

A2A, RESULTS AT SEPTEMBER 30, 2021

Confirmed strong growth in margins and investments

Important awards for sustainability actions, A2A commitment to green finance continues

Financial results

- **Revenues at 6,456 million euro**: +34% on the first nine months of 2020.
- **EBITDA as at 959 million euro**, up by 137 million euro (+17%) on the first nine months of 2020 (822 million euro) thanks to significant organic growth and M&A transactions
- **Net profit at 394 million euro**, +81% compared to last year (218 million euro in the first nine months of 2020).
- **Capex amounted to 640 million euro**, +55% compared to the same period of the previous year.
- **Net Financial Position of 3,782 million euro**, up 310 million euro compared to December 31, 2020 Net of changes in the scope of consolidation and the impact of the new ESMA guidelines (totalling 441 million euro), the NFP improved by 131 million euro to 3,341 million euro.

Ecological transition

- **+14% the installed capacity from renewable sources** (hydroelectric, photovoltaic and wind), equal to 2,235 MW, compared to the corresponding period of 2020.
- **A 26% decrease in the Group Emission Factor** to 316g CO₂/kWh compared to 2017, the Science Based Targets Initiative baseline year.

Sustainability

- Significant **achievements for the sustainability strategy**:
 - A2A was recognised as the company with the **best sustainability report in the "Energy&Utilities" category**, in first place in the "ESG Reporting Awards 2021" ranking by ESG Investing Global Markets Media Ltd (a UK-based financial media company) and came in **second place in the "Best Climate -Related Reporting" category** for reporting on climate change.
 - A2A has entered in the **new MIB ESG index** of Borsa Italiana, dedicated to listed blue-chips with the best practices at ESG level, in line with the principles of the UN Global Compact.
- The **Group's commitment to green finance continues**: following the issue of the Sustainability-Linked Bond for 500 million euro, on October 25, A2A successfully placed a Green

Bond for 500 million euro with a duration of 12 years, which will finance Green Projects aligned to the EU Taxonomy, in particular with reference to the “climate change mitigation” objective.

A2A S.p.A. Board of Directors has examined and approved the quarterly Financial Information as at 30 September 2021

Milan, 11 November 2021 – At today's meeting of the Board of Directors of A2A S.p.A., chaired by Marco Patuano, the Board examined and approved the quarterly financial information as at 30 September 2021.

In the first 9 months of 2021, we continued with our significant industrial and economic growth driven by sustainability and green transition. We have recorded an increase in all our financial indicators and a record level of investments for the period; we have further speeded up on our installed capacity from renewable sources and reduced the Group's emission factor" - commented Renato Mazzoncini, Chief Executive Officer of A2A - "Our commitment remains focused on the energy transition and the circular economy in order to guarantee an important contribution to the achievement of the decarbonisation objectives and to build the infrastructures necessary to bridge the gap between the plants in certain areas. Strategic assets that will allow our country to remain protected from market turbulence and the consequent increase in the cost of energy, to the benefit of citizens".

In the period under review A2A recorded excellent results, with economic and financial indicators showing significant growth, thanks to the contribution of all the Group's Business Units and to the M&A transactions completed in the previous and current year.

The period results should be viewed against the backdrop of a complex scenario that included a recovery in demand for goods and services, particularly energy consumption, caused by the easing of the measures implemented to contain the pandemic, and strong pressure on the energy market due to a combination of factors: climatic factors, low levels of domestic energy supply, volumes of renewable energy production at their lowest levels since the beginning of the year - particularly in the hydroelectric area - which fuelled an upward pressure on energy prices, which then strengthened steadily during the reporting period.

In the first nine months of 2021, in fact, the PUN (Single National Price) increased by +141.8% compared with the same period in 2020, reaching an all-time high of 158.6 €/MWh in September. The increase in the PUN reflects a similar escalation in the prices of natural gas at the PSV (virtual exchange point) and of CO2. The average cost of gas at the PSV, in fact, was 30.1 €/MWh, up 234.5% on the same period of last year. CO2 quotations stood at an average price of 48.3 €/tonne in the first nine months of 2021 (23.8€/tonne in the same period of the previous year, +102%).

A2A has continued to pursue a prudent commodity price hedging policy, aimed at containing risk and volatility over the medium-term. The high level of hedging (more than 70% of expected production in 2021), which began as early as 2020, therefore limited the benefit potentially obtainable from the significant - and unexpected - increase in energy prices.

The extraordinary price dynamics combined with the growth in demand, the excellent performance of all Business Units and the contribution of the newly acquired companies, ensured good results for the first nine months of 2021:

- strong increase in turnover (+34%);
- growth in operating margins (+137 million euro, or +17%), in line with the results achieved in the first half of the year.

Capex amounted to 640 million euro, a 55% increase on the same period of the previous year.

In particular, a strong boost was given to development investments aimed at recovering energy and materials, upgrading distribution networks, water and sewage networks, purification plants, photovoltaic plants and digitalisation of the Group (approximately 390 million euro, +73% compared to the first nine months of 2020).

M&A transactions, fully in line with the 2021-2030 Business Plan based on energy transition and circular economy, mainly concerned the field of bioenergy (acquisition of Agripower, a company managing and developing biogas power generation plants) and the increase of installed power from renewable sources (acquisition of 17 photovoltaic plants from Octopus for a total installed capacity of 173MW). **At September 30, total installed capacity from renewable sources (hydroelectric, photovoltaic and wind) was 2,235 MW, an increase of 14% compared to the corresponding period in 2020.**

The following are the main economic indicators:

<i>Millions of euro</i>	9M 2021	9M 2020	Δ	Δ%
Revenues	6,456	4,805	+1,651	+34.4%
Gross Operating Margin – EBITDA	959	822	+137	+16.7%
Net Operating Income – EBIT	454	400	+54	+13.5%
Net profit	394	218	+176	+80.7%

In the first nine months of 2021, **Revenues** amounted to **6,456 million euro, up by 34.4%** compared to the same period of the previous year.

More than 50% of the increase was attributable to higher prices and to an increase in volumes sold and brokered in the wholesale energy markets, particularly for electric power. Revenues in the retail market were also up thanks to higher unit prices and higher quantities sold to customers in the gas and electricity free market.

Finally, new companies acquired in the last quarter of 2020 (AEB group and Flabrum) and in 2021 (Octopus and Agripower) contributed around 13% to the positive change.

EBITDA equalled **959 million euro, an increase of 137 million euro** compared to the first nine months of 2020 (+16.7%).

Net of non-recurring items (+13 million in the first nine months of 2021; +4 million euro in the same period of 2020), EBITDA increased by 128 million euro. Excluding also the incremental contribution deriving from the consolidation of AEB and the other companies acquired (approximately 50 million euro), organic growth amounted to 78 million euro (+10%)

EBIT, amounting to 454 million euro, was up by 54 million euro compared to the first nine months of 2020 (400 million euro). The change was due to the following:

- increase in EBITDA, as described above (+137 million euro);

- increase in depreciation and amortisation (88 million euro) mainly related to investments made by all BUs in the period October 2020 - September 2021 and the amortisation/depreciation of the assets of the companies acquired described previously;
- decrease of 5 million euro in additions to provisions, net of reversals of excess provisions for risks and receivables.

Group Net profit in the first nine months of 2021 amounted to **394 million euro, up by 81%** compared to the corresponding period of 2020.

This positive change of 176 million euro was due, in addition to the increase in the Net Operating Result:

- lower taxes recognised this year compared with the previous year, for a total of 131 million euro, resulting from the following factors:
 - a decrease of 145 million euro. As already recorded in the half-yearly report, in application of Decree Law 104/2020, A2A has realigned for certain Group companies the differences between the higher statutory value and lower tax value of tangible and intangible assets: the net economic effects on the year of this operation amounted to 145 million euro, determined by the payment of a substitute tax of approximately 23 million euro and the concomitant benefit of the one-off reversal of deferred tax liabilities recognised in the financial statements on the statutory/tax differences in value, amounting to 168 million euro.
 - 14 million euro in higher taxes as a result of improved earnings before taxes.
- decrease of 15 million euro in net financial expense, due mainly to the improved conditions in the capital markets when refinancing maturing bonds;
- increase of 27 million euro in the minority interest, partially due to the consolidation of AEB Group.

Excluding non recurring items affecting the current year (reversal of deferred tax liabilities net of substitute tax and minority interests' profit on the realignment of AEB and ACSM AGAM's assets), the Group's share of net ordinary income for the first nine months of the year amounted to 256 million euro, representing an organic increase of 38 million euro (+17%) compared with the same period of the previous year.

Consolidated Net Financial Position at September 30, 2021 amounted to 3,782 million euro (3,472 million euro as at December 31, 2020). Excluding changes in scope in the first nine months of 2021 and the application of the new ESMA (European Securities and Markets Authority) guidelines - totalling 441 million euro) - NFP amounted to 3,341 million euro, recording cash absorption of 131 million euro, after total capex of 640 million euro and dividends for 248 million euro.

A2A Group – Results by Business Unit

The following table shows the composition of the Gross Operating Margin by Business Unit: Please note that, starting from this quarter but effective 01.01.2021, following an organisational change, the Public Lighting segment, previously included in the Market Business Unit, is consistently represented in the Networks Business Unit: in order to ensure full comparability, the values concerning the Market Business Unit and the Networks Business Unit have therefore been pro-forma.

<i>Millions of euro</i>	09.30.2021	09.30.2020	Change	Change %
Generation & Trading	203	174	29	16.7%
Market	161	140	21	15.0%
Waste	238	209	29	13.9%
Networks	367	314	53	16.9%
Corporate	-10	-15	5	-33.3%
Total	959	822	137	16.7%

Generation and Trading

In the first nine months of 2021, the Generation and Trading Business Unit contributed to fulfil the sales demand of the A2A Group through production by the plants it owns amounting to 13.6 TWh (12.5 TWh at September 30, 2020).

Thermoelectric production amounted to 10 TWh (9.2 TWh in the corresponding period of the previous year), up 9.2%, due to a rise in output by CCGT plants following the increase in demand for contestable energy.

Production from renewable sources amounting to 3.7 TWh recorded an increase of 9%, more than half of which was due to the contribution of photovoltaic and wind power plants following the new photovoltaic (+173 MW) and wind power (8.2 MW) capacity acquired by the Group. In the first nine months, hydroelectric production increased by 5% to 3.4TWh, but was down in the third quarter compared with the same period last year.

Revenues amounted to 3,991 million euro, up by 1,297 million euro (+48.1%) compared to the same period of the previous year. The change was caused by an extraordinary increase in the prices of electricity and natural gas and by higher volumes sold and brokered, in particular on the electricity market.

EBITDA amounted to 203 million euro, an increase of 29 million euro compared to the same period of the previous year. Net of non-recurring items in the two periods considered (+7 million euro in 2021 and +9 million in 2020), the Ordinary EBITDA increased by 31 million euro.

The change was mainly due to the following:

- the energy scenario net of existing hedges;
- growth in hydroelectric production, particularly in the first 6 months of 2021;
- contribution of newly acquired photovoltaic and wind power plants;
- performance achieved in the ancillary services market (MSD), amounting to 152 million euro (+35 million euro compared to the first nine months of 2020).

These positive effects were partly offset by:

- higher hydroelectric fee charges attributable to both the variable and free energy portion to be paid and the fixed component for some plants, which primarily regarded the third quarter of 2021;
- negative contribution from the gas portfolio due to the scenario.

In the period in question, Capex of Generation and Trading Business Unit amounted to around 51 million euro (27 million euro in the first nine months of 2020).

Market Business Unit

In the first nine months of 2021, the Market Business Unit recorded 13.6 TWh of electricity sales, up 24% compared to the same period of the previous year. The increase is due to the acquisition of new customers, to the higher quantities sold to large customers in the free market, as well as to the greater contribution of the Safeguard market.

Gas sales, equal to 1.8 Mcm, increased by +20% compared to the first nine months of 2020, partly due to greater sales made to large customers and partly thanks to the consolidation of AEB.

Lastly, compared with the end of 2020, the number of mass-market customers in the free market, both in the electric power and natural gas segments, increased to about 126 thousand.

Revenues were 2,323 million euro (1,756 million euro as at September 30, 2020), up by 32.3% due to the increase in unitary prices of the electricity segment, larger quantities sold of both electricity and gas and the consolidation of ACSM-AEB group.

EBITDA equalled 161 million euro (140 million euro at September 30, 2020). Net of the non-recurring items in the two periods considered (+2 million euro in 2021 and +1 million in 2020), the Ordinary EBITDA increased by 20 million euro (+14%).

The change is due to a significant increase in margins recorded in the retail segment for:

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

This growth has been scaled back:

- by the drop in unit margins on sales in the free electricity market, mainly in the large customer segment, also due to particularly high unbalancing charges as a result of energy prices;
- by the higher operating costs than those incurred last year due to a slowdown in activities brought about by the COVID-19 emergency.

Capex in the first nine months of 2021 amounted to 47 million euro (33 million euro at September 30, 2020).

Waste Business Unit

In the period considered, the quantity of waste collected, equal to 1.4 million tonnes, increased by a total of 13%, 86% following the change in the scope of consolidation for AEB and 14% on a like-for-like scope.

Waste disposed of amounted to 2.5 million tonnes, an increase of 3.7%, with a greater weight of waste destined for material recovery (significant growth in paper and bulky items) and energy. On the other hand, the quantities brokered and disposed of to third-party plants and waste treated but not sent for recovery fell.

The quantities of electricity and heat produced by waste-to-energy plants increased by 7% due to the contribution made by new biomass and biogas plants and by 7.8% as a result of the greater quantities requested by the district heating sector.

During the first nine months of 2021, the Waste Business Unit recorded revenues of 907 million euro portfolio were up 13% on the corresponding period of the previous year (803 million euro at September 30, 2020). Net of the contribution of the new companies acquired in the last quarter of the previous year (AEB and Fragea) and in the current year (Agripower consolidated from April 2021), the change is linked to higher revenues from material recovery (particularly paper sales), from the sale of electricity and revenues from urban and industrial waste disposal.

EBITDA equalled 238 million euro (209 million euro at 30 September 2020), up 28 million euro compared to the previous year.

Both the urban waste treatment segment (+22 million euro on the first nine months of 2020) and the industrial waste segment (+5 million euro on the corresponding period of the previous year) made a positive contribution to the period result, thanks to:

- greater quantities of electricity produced thanks to the incremental contribution of the biomass and biogas generating plants acquired in the previous year (Agritre) and in the current year (Agripower).
- a positive trend in the prices at which electric power is sold;
- greater quantities of waste disposed of, particularly paper;
- increase in paper prices due to high demand in the European market;
- increase in prices for the conferral of waste, in particular waste urban waste.

Capex in the first nine months of 2021 amounted to 166 million euro (94 million euro at September 30, 2020).

Networks Business Unit

In the first few months of 2021, the RAB related to electricity distribution and the RAB related to gas distribution were up 12.9% and 9.4%, respectively, thanks to the increased investments made in the electricity segment and, in the gas segment, to the consolidation of the AEB Group.

The RAB for water services increased by 8.4% as a result of the capex made.

Heat sales by the Networks Business Unit in the period in question amounted to 2 TWh, an increase of 15.8% 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.

Revenues for the period amounted to 880 million euro (771 million euro at September 30, 2020, +14.1%). The change is mainly attributable to the incremental contribution from the consolidation of AEB, to the higher revenues from district heating and the water cycle, the higher number of services provided compared to the same period of the previous year, which was penalised by the effects of the anti-COVID measures adopted from March 2020.

In the first nine months of 2021, EBITDA amounted to 367 million euro (314 million euro at September 30, 2020).

Net of non-recurring items (+5 million euro in 2021; +1 million euro in 2020), the Ordinary EBITDA of the Business Unit reached 362 million euro, up 49 million euro (+16%) with respect to the same period of 2020.

The change in EBITDA is distributed as follows:

- electricity and gas distribution networks (+28 million euro): change linked to the incremental contribution of the AEB consolidation (15 million euro), greater revenues allowed for regulatory purposes in connection with the electricity grid, lower operating costs, higher connections and services for customers compared to the first nine months of 2020;
- district heating (+11 million euro): margins increased mainly due to higher quantities sold as a result of commercial development and greater demand due to the length of the heating season;
- water cycle (+11 million euro): higher revenues due to the tariff increases approved by the sector Authority and lower water losses;
- Public lighting (+2 million euro): increase in margins due to new municipalities and lower operating costs;
- Smart City (-2 million euro): conclusion of activities started in previous years relating to the construction of infrastructure for the laying of optic fibre cables.

Capex in the reporting period equalled 344 million euro (240 million euro at September 30, 2020).

Balance sheet

The Balance Sheet figures at September 30, 2021 are homogeneous with respect to the figures at December 31, 2020, with the exception of the following changes in perimeter:

- 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;
- 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., 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;
- acquisition and consolidation at equity of the investment in Nectcity S.r.l., a company operating in the energy efficiency sector.

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.

Lastly, we note the sale of the equity investment in Ge.Si. S.r.l., previously consolidated at equity.

(millions of euro)	09/30/2021	12/31/2020	Change
CAPITAL EMPLOYED			
<u>Net fixed assets</u>	<u>7,688</u>	<u>7,067</u>	<u>621</u>
- Tangible assets	5,421	5,162	259
- Intangible assets	2,888	2,737	151
- Shareholdings and other non-current financial assets (*)	69	32	37
- Other non-current assets/liabilities (*)	(88)	(99)	11
- Deferred tax assets/liabilities	382	265	117
- Provisions for risks, charges and liabilities for landfills	(728)	(752)	24
- Employee benefits	(256)	(278)	22
<i>of which with counter-entry to equity</i>	<i>(152)</i>	<i>(94)</i>	
<u>Net Working Capital and Other current assets/liabilities</u>	<u>422</u>	<u>507</u>	<u>(85)</u>
Net Working Capital:	534	617	(83)
- Inventories	254	139	115
- Trade receivables	2,024	2,030	(6)
- Trade payables	(1,744)	(1,552)	(192)
Other current assets/liabilities:	(112)	(110)	(2)
- Other current assets/liabilities (*)	(102)	(181)	79
- Current tax assets/tax liabilities	(10)	71	(81)
<i>of which with counter-entry to equity</i>	<i>208</i>	<i>7</i>	
Assets/liabilities held for sale (*)	0	14	(14)
<i>of which with counter-entry to equity</i>	<i>0</i>	<i>0</i>	
TOTAL CAPITAL EMPLOYED	8,110	7,588	522
SOURCES OF FUNDS			
Shareholders' equity	4,328	4,116	212
Total financial position after one year	3,886	3,907	(21)
Total financial debt within one year	(104)	(435)	331
Total Net Financial Position	3,782	3,472	310
<i>of which with counter-entry to equity</i>	<i>22</i>	<i>31</i>	
TOTAL SOURCES	8,110	7,588	522

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

Net Fixed Assets

“Net Fixed Assets” amounted to 7,688 million euro, up by 621 million euro compared to 31 December 2020, of which 287 million euro refer to contributions deriving from the first consolidations.

The main changes are detailed below:

- Tangible assets increased by 259 million euro due to:
 - capex for 407 million euro due to works on waste treatment and waste-to-energy plants, on thermoelectric and hydroelectric plants and on renewable source energy plants for 192 million euro, to the development and maintenance of electricity distribution plants and the installation of new electronic meters for 104 million euro, the development of district heating networks for 50 million euro, the purchase of movable means to collect waste and other equipment for 18 million euro, investments focussed on developing the energy efficiency plan and electric mobility for 20 million euro, work on the optic fibre and gas transport network for 8 million euro and work on buildings for 15 million euro;
 - first consolidation of the companies acquired during the period, which led to an increase of 207 million euro, mainly due to photovoltaic plants and power generation from biogas;
 - net decrease for other changes of 12 million euro mainly due to decreases in the provision for decommissioning and landfill closure and post-closure expenses;
 - decrease of 1 million euro arising from disposals, net of accumulated depreciation;
 - decrease of 342 million euro for the depreciation charge for the period.
- intangible assets increased by 151 million euro compared to December 31, 2020, due to:
 - capex for 233 million euro related to the implementation of computer systems for 77 million euro, plant development and maintenance work in the gas distribution area for 78 million euro, works on the water transport and distribution network, sewers and purification plants for 65 million euro, other residual investments for 13 million euro;
 - first consolidation of the companies acquired during the period, which resulted in an increase of 84 million euro, mainly due to the goodwill generated by the acquisitions of Agripower S.r.l. and the companies operating in the production of energy from photovoltaic plants;
 - net decrease of 16 million euro for other changes, mainly due to the decrease in environmental certificates of the industrial portfolio;
 - decrease of 1 million euro resulting from disposals net of accumulated amortisation;
 - decrease of 149 million euro for period amortisation/depreciation.
- shareholding and other non-current financial assets, at 69 million euro, up by 37 million euro compared to 31 December 2020. The change is due for 7 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 period 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 9 million euro;
- other non-current assets and liabilities show a net change of +11 million euro due to the reclassification, following the ESMA guideline applicable from 5 May 2021, in the statement of financial indebtedness, of payables due after 12 months for deferred prices arising from acquisitions made in the photovoltaic sector, partly offset by increases in security deposits from customers and other increases in non-current liabilities;

- deferred tax assets/liabilities showed an asset balance of 382 million euro, an increase of 117 million euro compared to December 31, 2020. This increase is due to the release of deferred-tax liabilities totalling 168 million euro upon the exercise of the realignment option provided by Decree Law No. 104/2020 exercised by some Group companies, partly offset by an increase of 62 million euro attributable mainly to changes in the cash flow hedge reserves;
- provisions for risks, charges and liabilities for landfills recorded a decrease of 24 million euro. Period changes are due to utilisations of 20 million euro, mainly related to the incurring of decommissioning and landfill costs, and other decreases of 8 million euro; these changes are offset by net provisions made for 1 million euro and by the effects of the first consolidation, of 3 million euro;
- employee benefits decreased by 22 million euro, due to disbursements during the period and payments to welfare funds, net of period allocations.

Net Working Capital and Other Current Assets/Liabilities

“**Net working capital**”, defined as the sum of trade receivables, closing inventories and trade payables, amounted to 534 million euro. The change was a decline of 83 million euro compared to December 31, 2020. Comments on the main items are given below:

Trade receivables

(millions of euro)	Balance at 12/31/2020	Changes during the period	Balance at 09/30/2021
Trade receivables – invoices issued	831	41	872
Trade receivables – invoices to be issued	1,329	(49)	1,280
Bad debts provision	(130)	2	(128)
Total trade receivables	2,030	(6)	2,024

As at September 30, 2021 “Trade receivables” amounted to 2,024 million euro (2,030 million euro at December 31, 2020), with a decrease of 6 million euro. The contribution deriving from first consolidations was 8 million euro.

The Bad debt provision of 128 million euro decreased by 2 million euro with respect to December 31, 2020, due to net provisions for 13 million euro, more than offset by period utilisations for 14 million euro and other reductions for 1 million euro.

Trade receivables ageing is detailed here below:

(millions of euro)	09/30/2021	12/31/2020
Trade receivables of which:	2,024	2,030
Current	596	588
Past due of which:	276	241
<i>Past due up to 30 days</i>	73	55
<i>Past due from 31 to 180 days</i>	64	51
<i>Past due from 181 to 365 days</i>	30	40
<i>Past due over 365 days</i>	109	95
Invoices to be issued	1,280	1,331
Bad debts provision	-128	-130

Trade payables

(millions of euro)	Balance at 12/31/2020	Changes during the period	Balance at 09/30/2021
Advances	3	(2)	1
Payables to suppliers	1,549	194	1,743
Total trade payables	1,552	192	1,744

"Trade payables" amounted to 1,744 million euro, an increase of 192 million euro. The contribution deriving from first consolidations was 13 million euro.

Inventories

(millions of euro)	Balance at 12/31/2020	Changes during the period	Balance at 09/30/2021
- Materials	77	19	96
- Material obsolescence provision	(20)	(2)	(22)
- Fuel	73	96	169
- Others	9	2	11
Raw and ancillary materials and consumables	139	115	254
Total inventory	139	115	254

Inventories amounted to 254 million euro (139 million euro at December 31, 2020), net of the related obsolescence provision for 22 million euro, up 115 million euro compared to December 31, 2020.

The rise is due to the increase in fuel stocks for 96 million euro, particularly gas and fuel oil, the increase in material stocks, net of the related obsolescence fund, for 17 million and other increases for 2 million euro.

“**Other current assets/liabilities**” evidenced a net change of -2 million euro, due to:

- net increase in tax payables for 81 million euro;
- net increase in payables to employees for 12 million euro;
- 96 million euro increase in tax payables for VAT, excise duties and other taxes;
- net increase of 185 million euro in derivative assets, reflecting a change in fair value at the end of the period and in the quantities hedged;
- other decreases in current liabilities for 2 million euro.

Below the breakdown of the Net Working Capital by Business Unit, including changes to other current assets/liabilities:

(Millions of euro)	09/30/2021	12/31/2020	CHANGE
Generation and Trading	-4	-6	2
Market	440	542	-102
Waste	67	49	18
Networks	62	-39	101
Corporate	-143	-39	-104
TOTAL	422	507	-85

“**Assets/liabilities held for sale**” had a zero balance at September 30, 2021 (14 million euro at December 31, 2020) following the sale of the interests held in Ge.S.I. and Consul System S.p.A. (for 26% of the shares) completed during the period.

Consolidated “**Capital Employed**” at September 30, 2021 amounted to 8,110 million euro and was financed by Equity for 4,328 million euro and the Net Financial Position for 3,782 million euro.

Shareholders’ equity

“**Equity**” amounted to 4,328 million euro and showed a positive change for a total of 212 million euro.

The increase was due to:

- the positive period result for 433 million euro (394 million euro pertaining to the Group and 39 million euro to minorities);
- reserves arising from the valuation of cash flow hedges and IAS 19 reserves, which showed an increase of 152 million euro.

These increases were partly offset by dividend payments of 248 million euro and the purchase of treasury shares for 109 million euro.

Financial position

Net free cash flow (Millions of euro)	09/30/2021	09/30/2020
EBITDA	959	822
Changes in Net Working Capital	83	(11)
Changes in Other assets/liabilities	132	(106)
Utilization of provisions, net taxes and net financial charges	(155)	(146)
FFO	1,019	559
Capex	(640)	(413)
Dividends	(248)	(241)
Net free cash flow	131	(95)
Changes in consolidation scope	(301)	(132)
Application of ESMA Directive	(31)	-
Purchase of treasury shares	(109)	-
Change in Net Financial Position	(310)	(227)

Net Financial Position at 30 September 2021 amounted to 3,782 million euro (3,472 million euro as at 31 December 2020).

Gross debt amounted to 4,579 million euro, up by 82 million euro compared to December 31, 2020.

Cash and cash equivalents amounted to 802 million euro, down by 210 million euro compared to December 31, 2020.

Other net financial assets and liabilities showed a negative balance of 5 million euro with a net decrease of 18 million euro compared to December 31, 2020 mainly as a result of the application of the new ESMA guidelines on the representation of financial debt which resulted in a worsening of the net financial position by 31 million euro, corresponding to deferred prices arising from M&A transactions concluded in previous years.

The fixed rate and hedged portion of the gross debt amounted to 75%. The duration is 5.8 years.

Period net cash flows generation was positive for 131 million euro, more than offset by a negative change of 441 million euro, consequent to the change in the perimeter, the purchase of treasury shares and the application of the new ESMA Guidelines.

Regarding net cash flow generation:

- Net Working Capital, calculated as the sum of trade receivables, trade payables and inventories, generated an improvement of 83 million euro in the net financial position, due to the 6 million euro increase in trade receivables, the 192 million euro increase in trade payables and the 115 million euro decrease in gas and other fuel inventories. The above changes were mainly due to the seasonal effect.

The Group occasionally performs non-recourse credit assignments.

As at September 30, 2021, as well as at December 31, 2020, there were no receivables which had not yet fallen due, sold by the Group on a definitive basis and derecognised in accordance with the requirements of IFRS 9. Note that the Group does not have rotating factoring programmes in place;

- change of 132 million euro in Other assets/liabilities refers mainly to an increase in advance receipts of electric power and natural gas futures contracts that will become effective in the following period, an increase in VAT and excise tax payables and liabilities for derivatives, offset in part by an increase in receivables owed by the CSEA¹;
- payment of net financial charges, taxes and provisions absorbed cash for 155 million euro, while capex of the period absorbed 640 million euro and dividends payment 248 million euro.

The changes in the consolidation scope, the purchase of treasury shares and the application of the new ESMA Guidelines have worsened the net financial position by a total of 441 million euro.

Net investments, amounting to 640 million euro, concerned the following Business Units:

<i>Millions of euro</i>	09.30.2021	09.30.2020	Change
Generation & Trading	51	27	24
Market	47	33	14
Waste	166	94	72
Networks	344	240	104
Corporate	41	23	18
Adjustments	-9	-4	-5
Total	640	413	227

Generation and Trading

Capex amounted to about 51 million euro in the reporting period and were related to extraordinary maintenance at the Group's thermoelectric power plants and hydroelectric power plants for approximately 32 million euro and to development work on thermoelectric plants (gas turbine upgrades) and photovoltaic plants (Fiera Project) for 19 million euro.

Market Business Unit

In the first nine months of 2021, the Market Business Unit capex amounted to 47 million euro. These investments concerned:

- 38 million euro for the energy retail segment, mainly relating to ICT activities aimed at acquiring new customers and supporting billing and marketing activities;
- 9 million for energy efficiency and e-moving projects.

¹ CSEA: Cassa congruagli Servizi Energetici e Ambientali

Waste Business Unit

Investments for 2021 amounted to 166 million euro and regarded:

- development work amounting to 123 million euro, mainly relating to waste to energy plants, of which 54 million euro for the construction of the new Parona plant, and to treatment plants amounting to 44 million euro, of which 21 million for organic waste treatment plants.
- maintenance work of 43 million euro on waste-to-energy plants (21 million euro), treatment plants (11 million euro) and the collection sector (11 million euro).

Networks Business Unit

Capex in the period in question amounted to 344 million euro and regarded:

- the electricity distribution segment, with 121 million euro relating to development and maintenance work on plants and in particular the connection of new users, maintenance work on secondary cabins, the extension and refurbishment of the medium and low voltage network, the maintenance and upgrading of primary plants and investments in the launch of the 2G smart meter project;
- the gas distribution sector with 87 million euro, relative to development and maintenance work on plants relating to the connection of new users, the replacement of medium and low pressure pipes and meters and gas smart meters;
- the integrated water cycle sector with 67 million euro, relative to maintenance and development works on the water transport and distribution network, as well as works and restoration works on the sewer networks and the development of new purification plants;
- the district heating and heat management sector with 53 million euro, relative to development and maintenance works on the plants and networks;
- the Public Lighting segment with 9 million euro relating in particular to development projects in the municipalities of Milan and Brescia and in new municipalities
- the Smart City segment, development and maintenance work on TLC projects (7 million euro).

Corporate

Capex in the period, amounting to 41 million euro, mainly refer to work on IT systems and buildings.

Business outlook

The excellent results at the end of September confirmed the solidity of the strategic approach, given with the 2021-2030 Plan, focused on the energy transition and the circular economy, macro-trends that will continue to strengthen in future years and in which the Company will continue to play a leading role. These macro-trends, the supportive energy scenario, the positive effects expected from the National Plan for Recovery and Resilience (PNRR) and the good economic growth expected in our country also enable A2A to look to the future with confidence and optimism.

Investments, with a significant growth already expected in the Plan, will reach one billion euro in the current year, an increase of 40% compared to the previous year, to which will be added the external growth operations concluded during the year. FY 2021 is expected to end with record financial results: EBITDA is expected between 1,320 and 1,340 million euro (including around 15 million euro of positive non-recurring items).

The change in the NFP, expected to increase, will be substantially due to the extraordinary transactions concluded during the year and the growth in investments.

Alternative Performance Measures (APM)

Certain alternative performance indicators (AIP) not envisaged by the International Financial Reporting Standards endorsed by the European Union (IFRS-EU) are presented in the press release to give a better view of the A2A Group's performance. In accordance with the updated recommendations in the ESMA Guidelines published in July 2020 and came into force from May 5, 2021, the measures are described below, with an explanation of their content and calculation base:

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

On the basis of the Issuer Regulations, amended by Consob, with Resolution no. 19770 of October 26, 2016 effective as of January 2, 2017, article 82-ter (additional periodic financial information), the Board of Directors, in order to ensure continuity and regular information for the financial community, has decided to continue to publish the quarterly financial information on a voluntary basis, adopting the following disclosure policy effective as of financial year 2017 and until otherwise resolved.

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



The accounting tables of the A2A Group, as at September 30, 2021, are annexed.

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CONSOLIDATED BALANCE SHEET	09.30.2021	12.31.2020
(millions of euro)		
ASSETS		
<u>NON-CURRENT ASSETS</u>		
Tangible assets	5,421	5,162
Intangible assets	2,888	2,737
Shareholdings carried according to equity method	34	17
Other non-current financial assets	62	36
Deferred tax assets	382	265
Other non-current assets	26	28
TOTAL NON-CURRENT ASSETS	8,813	8,245
<u>CURRENT ASSETS</u>		
Inventories	254	139
Trade receivables	2,024	2,030
Other current assets	5,527	685
Current financial assets	11	11
Current tax assets	59	76
Cash and cash equivalents	802	1,012
TOTAL CURRENT ASSETS	8,677	3,953
NON-CURRENT ASSETS HELD FOR SALE		28
TOTAL ASSETS	17,490	12,226
EQUITY AND LIABILITIES		
<u>EQUITY</u>		
Share capital	1,629	1,629
(Treasury shares)	(163)	(54)
Reserves	1,865	1,598
Result of the year	-	364
Result of the period	394	-
Equity pertaining to the Group	3,725	3,537
Minority interests	603	579
Total equity	4,328	4,116
<u>LIABILITIES</u>		
<u>NON-CURRENT LIABILITIES</u>		
Non-current financial liabilities	3,870	3,909
Employee benefits	256	278
Provisions for risks, charges and liabilities for landfills	728	752
Other non-current liabilities	157	146
Total non-current liabilities	5,011	5,085
<u>CURRENT LIABILITIES</u>		
Trade payables	1,744	1,552
Other current liabilities	5,629	866
Current financial liabilities	709	588
Tax liabilities	69	5
Total current liabilities	8,151	3,011
Total liabilities	13,162	8,096
LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	-	14
TOTAL EQUITY AND LIABILITIES	17,490	12,226

CONSOLIDATED INCOME STATEMENT (millions of euro)	01.01.2021 09.30.2021	01.01.2020 09.30.2020
Revenues		
Revenues from the sale of goods and services	6,285	4,671
Other operating income	171	134
Total Revenues	6,456	4,805
Operating expenses		
Expenses for raw materials and services	4,724	3,288
Other operating expenses	221	173
Total Operating expenses	4,945	3,461
Labour costs	552	522
Gross operating income - EBITDA	959	822
Depreciation, amortization, provisions and write-downs	505	422
Net operating income - EBIT	454	400
Result from non-recurring transactions	-	-
Financial balance		
Financial income	13	11
Financial expenses	58	71
Affiliates	2	1
Total financial balance	(43)	(59)
Result before taxes	411	341
Income taxes	(22)	109
Result after taxes from operating activities	433	232
Net result from discontinued operations	-	(2)
Net result	433	230
Minorities	(39)	(12)
Group result of the period	394	218
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (millions of euro)	09.30.2021	09.30.2020
Net result of the period (A)	433	230
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	210	16
Tax effect of other gains/(losses)	(62)	(4)
Total other gains/(losses) net of the tax effect of companies consolidated on a line-by-line basis (C)	148	12
Total comprehensive result (A)+(B)+(C)+(D)	585	247
Total comprehensive result attributable to:		
Shareholders of the parent company	546	235
Minority interests	(39)	(12)

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

CONSOLIDATED CASH-FLOW STATEMENT (millions of euro)	09.30.2021	09.30.2020 (**)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	1,012	434
<u>Operating activities</u>		
Net Result	433	230
Net income taxes	(22)	109
Net financial interests	45	60
Tangible assets depreciation	342	302
Intangible assets amortization	149	101
Fixed assets write-downs/disposals	2	5
Net provisions	14	19
Result from affiliates	(2)	(1)
Net financial interests paid	(59)	(58)
Net taxes paid	(76)	(57)
Dividends paid	(263)	(256)
Change in trade receivables	1	201
Change in trade payable	179	(245)
Change in inventories	(107)	31
Other changes in net working capital	75	(103)
Cash flow from operating activities	711	338
<u>Investment activities</u>		
Investments in tangible assets	(407)	(232)
Investments in intangible assets and goodwill	(233)	(181)
Investments in shareholdings and securities (*)	(140)	(114)
Contribution of first consolidation of acquisitions on cash and cash equivalents	27	14
Disposal of fixed assets and shareholdings	5	18
Purchase of treasury shares	(109)	-
Cash flow from investment activities	(857)	(495)
FREE CASH FLOW	(146)	(157)
<u>Financing activities</u>		
Changes in financial assets		
Issuance of loans	(6)	-
Proceeds from loans	-	-
Other changes	2	-
Total changes in financial assets (*)	(4)	-
Changes in financial liabilities		
Borrowings/bonds issued	640	219
Repayment of borrowings/bond	(717)	(194)
Lease payments	-	(14)
Other changes	17	(19)
Total changes in financial liabilities (*)	(60)	(8)
Cash flow from financing activities	(64)	(8)
CHANGE IN CASH AND CASH EQUIVALENTS	(210)	(165)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	802	269

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

(**) Values at September 30, 2020 have been reclassified according to the different presentation of the cash-flow statement adopted from December 31, 2020

Statement of changes in Group equity
(millions of euro)

Description	Share capital	Treasury shares	Cash Flow Hedge	Other Reserves and retained earnings	Result of the period/year	Total Equity pertaining to the Group	Minority interests	Total Net shareholders equity
Net equity at December 31, 2019	1,629	(54)	(30)	1,355	389	3,289	362	3,651
<i>Changes in the first nine months of 2020</i>								
2019 result allocation				389	(389)			
Distribution of dividends				(241)		(241)	(15)	(256)
IAS 19 reserves (*)				5		5		5
Cash flow hedge reserves (*)			12			12		12
Other changes				(9)		(9)	7	(2)
Group and minorities result of the period					219	219	12	231
Net equity at September 30, 2020	1,629	(54)	(18)	1,499	219	3,275	366	3,641
<i>Changes in the fourth quarter of 2020</i>								
Distribution of dividends						3		3
IAS 19 reserves (*)				3		12		12
Cash flow hedge reserves (*)			12			102	221	323
Other changes				102		145	(8)	137
Group and minorities result of the period					145	145		
Net equity at December 31, 2020	1,629	(54)	(6)	1,604	364	3,537	579	4,116
<i>Changes in the first nine months of 2021</i>								
2020 result allocation				364	(364)			
Distribution of dividends				(248)		(248)	(15)	(263)
Purchase of treasury shares		(109)				(109)		(109)
IAS 19 reserves (*)				4		4		4
Cash flow hedge reserves (*)			148			148		148
Other changes				(1)		(1)		(1)
Group and minorities result of the period					394	394	39	433
Net equity at September 30, 2021	1,629	(163)	142	1,723	394	3,725	603	4,328

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