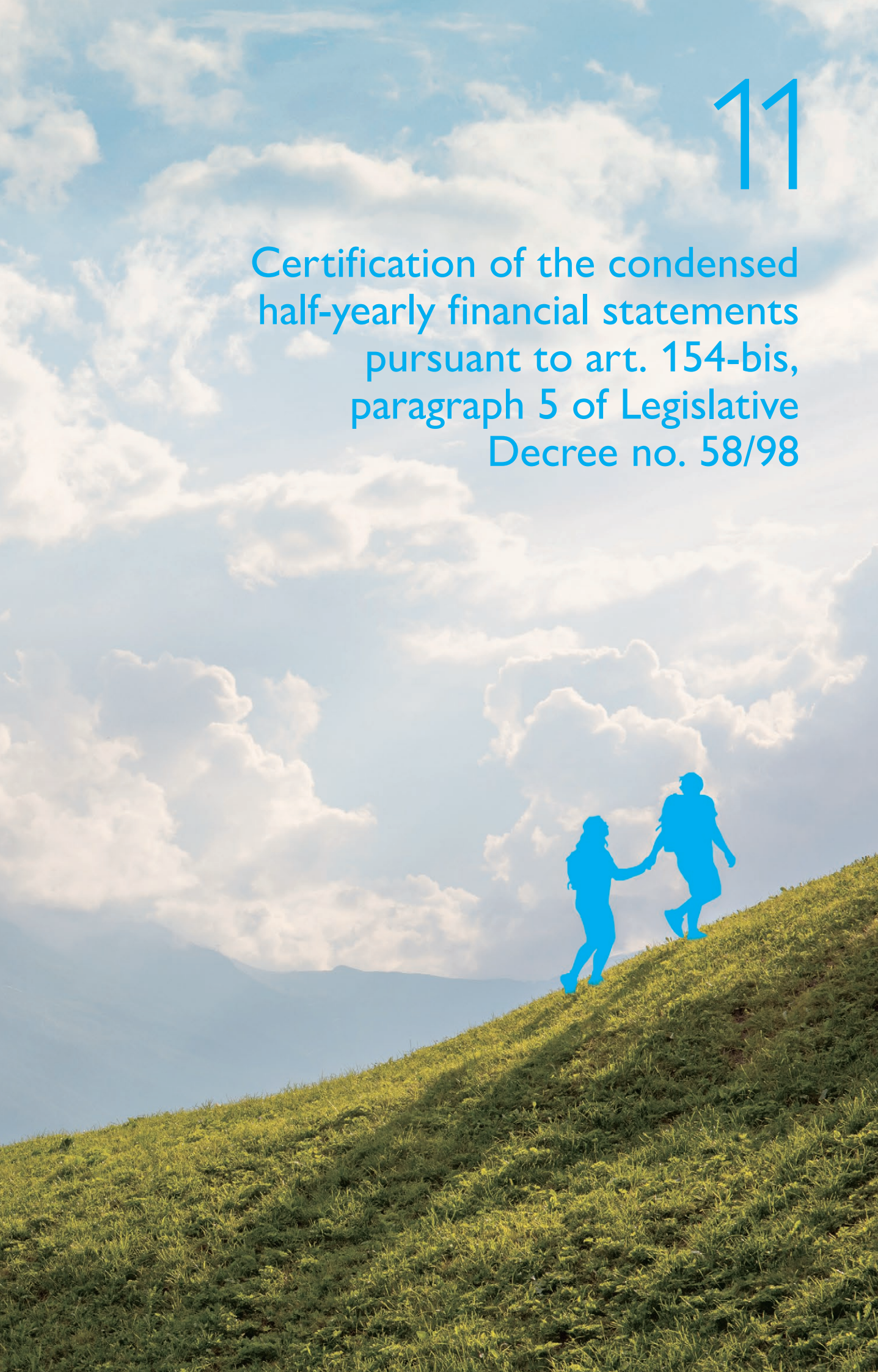
In order to mitigate these risks, the Group, in addition to implementing technical and technological systems for the prevention and reduction of pollution at the various industrial sites in compliance with sector regulations and in accordance with the best available techniques, has set up organizational structures dedicated to the management of environmental aspects at the parent company as well as at the Business Units, individual companies and the main plants. The Group also keeps the Environmental Management Systems certified according to the ISO 14001 standard active for the parent company A2A and for the main companies. For some sites, there are also registrations under the European EMAS Regulation.

With specific reference to the management of the Group's landfills, including those under post-operational management, it should be noted that monitoring of the values of pollutants in the water table is carried out on a regular basis and summary reports are sent to the relevant bodies. There are frequent checks carried out by as well as the execution of internal audits and by external certifiers for the maintenance, among others, of compliance with the UNI EN ISO 14001 standard.

The A2A Group has taken out insurance cover against damage arising from both accidental and gradual pollution in order to cover any residual environmental risk, i.e. against events caused by a sudden and unpredictable fact, and against the environmental damage inherent in continuing operations. The Group is also active in monitoring the regulations in progress and is also present on the technical panels set up by the associations in order to highlight any critical issues related to regulatory developments.

11

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



11 Certification of the condensed half-yearly financial statements pursuant to art. 154-bis, paragraph 5 of Legislative Decree no. 58/98

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

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

   of administrative and accounting procedures for the preparation of the condensed half-year financial statements in the first half-year of 2021.

2. It is also certified that:

   2.1 The condensed half-year financial statements:

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

   2.2 The half-year report on operations includes a reliable analysis of the references to the significant events occurred in the first six months of the year and their incidence on the condensed half-year financial statements, as well as a description of the main risks and uncertainties for the remaining six months of the year. The half-year report on operations also includes a reliable analysis of the information regarding transactions with related parties.

Milan, July 30, 2021

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

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Independent Auditor's Report

12 Independent Auditor's Report

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Review report on the half-yearly financial report (Translation from the original Italian text)

To the Shareholders of
A2A S.p.A.

Introduction

We have reviewed the half-yearly financial report, comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in group equity and the consolidated cash flows statement and the related notes of A2A S.p.A. and its subsidiaries (the "A2A Group") as of June 30, 2021. The Directors of A2A S.p.A. are responsible for the preparation of the half-yearly financial report in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on this half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of 31 July 1997. A review of half-yearly financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the half-yearly financial report.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the half-yearly financial report of A2A Group as of June 30, 2021 is not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, August 4, 2021

EY S.p.A.
Signed by: Paolo Zocchi, Statutory Auditor

This report has been translated into the English language solely for the convenience of international readers

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