



a2a

SHAPING THE FUTURE TODAY

2019

Separate
Financial
Statements



Separate financial statements

2019

Contents

Overview of performance, financial conditions and net debt	4
1 Financial statements	
Balance sheet	10
Income statement	12
Statement of comprehensive income	13
Cash-flow statement	14
Statement of changes in equity	16
2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010	
Balance sheet pursuant to Consob Resolution no. 17221 of March 12, 2010	20
Income statement pursuant to Consob Resolution no. 17221 of March 12, 2010	22
3 Notes	
General information on A2A S.p.A.	25
Financial statements	26
Basis of preparation	27
Changes in international accounting standards	28
Accounting standards and policies	30
Notes to the balance sheet	43
Net debt	63
Notes to the income statement	65
Note on related party transactions	81
Consob Communication no. DEM/6064293 of July 28, 2006	84
Guarantees and commitments with third parties	86
Other information	87

4 Attachments

1. Statement of changes in tangible assets	114
2. Statement of changes in intangible assets	116
3/a. Statement of changes in investments in subsidiaries	118
3/b. Statement of changes in investments in affiliates	120
3/c. Statement of changes in investments in other companies	122
4/a. List of investments in subsidiaries	124
4/b. List of investments in affiliates	126
Key data of the financial statements of the main subsidiaries and affiliates prepared according to IAS/IFRS (pursuant to art. 2429.4 of the Italian Civil Code)	128
Key data of the financial statements of the main subsidiaries and affiliates prepared according to ITALIAN GAAP (pursuant to art. 2429.4 of the Italian Civil Code)	130
Certification of the financial statements pursuant to article 154-bis, paragraph 5 of Legislative Decree no. 58/98	132

5 Independent Auditors' Report	133
--------------------------------	-----

6 Report of the Board of Auditors	139
-----------------------------------	-----

This is a translation of the Italian original "Bilancio separato 2019" 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.

Overview of performance, financial conditions and net debt

A2A S.p.A.

The Parent Company is responsible for strategic vision, planning, control, financial management and coordination of the A2A Group activities. It also provides services to support the business and operating activities of Group companies (administrative, legal, supply, and personnel management services, information technology and communications) in order to optimize the resources available and use existing expertise in the most efficient manner. These services are governed by intercompany service agreements.

Finally, A2A S.p.A. provides its subsidiaries with office space and operating areas, as well as related services.

A2A S.p.A. owns some hydroelectric plants in Valtellina, the hydroelectric unit in Calabria, as well as the hydroelectric plants of the units in Udine and Mese.

The items in the financial statements at December 31, 2019 of A2A S.p.A. include the effects of the following extraordinary transactions:

- the transfer of the International Business Unit to the subsidiary A2Abroad S.p.A. with effect from July 1, 2019;
- the acquisition of the STAFF HR Business Unit from the subsidiary AMSA S.p.A. with effect from August 1, 2019.

Results <i>millions of euro</i>	01 01 2019 12 31 2019	01 01 2018 12 31 2018	Changes
Revenues			
Revenues from the sale of goods and services	4,383.6	3,742.6	641.0
Other operating income	105.5	83.0	22.5
Total revenues	4,489.1	3,825.6	663.5
Operating expenses	(4,127.5)	(3,515.9)	(611.6)
Labour costs	(148.1)	(134.5)	(13.6)
Gross operating income - EBITDA	213.5	175.2	38.3
Depreciation, amortization and write-downs	(94.1)	(87.5)	(6.6)
Provisions	(2.3)	(2.9)	0.6
Net operating income - EBIT	117.1	84.8	32.3
Result from non-recurring transactions	-	5.7	(5.7)
Financial balance	353.0	276.1	76.9
Result before taxes	470.1	366.6	103.5
Income taxes	(20.2)	(14.1)	(6.1)
Result after taxes from operating activities	449.9	352.5	97.4
Net result from discontinued operations	0.7	20.6	(19.9)
Net result of the year	450.6	373.1	77.5

In the year in question A2A S.p.A. shows revenues for a total of 4,489.1 million euro (3,825.6 million euro in the previous year). Sales revenues (4,197.8 million euro) mainly refer to electricity sales to wholesalers, institutional operators, even on IPEX markets (Italian Power Exchange) and subsidiaries, sales of gas and fuels to third parties and subsidiaries and the sale of environmental certificates. Revenues from services (185.8 million euro) mainly refer to services to subsidiaries of an administrative, fiscal, legal, managerial and technical nature. Other operating income (105.5 million euro) include the release of the provision for the tolling contract with Ergosud S.p.A., as well as incentives on net production from renewable sources.

**Overview of
performance,
financial
conditions
and net debt**

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

4 Attachments

5 Independent Auditors' Report

6 Report of the Board of Auditors

Operating expenses amounted to 4,127.5 million euro (3,515.9 million euro at 31 December 2018) and refer to costs for raw materials (3,586.0 million euro) related primarily to purchases of energy and fuels, both for electricity production and for resale, purchases of materials and environmental certificates; service costs (266.3 million euro), which refer to the costs for the transport and storage of natural gas, costs for plant maintenance as well as for professional and technical services costs and other operating expenses (275.2 million euro), which include the contracting of thermoelectric production plants "tolling agreement" of subsidiaries, as well as water derivation fees, damages and penalties.

Labour costs amounted to 148.1 million euro (134.5 million euro at December 31, 2018); the increase is attributable to both the increase in the number of employees of the company and to the recognition of the total cost of the corporate restructuring plan related to future outgoing employees due to mobility.

Due to the dynamics mentioned above the EBITDA amounted to 213.5 million euro (175.2 million euro at December 31, 2018).

"Amortization and depreciation, provisions and write-downs" of the year amounted to 96.4 million euro (90.4 million euro at December 31, 2018) and include amortisation, depreciation and write-downs of the tangible and intangible assets for 94.1 million euro (87.5 million euro at December 31, 2018) and provisions for 2.3 million euro (2.9 million euro at December 31, 2018), mainly related to provisions for risks.

EBIT was positive for 117.1 million euro (positive for 84.8 million euro at December 31, 2018).

The "Result from non-recurring transactions" was nil at the end of the year under review. At December 31, 2018, this item amounted to 5.7 million euro and included the gain deriving from the sale of the investment held in the company Rudnik Uglja ad Pljevlja.

Financial operations reported a positive balance of 353.0 million euro (positive for 276.1 million euro at December 31, 2018). This item includes dividends from subsidiaries for 333.3 million euro (366.8 million euro at December 31, 2018), the write-back of the investment in A2A gencogas S.p.A. for 96.5 million euro, in line with the write-back of the Electricity CGU of the Generation and Trading Business Unit booked into the consolidated financial statements; additionally, there were net financial expense for 76.8 million euro (86.0 million euro at December 31, 2018).

The Result before taxes was positive for 470.1 million euro (positive for 366.6 million euro at December 31, 2018).

Income taxes were 20.2 million euro (14.1 million euro at December 31, 2018).

Taxation is mainly due to the booking of: i) current tax calculated on taxable income for IRES and IRAP; ii) reduction in deferred tax asset following reversal of the temporary differences from previous years, partly offset by a reduction in deferred tax liabilities, also due to the reversal of temporary differences from previous years.

The "Net result from discounted operations" was positive and equal to 0.7 million euro (20.6 million euro at December 31, 2018) and includes the collection of dividends from the investee company EPCG for 0.2 million euro (15.8 million euro at December 31, 2018) and 0.5 million euro (4.8 million euro at December 31, 2018) the discounting income to adjust the value of the shareholding of EPCG to fair value, by virtue of the agreements entered into by the parties which zeroed the residual value of the shareholding in EPCG held at 18.70% by A2A S.p.A., thus completing the redemption process that began in 2017 following management's decision to exercise the put option on the entire shareholding.

The "Net result for the year" was positive for 450.6 million euro (373.1 million euro at December 31, 2018).

* * *

Net year Capex came to 40.0 million euro and in particular regarded interventions on hydroelectric plants, fixed assets under construction, investments in Group information systems and software, net of amounts realised on equity investments and the sales of fixed assets to Unareti S.p.A. made during the period under review.

Balance sheet and financial position <i>millions of euro</i>	12 31 2019	12 31 2018	Changes
CAPITAL EMPLOYED			
Net fixed capital	4,702.4	4,556.1	146.3
- Tangible assets	1,002.6	1,038.9	(36.3)
- Intangible assets	87.1	80.2	6.9
- Shareholdings and other non-current financial assets (*)	3,796.5	3,703.5	93.0
- Other non-current assets/liabilities (*)	7.0	(9.9)	16.9
- Prepaid/deferred tax assets/liabilities	59.7	66.0	(6.3)
- Provisions for risks, charges and liabilities for landfills	(110.3)	(180.3)	70.0
- Employee benefits	(140.2)	(142.3)	2.1
<i>of which with counter-entry to equity</i>	<i>(21.2)</i>	<i>(35.2)</i>	
Working capital	9.5	52.5	(43.0)
- Inventories	106.9	94.7	12.2
- Trade receivables and other current assets (*)	1,132.9	977.6	155.3
- Trade payables and other current liabilities (*)	(1,280.4)	(1,026.5)	(253.9)
- Current tax assets/tax liabilities	50.1	6.7	43.4
<i>of which with counter-entry to equity</i>	<i>(17.5)</i>	<i>10.1</i>	
Assets/liabilities held for sale (*)	-	109.0	(109.0)
<i>of which with counter-entry to equity</i>	<i>-</i>	<i>-</i>	
TOTAL CAPITAL EMPLOYED	4,711.9	4,717.6	(5.7)
SOURCES OF FUNDS			
Equity	2,843.7	2,635.6	208.1
Total financial position beyond one year	2,024.7	2,233.4	(208.7)
Total financial position within one year	(156.5)	(151.4)	(5.1)
Total net financial position	1,868.2	2,082.0	(213.8)
<i>of which with counter-entry to equity</i>	<i>(20.1)</i>	<i>(14.7)</i>	
TOTAL SOURCES	4,711.9	4,717.6	(5.7)

(*) Excluding balances included in the Net Financial Position.

“Capital employed” totalled 4,711.9 million euro at December 31, 2019, partly covered by “Equity” in the amount of 2,843.7 million euro and net debt of 1,868.2 million euro; provided below are the main items that make up the Capital Employed.

Net fixed capital amounted to 4,702.4 million euro and includes:

- tangible assets for 1,002.6 million euro mainly related to the hydroelectric plants in Valtellina, the Calabria, Mese and Udine units;
- intangible assets for 87.1 million euro that include software licenses and development projects of IT systems, goodwill and inventories of the environmental certificates related to the industrial portfolio;
- shareholdings and other non-current financial assets for 3,796.5 million euro, which include shareholdings in subsidiaries (3,793.5 million euro), in associates (2.1 million euro) and other minor shareholdings (0.9 million euro);
- other non-current assets/liabilities (7.0 million euro) which mainly relate to security deposits made and the payable to the minority shareholders of Linea Group Holding S.p.A.;
- deferred tax assets/liabilities for 59.7 million euro both IRES and IRAP on changes and provisions made solely for tax purposes;

- provisions for risks, charges and liabilities for landfills for 110.3 million euro, which consist of decommissioning provisions (4.0 million euro) for the remediation and decommissioning of production facilities at Valtellina hydroelectric power plants; tax provisions (0.1 million euro) for outstanding or potential disputes with the tax authorities; provisions for lawsuits and disputes with employees (7.8 million euro), which refer mainly to outstanding disputes with social security entities and third parties; other provisions for risks (98.4 million euro), which include provisions for public water derivation fees, provisions for contractual charges and other provisions for risks;
- employee benefits for 140.2 million euro that include the leaving entitlement (TFR) accrued to employees for 27.8 million euro and other provisions for benefits for 112.4 million euro.

Working capital amounted to 9.5 million euro and includes:

- inventories for 106.9 million euro relating primarily to inventories of fuels, also stored at third parties to produce electricity as well as gas inventories for the sale and storage thereof;
- trade receivables and other current assets of for 1,132.9 million that include trade receivables from third parties and Group companies for a total of 655.9 million euro and other current assets totalling 477.0 million euro, which mainly include: assets for commodity derivatives (371.5 million euro); receivables from subsidiaries for tax consolidation (55.5 million euro); tax receivables for excise and withholding taxes (2.1 million euro); advances to suppliers (10.9 million euro); and receivables from Ergosud S.p.A. related to portions of emission rights for the Scandale plant (2.2 million euro);
- trade payables and other current liabilities for 1,280.4 million euro that include trade payables to third parties and to Group companies for a total of 772.8 million euro and other current liabilities totalling 507.6 million euro, which mainly include: liabilities for commodity derivatives (380.1 million euro); payables to subsidiaries for tax consolidation (25.4 million euro); payables to social security institutions and to employees (34.1 million euro); payables for fiscal transparency to Ergosud S.p.A. (7.2 million euro); and tax payables for VAT, excise and withholdings (49.4 million euro);
- current tax assets/payables for 50.1 million euro related to IRAP and IRES receivables for amounts requested for reimbursement and receivables for Robin Tax paid in previous years, partially offset by IRES and IRAP current payables.

Assets/liabilities held for sale showed a zero balance while at December 31, 2018, they amounted to 109.0 million euro and referred to the fair value of the shareholding in EPCG, 18.70% held by A2A S.p.A.. The decrease is due to the collections made during the reporting year under the agreements entered into by the parties, which zeroed the residual value at December 31, 2018.

The "Net financial position" of 1,868.2 million euro, improved by 213.8 million euro compared to December 31, 2018 and includes the effect of the non-recurring transactions during the year, which was negative for 0.5 million euro and the effect of the application of accounting standard IFRS 16, which was negative for 15.5 million euro. Operations during the year generated resources of 497.6 million euro, partly offset by the resources absorbed by net capex in tangible and intangible assets and shareholdings of 40.0 million euro and dividends paid to shareholders of 217.6 million euro.

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

4 Attachments

5 Independent Auditors' Report

6 Report of the Board of Auditors

<i>millions of euro</i>	12 31 2019	12 31 2018
NET FINANCIAL POSITION AT THE START OF THE YEAR	(2,082.0)	(2,358.8)
Contributions from non-recurring transactions	(0.5)	0.1
First-time application of IFRS 16	(11.1)	-
New contracts IFRS 16	(4.4)	-
Result of the year (**)	446.8	298.8
Amortization and depreciation	90.1	83.3
Net interest for the year	76.9	86.1
Net interest paid	(73.3)	(90.0)
Net taxes paid/receivables for taxes paid	(33.2)	(6.2)
Write-downs on shareholdings and fixed assets	(92.1)	77.4
Change in the assets and liabilities (*)	82.4	45.4
Cash flow from operating activities	497.6	494.8
Cash flow from investment activities	(40.0)	(51.8)
Dividends paid	(217.6)	(179.7)
Other changes	(3.6)	3.9
Changes in financial assets/liabilities with counter-entry to equity	(6.6)	9.5
NET FINANCIAL POSITION AT THE END OF THE YEAR	(1,868.2)	(2,082.0)

(*) Excluding balances with counter-entry to equity.

(**) Result of the year is exposed net of gains on shareholdings' and fixed assets' disposals.

Below is a detail of the net debt:

<i>millions of euro</i>	12 31 2019	12 31 2018
Medium/long-term debt	3,174.8	2,849.4
Medium/long-term financial receivables	(1,150.0)	(616.0)
Total non-current net debt	2,024.8	2,233.4
Short-term debt	589.8	1,019.9
Short-term financial receivables	(386.3)	(661.4)
Cash and cash equivalents	(360.1)	(509.9)
Total current net debt	(156.6)	(151.4)
Net debt	1,868.2	2,082.0

A background image of a modern glass building facade, overlaid with a semi-transparent blue geometric shape on the left side. The building's interior, including office desks, chairs, and plants, is visible through the glass panes.

1

Financial
statements

Balance sheet ⁽¹⁾

Assets

<i>amounts in euro</i>	Note	12 31 2019	12 31 2018
NON-CURRENT ASSETS			
Tangible assets	1	1,002,606,538	1,038,947,161
Intangible assets	2	87,118,089	80,249,610
Shareholdings	3	3,795,629,441	3,702,584,390
Other non-current financial assets	3	1,148,551,632	609,165,937
Deferred tax assets	4	59,687,881	65,999,810
Other non-current assets	5	15,346,408	8,401,311
Total non-current assets		6,108,939,989	5,505,348,219
CURRENT ASSETS			
Inventories	6	106,912,138	94,736,836
Trade receivables	7	655,905,922	717,191,968
Other current assets	8	476,999,925	260,381,762
Current financial assets	9	386,297,412	661,376,728
Current tax assets	10	50,082,993	35,542,548
Cash and cash equivalents	11	360,077,895	509,947,205
Total current assets		2,036,276,285	2,279,177,047
NON-CURRENT ASSETS HELD FOR SALE	12	-	108,960,169
TOTAL ASSETS		8,145,216,274	7,893,485,435

(1) As required by Consob Resolution no. 17221 of March 12, 2010, the effects of relations with related parties in the separate financial statements are highlighted in the accounting statements in section 2 and commented on in Note 36. Significant non-recurring events and transactions in the separate financial statements are provided in Note 37 pursuant to Consob Communication DEM/6064293 of July 28, 2006.

Equity and liabilities

amounts in euro	Note	12 31 2019	12 31 2018
EQUITY			
Share capital	13	1,629,110,744	1,629,110,744
(Treasury shares)	14	(53,660,996)	(53,660,996)
Reserves	15	817,577,852	687,046,600
Net result of the year	16	450,622,909	373,091,108
Total equity		2,843,650,509	2,635,587,456
LIABILITIES			
Non-current liabilities			
Non-current financial liabilities	17	3,169,166,330	2,841,406,962
Employee benefits	18	140,247,448	142,277,393
Provisions for risks, charges and liabilities for landfills	19	110,362,650	180,304,233
Other non-current liabilities	20	11,563,404	18,622,107
Total non-current liabilities		3,431,339,832	3,182,610,695
Current liabilities			
Trade payables	21	772,766,564	776,005,156
Other current liabilities	21	507,605,803	250,475,901
Current financial liabilities	22	589,827,173	1,019,911,736
Tax liabilities	23	26,393	28,894,491
Total current liabilities		1,870,225,933	2,075,287,284
Total liabilities		5,301,565,765	5,257,897,979
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE		-	-
TOTAL EQUITY AND LIABILITIES		8,145,216,274	7,893,485,435

Overview of performance, financial conditions and net debt

1 Financial statements
<i>Balance sheet</i>
<i>Income statement</i>
<i>Statement of comprehensive income</i>
<i>Cash-flow statement</i>
<i>Statement of changes in equity</i>
2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010
3 Notes
4 Attachments
5 Independent Auditors' Report
6 Report of the Board of Auditors

Income statement ⁽¹⁾

<i>amounts in euro</i>	Note	01 01 2019 12 31 2019	01 01 2018 12 31 2018
Revenues			
Revenues from the sale of goods and services		4,383,571,770	3,742,583,396
Other operating income		105,544,657	83,044,739
Total revenues	25	4,489,116,427	3,825,628,135
Operating expenses			
Expenses for raw materials and services		3,852,241,030	3,203,793,757
Other operating expenses		275,217,982	312,079,537
Total operating expenses	26	4,127,459,012	3,515,873,294
Labour costs	27	148,148,105	134,536,395
Gross operating income - EBITDA	28	213,509,310	175,218,446
Depreciation, amortization, provisions and write-downs	29	96,355,123	90,452,044
Net operating income - EBIT	30	117,154,187	84,766,402
Result from non-recurring transactions	31	-	5,723,742
Financial balance			
Financial income		452,352,639	460,220,389
Financial expenses		99,365,164	184,096,679
Result from disposal of other shareholdings		-	-
Total financial balance	32	352,987,475	276,123,710
Result before taxes		470,141,662	366,613,854
Income taxes	33	20,264,675	14,172,353
Result after taxes from operating activities		449,876,987	352,441,501
Net result from discontinued operations	34	745,922	20,649,607
NET RESULT OF THE YEAR	35	450,622,909	373,091,108

(1) As required by Consob Resolution no. 17221 of March 12, 2010, the effects of relations with related parties in the separate financial statements are highlighted in the accounting statements in section 2 and commented on in Note 36. Significant non-recurring events and transactions in the separate financial statements are provided in Note 37 pursuant to Consob Communication DEM/6064293 of July 28, 2006.

Statement of comprehensive income

amounts in euro	12 31 2019	12 31 2018
Net result of the year (A)	450,622,909	373,091,108
Actuarial gains/(losses) on Employee's Benefits booked in the Net equity	(2,092,788)	(2,276,775)
Tax effect of other actuarial gains/(losses)	570,079	692,421
Total actuarial gains/(losses) net of the tax effect (B)	(1,522,709)	(1,584,354)
Effective part of gains/(losses) on cash flow hedge	(34,102,536)	19,453,212
Tax effect of other gains/(losses)	9,917,548	(4,737,540)
Total other gains/(losses) net of the tax effect (C)	(24,184,988)	14,715,672
Gains/(losses) from recalculation of available for sale	-	-
Tax effect of other gains/(losses)	-	-
Gains/(losses) from the restatement of financial assets available for sale (D)	-	-
Total comprehensive result (A) + (B) + (C) + (D)	424,915,212	386,222,426

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.

Overview of performance, financial conditions and net debt

1 Financial statements

Balance sheet

Income statement

Statement of comprehensive income

Cash-flow statement

Statement of changes in equity

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

4 Attachments

5 Independent Auditors' Report

6 Report of the Board of Auditors

Cash-flow statement

amounts in euro	12 31 2019	12 31 2018
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	509,947,205	611,941,606
Operating activities		
Result of the year (**)	446,762,999	298,845,667
Tangible assets depreciation	76,047,018	72,868,919
Intangible assets amortization	14,032,393	10,420,174
Fixed assets write-downs	4,434,188	4,317,618
Shareholdings write-up/down	(96,500,000)	73,118,996
Net financial interests	76,855,499	86,063,433
Net financial interests paid	(73,255,566)	(90,002,400)
Net taxes paid/receivables for disposed taxes (a)	(33,239,769)	(6,246,891)
Gross change in assets and liabilities (b)	82,445,971	45,451,234
Total change of assets and liabilities (a+b) (*)	49,206,202	39,204,343
Cash flow from operating activities	497,582,733	494,836,750
Investment activities		
Investments in tangible assets	(23,659,060)	(22,021,758)
Investments in intangible assets and goodwill	(21,935,972)	(22,552,233)
Investments and realizations in shareholdings and securities (*)	590,000	(20,087,607)
Disposal of fixed assets and shareholdings	5,001,100	12,849,050
Cash flow from investment activities	(40,003,932)	(51,812,548)
FREE CASH FLOW	457,578,801	443,024,202

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

(**) Net Result is exposed net of gains on shareholdings' and fixed assets' disposals.

amounts in euro	12 31 2019	12 31 2018
Financing activities		
Changes in financial assets		
<i>Monetary changes:</i>		
Change in intercompany currency accounts	227,652,435	286,180,791
Issuance of loans	(809,383,740)	(611,257,260)
Proceeds from loans	319,272,575	10,538,593
Other monetary changes	1,200,000	-
Total monetary changes	(261,258,730)	(314,537,876)
<i>Non-monetary changes:</i>		
Other non-monetary changes	(3,508,782)	(4,210,394)
Total non-monetary changes	(3,508,782)	(4,210,394)
Total changes in financial assets (*)	(264,767,512)	(318,748,270)
Changes in financial liabilities		
<i>Monetary changes:</i>		
Change in intercompany currency accounts	21,369,164	3,215,599
Borrowings/bond issued	440,000,000	30,000,000
Repayment of borrowings/bond	(573,216,034)	(77,695,807)
Dividends paid	(217,642,870)	(179,710,827)
Other monetary changes	(4,315,465)	(2,651,742)
Total monetary changes	(333,805,205)	(226,842,777)
<i>Non-monetary changes:</i>		
Amortized cost valuations	(3,347,314)	3,237,235
Other non-monetary changes	(5,528,080)	(2,664,791)
Total non-monetary changes	(8,875,394)	572,444
Total changes in financial liabilities (*)	(342,680,599)	(226,270,333)
Cash flow from financing activities	(607,448,111)	(545,018,603)
CHANGE IN CASH AND CASH EQUIVALENTS	(149,869,310)	(101,994,401)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	360,077,895	509,947,205

Overview of performance, financial conditions and net debt

1 Financial statements

Balance sheet
Income statement
Statement of comprehensive income

Cash-flow statement

Statement of changes in equity

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

4 Attachments

5 Independent Auditors' Report

6 Report of the Board of Auditors

Statement of changes in equity

Description <i>amounts in euro</i>	Share Capital Note 13	Treasury Shares Note 14	
Equity at December 31, 2017	1,629,110,744	(53,660,996)	
IFRS9 - FTA			
Equity at January 1, 2018	1,629,110,744	(53,660,996)	
Allocation of 2017 net result			
Ordinary dividend distribution			
Cash flow hedge reserves (*)			
IAS 19 reserve "Employee Benefits" (*)			
Other changes			
Net result of the year (*)			
Equity at December 31, 2018	1,629,110,744	(53,660,996)	
Allocation of 2018 net result			
Ordinary dividend distribution			
Cash flow hedge reserves (*)			
IAS 19 reserve "Employee Benefits" (*)			
Other changes			
Net result of the year (*)			
Equity at December 31, 2019	1,629,110,744	(53,660,996)	
Availability of Equity Reserves			
A: For share capital increase			
B: To cover losses			
C: For distribution to Shareholders - available for euro 548,541,145 (**)			
D: Reserves not available			

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

(**) Of which to fyscal moderate suspension equal to euro 124,783,022.

	Reserves	Cash flow hedge Reserve	Available for sale Reserve	Net result of the year	Total equity
	Note 15	Note 15	Note 15	Note 16	
	603,684,497	(17,086,626)	(462,146)	268,461,294	2,430,046,767
	(970,910)				(970,910)
	602,713,587	(17,086,626)	(462,146)	268,461,294	2,429,075,857
	268,461,294			(268,461,294)	-
	(179,710,827)				(179,710,827)
		14,715,672			14,715,672
	(1,584,354)				(1,584,354)
					-
				373,091,108	373,091,108
	689,879,700	(2,370,954)	(462,146)	373,091,108	2,635,587,456
	373,091,108			(373,091,108)	
	(217,642,870)				(217,642,870)
		(24,184,988)			(24,184,988)
	(1,522,709)				(1,522,709)
	790,711				790,711
				450,622,909	450,622,909
	844,595,940	(26,555,942)	(462,146)	450,622,909	2,843,650,509
	A-B-C	D			

Overview of performance, financial conditions and net debt

1 Financial statements

Balance sheet
Income statement
Statement of comprehensive income
Cash-flow statement

Statement of changes in equity

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

4 Attachments

5 Independent Auditors' Report

6 Report of the Board of Auditors





2

Financial
statements
pursuant to
Consob Resolution
no. 17221
of March 12, 2010

Balance sheet

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

Assets

<i>amounts in euro</i>	12 31 2019	of which Related Parties (note 36)	12 31 2018	of which Related Parties (note 36)
NON-CURRENT ASSETS				
Tangible assets	1,002,606,538	1,501,561	1,038,947,161	
Intangible assets	87,118,089		80,249,610	
Shareholdings	3,795,629,441	3,795,629,441	3,702,584,390	3,702,584,390
Other non-current financial assets	1,148,551,632	1,147,697,845	609,165,937	608,312,150
Deferred tax assets	59,687,881		65,999,810	
Other non-current assets	15,346,408		8,401,311	
Total non-current assets	6,108,939,989		5,505,348,219	
CURRENT ASSETS				
Inventories	106,912,138		94,736,836	
Trade receivables	655,905,922	235,252,459	717,191,968	234,474,296
Other current assets	476,999,925	55,511,313	260,381,762	60,626,739
Current financial assets	386,297,412	386,297,412	661,376,728	660,176,728
Current tax assets	50,082,993		35,542,548	
Cash and cash equivalents	360,077,895		509,947,205	
Total current assets	2,036,276,285		2,279,177,047	
NON-CURRENT ASSETS HELD FOR SALE	-	-	108,960,169	108,960,169
TOTAL ASSETS	8,145,216,274		7,893,485,435	

Equity and liabilities

amounts in euro	12 31 2019	of which Related Parties (note 36)	12 31 2018	of which Related Parties (note 36)
EQUITY				
Share capital	1,629,110,744		1,629,110,744	
(Treasury shares)	(53,660,996)		(53,660,996)	
Reserves	817,577,852		687,046,600	
Net result of the year	450,622,909		373,091,108	
Total equity	2,843,650,509	-	2,635,587,456	-
LIABILITIES				
Non-current liabilities				
Non-current financial liabilities	3,169,166,330	1,121,265	2,841,406,962	-
Employee benefits	140,247,448		142,277,393	
Provisions for risks, charges and liabilities for landfills	110,362,650	1,000,000	180,304,233	83,000,656
Other non-current liabilities	11,563,404		18,622,107	
Total non-current liabilities	3,431,339,832		3,182,610,695	
Current liabilities				
Trade payables	772,766,564	101,283,124	776,005,156	98,608,894
Other current liabilities	507,605,803	33,138,780	250,475,901	34,114,640
Current financial liabilities	589,827,173	433,133,625	1,019,911,736	411,429,595
Tax liabilities	26,393		28,894,491	
Total current liabilities	1,870,225,933		2,075,287,284	
Total liabilities	5,301,565,765		5,257,897,979	
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	-		-	
TOTAL EQUITY AND LIABILITIES	8,145,216,274		7,893,485,435	

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

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

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

3 Notes

4 Attachments


5 Independent Auditors' Report

6 Report of the Board of Auditors

Income statement

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

<i>amounts in euro</i>	01 01 2019 12 31 2019	of which Related Parties (note 36)	01 01 2018 12 31 2018	of which Related Parties (note 36)
Revenues				
Revenues from the sale of goods and services	4,383,571,770	1,550,489,027	3,742,583,396	1,193,615,688
Other operating income	105,544,657	69,566,250	83,044,739	23,939,509
Total revenues	4,489,116,427		3,825,628,135	
Operating expenses				
Expenses for raw materials and services	3,852,241,030	197,960,662	3,203,793,757	182,341,644
Other operating expenses	275,217,982	188,837,065	312,079,537	208,425,315
Total operating expenses	4,127,459,012		3,515,873,294	
Labour costs	148,148,105	1,644,913	134,536,395	1,696,754
Gross operating income - EBITDA	213,509,310		175,218,446	
Depreciation, amortization, provisions and write-downs	96,355,123	338,460	90,452,044	
Net operating income - EBIT	117,154,187		84,766,402	
Result from non-recurring transactions	-		5,723,742	5,723,742
Financial balance	-			
Financial income	452,352,639	451,577,963	460,220,389	456,524,317
Financial expenses	99,365,164	56,746	184,096,679	80,950,478
Result from disposal of other shareholdings	-		-	
Total financial balance	352,987,475		276,123,710	
Result before taxes	470,141,662		366,613,854	
Income taxes	20,264,675		14,172,353	
Result after taxes from operating activities	449,876,987		352,441,501	
Net result from discontinued operations	745,922		20,649,607	20,649,607
NET RESULT OF THE YEAR	450,622,909		373,091,108	



3

Notes



General information on A2A S.p.A.

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.

In particular, as the "Parent Company", A2A S.p.A. is responsible for the guiding strategy, administration, planning and control, financial management and coordinating the activities of the A2A Group.

Therefore, Group companies benefit from administrative, tax, legal, personnel management, procurement and communication services, so as to optimize the resources that are available within the Group and to use the existing known how in a cost-effective way.

The A2A Group mainly operates in the following sectors:

- production, sale and distribution of electricity even from renewable resources;
- sale and distribution of gas;
- 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 separate financial statements for A2A S.p.A. are presented in euro, which is also the functional currency in the economies in which the company operates. In particular, the following notes are prepared in thousands of euro.

The separate financial statements of A2A S.p.A. at December 31, 2019, have been prepared on a going-concern basis and comprise the balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and these notes.

The separate financial statements of A2A S.p.A. at December 31, 2019 have 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 separate financial statements, the same standards used for the financial statements at December 31, 2018 were applied, other than the principles and interpretations described in detail in the paragraph below "Changes in accounting principles" adopted for the first time on January 1, 2019.

These explanatory notes include the supplemental information required by the Italian civil code, by Consob Resolutions no. 15519 and 15520 of July 27, 2006, and Consob communication no. 6064293 of July 28, 2006.

In this file, use has been made of some Alternative Performance Measures (APM) that are different from the financial indicators expressly provided for by the IAS/IFRS international accounting standards adopted by the company; for details of these indicators, please see the specific paragraph Alternative Performance Measures (APM) in the Report on Operations.

These separate financial statements for the year ended December 31, 2019, were approved on March 19, 2020, by the Board of Directors, which authorized its publication, and has been audited by EY S.p.A. in accordance with their appointment by the shareholders of June 11, 2015, for the nine years from 2016 to 2024.

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

General information on A2A S.p.A.

Financial statements

Basis of preparation

Changes in international accounting standards

Accounting standards and policies

Notes to the balance sheet

Net debt

Notes to the income statement

Note on related party transactions

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

Guarantees and commitments with third parties

Other information

4 Attachments

5 Independent Auditors' Report

6 Report of the Board of Auditors

Financial statements

For the balance sheet, the company A2A S.p.A. has adopted a format which separates current and non-current assets and liabilities, as required by paras. 60 et seq. 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/held for sale. 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 has been prepared using the indirect method as permitted by IAS 7.

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 separate financial statements at December 31, 2018.

Basis of preparation

The separate financial statements as at December 31, 2019, have been prepared on a historical cost basis, with the exception of those items which under IFRS must be or can be measured at fair value, as discussed in further detail in the accounting policies.

The accounting standards, the accounting policies and the methods of measurement used in the preparation of the separate financial statements are consistent with those used to prepare the annual separate financial statements at December 31, 2018, except as specified below regarding newly enacted standards.

Overview of performance, financial conditions and net debt
1 Financial statements
2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010
3 Notes
General information on A2A S.p.A.
Financial statements
Basis of preparation
Changes in international accounting standards
Accounting standards and policies
Notes to the balance sheet
Net debt
Notes to the income statement
Note on related party transactions
Consob Communication no. DEM/6064293 of July 28, 2006
Guarantees and commitments with third parties
Other information
4 Attachments
5 Independent Auditors' Report
6 Report of the Board of Auditors

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, 2019.

The following paragraphs, *“Accounting standards, amendments and interpretations approved by the European Union”* and *“Accounting standards approved by the European Union but applicable in future years”* instead detail the accounting standards and interpretations already issued, whether not yet approved or approved by the European Union and therefore not applicable for the preparation of the financial statements at December 31, 2019, any impacts of which will then be transposed as of the financial statements of the following years.

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

As from January 1, 2019, applicable to the Company are the following standards or additions to specific paragraphs of the international accounting standards already adopted by the Company in previous years.

- IFRS 16 “Leases”: the standard issued by the IASB on January 13, 2016 and approved by the European Union in November 2017, fully replaces all the previous IFRS accounting requirements for the accounting of leases (IAS 17 and IFRIC 4). The standard applies to all contracts concerning the right to use an asset for a certain period of time in exchange for a specific fee. IFRS 16 sets, for lessees, a single accounting model for all leases (with specific cases of exclusion and exemption), eliminating the distinction, in the accounts, between operating and financial leasing. The accounting forecasts for lessors remain substantially unchanged compared to the previous provisions. The initial recognition, for the lessee, involves the recording of assets equal to the right to use the asset and a financial liability corresponding to the present value of the future fees to be paid. The subsequent valuation involves the recognition of the amortization of the right of use on the basis of IAS 16 (or alternative valuation method), the related financial expenses and the discounting of the financial liability created during initial recognition using a discount rate corresponding to the A2A Group’s average prospective financing rate. During 2019, the Company conducted an in-depth analysis of the contracts in place, which are the subject of the accounting standard. The analyses carried out have identified substantial impacts and changes in the economic and financial situation, as summarized in the section “Other information” of this report.
- IFRS 9 “Financial instruments”: approved on March 26, 2018 and applicable starting January 1, 2019, the addition allows valuing at amortized cost the expenses related early repayment of financial instruments that were previously measured at fair value through profit and loss. No impact on the economic and financial situation of the Company.
- IAS 28 “Investments in associates and joint ventures”: approved on February 11, 2019, the integration specifies that the requirements of IFRS 9 must be applied to investments in associates or joint ventures that are not permitted to be valued using the equity method. No impact on the economic and financial situation of the Company.
- IAS 19 “Employee Benefits”: the supplement approved on March 14, 2019 clarifies that in the event of an early amendment or termination of a defined benefit plan, the company must apply the updated actuarial assumptions when recalculating the liability. No impact on the economic and financial situation of the Company.

Accounting standards, amendments and interpretations not yet approved by the European Union

- IFRS 17 “Insurance contracts”: issued by the IASB on May 18, 2017, will be applicable to companies that issue insurance contracts from the financial statements closed as of January 1, 2021. No impacts are expected on the Company’s economic and financial situation.
- On October 22, 2018, the IASB issued a supplement to IFRS 3 (Business Combination) that helps companies understand whether an acquisition is definable as an asset combination or a business. In particular, it clarifies that, to define an acquisition as a business, it must be possible to provide goods or services to customers, unlike as indicated by the original standard that has a focus on the ability to produce dividends or economic benefits to stakeholders. No impacts are expected on the Company’s economic and financial situation.
- On September 26, 2019, the IASB issued an amendment to IFRS 9, IAS 39 and IFRS 7 in which it clarifies when a derivative contract can be defined and treated as a hedge in periods of central bank interest rate benchmark reform. No impacts are expected on the Company’s economic and financial situation.

Accounting standards, amendments and interpretations approved by the European Union, applicable in future years

- On October 31, 2018, the IASB issued an amendment to IAS 1 and IAS 8 entitled “Definition of materiality” and applicable from January 1, 2020. It should be noted that information is significant when its omission, re-interpretation or obscuration may influence the decisions made by Stakeholders on the basis of the financial report.

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

General information on A2A S.p.A.

Financial statements

Basis of preparation

Changes in international accounting standards

Accounting standards and policies

Notes to the balance sheet

Net debt

Notes to the income statement

Note on related party transactions

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

Guarantees and commitments with third parties

Other information

4 Attachments

5 Independent Auditors’ Report

6 Report of the Board of Auditors

Accounting standards and policies

Translation of foreign currency items

The consolidated financial statements of the A2A Group are presented in euro; this is also the functional currency of the economies in which the Group operates.

Transactions in other currencies are initially recognized at the exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated into euro at the exchange rates at the balance sheet date.

Non-monetary items measured at historical cost in foreign currency are translated at the exchange rates at the date of the transaction. Non-monetary items measured at fair value are translated at the exchange rates at the date when the fair value was determined.

Property, plant and equipment

Assets for business use are classified as tangible assets, while non-business assets are classified as investment property.

Tangible assets are measured at cost, including any additional charges directly attributable to bringing the asset into an operating condition (e.g. transport, customs duty, installation and testing costs, notary and land registry fees and any non-deductible VAT), increased when material and where there are obligations by the present value of the estimated cost of restoring the location from an environmental point of view or dismantling the asset. Borrowing costs, where directly attributable to the purchase or construction of an asset, are capitalized as part of the cost of the asset if the type of asset so warrants.

If important components of tangible assets have different useful lives, they are accounted for separately using the “component approach”, assigning to each component its own useful life for the purpose of calculating depreciation (the component approach).

Land, whether occupied by residential or industrial buildings or devoid of construction, is not depreciated as it has an unlimited useful life, except for land used in production activities that is subject to deterioration over time (e.g. landfills, quarries).

Ordinary maintenance costs are fully expensed to the income statement in the year they are incurred. Costs for maintenance carried out at regular intervals are attributed to the assets to which they refer and are depreciated over the specific residual possibility of use of such.

Tangible assets are stated net of accumulated depreciation and any write-downs. Depreciation is charged from the year in which the individual asset enters service on a straight-line basis over the estimated useful life of the asset for the business. The estimated realizable value which is deemed to be recoverable at the end of an asset’s useful life is not depreciated. The useful life of each asset is reviewed annually and any changes, if needed, are made with a view to showing the correct value of the asset.

Landfills are depreciated on the basis of the percentage filled, which is calculated as the ratio between the volume occupied at the end of the period and the total volume authorized.

The main depreciation rates used, which are based on technical and economic considerations, are as follows:

• buildings	0.1 % - 10.2 %
• production plants	0.2 % - 60.0 %
• distribution networks	1.4 % - 10 %
• fiber-optic networks	5%
• miscellaneous equipment	10% - 66.7 %
• mobile phones	100 %
• furniture and fittings	6 % - 16.7 %
• electric and electronic office machines	10 % - 46.2 %
• means of transport	10%
• improvements to third-party assets - buildings	6.3 %

Tangible assets are subjected to impairment testing if there is any indication that an asset may be impaired in accordance with the paragraph below “Impairment of assets”; write-downs may be reversed in subsequent periods if the reasons for which they were recognized no longer apply.

When an asset is disposed of or if future economic benefits are no longer expected from using an asset, it is removed from the balance sheet and any gain or loss (being the difference between the disposal proceeds and the carrying amount) is recognized in the income statement in the year of the derecognition.

Leasing

Assets for rights of use are recognized on the start date of the lease, i.e. the date on which the underlying asset is available for use.

Rights to use assets are measured at cost, net of accumulated depreciation and impairment losses, and adjusted for any restatement of lease liabilities. The cost of assets for rights of use includes the amount of lease liabilities recognized and lease payments made on or before the commencement of the lease. Assets for right of use are depreciated on a straight-line basis from the effective date to the end of the useful life of the asset consisting of the right of use or at the end of the lease term, whichever is earlier.

If the lease transfers ownership of the underlying asset to the lessee at the end of the term of the contract or if the cost of the asset consisting of the right of use reflects the fact that the lessee will exercise the purchase option, the asset consisting of the right of use is depreciated from the effective date until the end of the useful life of the underlying asset.

Lease liabilities are recognized at the present value of lease payments not yet paid at the reporting date. Lease payments also include the exercise price of a purchase option if it is reasonably certain that the option will be exercised.

Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance which are controlled by the enterprise and able to produce future economic benefits, and include goodwill when acquired for consideration.

The fact of being identifiable distinguishes an intangible asset that has been acquired from goodwill; this requirement is normally met when: (i) the intangible asset is attributable to a legal or contractual right, or (ii) the asset is separable, in other words it can be sold, transferred, rented or exchanged individually or as an integral part of other assets.

Control by the enterprise consists of the right to enjoy the future economic benefits flowing from the asset and to restrict the access of others to those benefits.

Intangible assets are stated at purchase or production cost, including ancillary charges, determined in the same way as for tangible assets. Intangible fixed assets produced internally are not capitalized but recognized in the income statement in the year in which the costs are incurred.

Intangible assets with a definite useful life are reported in the financial statements net of the related accumulated amortization and impairments in the same way as for tangible assets. Changes in the expected useful life or in the ways in which the future economic benefits of an intangible asset are achieved by the Company are accounted for by suitably adjusting the period or method of amortization, treating them as changes in accounting estimates. The amortization of intangible fixed assets with a definite useful life is charged to income statement in the cost category that reflects the function of the intangible asset concerned.

Intangible assets are subjected to impairment testing if there are specific indications that they may be impaired, in accordance with the paragraph below “Impairment of assets”; impairment losses may be reversed in subsequent periods if the reasons for which they were recognized no longer apply.

Intangible assets with an indefinite useful life and those that are not yet available for use are subjected to impairment testing on an annual basis, whether or not there are any specific indications that they may be impaired, in accordance with the paragraph below “Impairment of assets”. Impairment losses recognized for goodwill are not reversed.

Gains or losses on the disposal of an intangible asset are calculated as the difference between the disposal proceeds and the carrying amount of the asset and recognized in the Income Statement at the time of the disposal.

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

General information on A2A S.p.A.

Financial statements

Basis of preparation

Changes in international accounting standards

Accounting standards and policies

Notes to the balance sheet

Net debt

Notes to the income statement

Note on related party transactions

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

Guarantees and commitments with third parties

Other information

4 Attachments

5 Independent Auditors' Report

6 Report of the Board of Auditors

The following amortization rates are applied to intangible assets with a definite useful life:

- industrial patents and intellectual property rights _____ 33 % - 50 %
- concessions, licenses, trademarks and similar rights _____ 6.7 % - 33.3 %
- other intangible assets _____ 2.1% - 20.0 %

Service concession arrangements

IFRIC 12 states that, based on the characteristics of the concession arrangement, the infrastructures used in the provision of public services under concession are to be recognized as intangible assets if the operator has the right to receive a payment from the customer for the service provided, or as a financial asset if the operator has the right to receive payment from the public sector entity.

Impairment loss/Reversal of tangible and intangible assets and shareholdings

Tangible and intangible assets and shareholdings are subjected to impairment testing if there is any specific indication that there may be an impairment loss.

Goodwill, other intangible assets with an indefinite useful life and assets not available for use are tested for impairment at least annually or more frequently if there is any specific indication that they may be impaired.

Impairment testing consists of comparing the carrying amount of an asset or a shareholding with its recoverable amount.

The recoverable amount of an asset or a shareholding is the higher of its fair value less costs to sell and its value in use. To determine the value in use of an asset or a shareholding, the company calculates the present value of the estimated future cash flows on the basis of business plans prepared by management, before tax, applying a pre-tax discount rate which reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or a shareholding is lower than its carrying amount, a loss is recognized in the income statement. If subsequently a loss on an asset, other than goodwill, is eliminated or reduced, the book value of the asset or of the cash generating unit is raised up to the new estimated recoverable amount, but without it exceeding the value that the asset would have had without any impairment loss. Reversals of impairment losses are immediately recognized in the income statement.

When the recoverable amount of the individual asset cannot be estimated, it is based on the cash generating unit (CGU) or group of CGUs that the asset belongs to and/or to which it may be reasonably allocated.

CGUs are identified on the basis of the company’s organizational and business structure as homogeneous aggregations that generate independent cash inflows deriving from the continuous use of the assets allocated to them.

Environmental certificates: emission quotas and White Certificates

Different accounting policies are applied to quotas or certificates held for own use in the “Industrial Portfolio” and those held for trading purposes in the “Trading Portfolio”.

Surplus quotas or certificates held for own use in the “Industrial Portfolio” which are in excess of the Group’s requirements in relation to the obligations accruing at year end are recognized as other intangible assets at the actual cost incurred. Quotas or certificates assigned free of charge are recognized at a zero carrying amount. Given that they are assets for instant use, they are not amortized but subjected to impairment testing. The recoverable amount is the higher of value in use and market value. If, on the other hand, there is a deficit because the requirement exceeds the quotas or certificates in portfolio at the balance sheet date, a provision is recognized for the amount needed to meet the residual obligation, estimated on the basis of any purchase contracts, spot or forward, already signed at the balance sheet date; otherwise on the basis of market prices.

Quotas or certificates held for trading in the “Trading Portfolio” are recognized in inventories and measured at the lower of purchase cost and estimated realizable value based on market trends. Quotas or certificates assigned free of charge are recognized at a zero carrying amount. Market value is established on the basis of any sales contracts, spot or forward, already signed at the balance sheet date; otherwise on the basis of market prices.

Shareholdings in subsidiaries, associates and joint ventures

Subsidiaries are companies in which the parent company “is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee”, as defined by IFRS 10. Control is generally assumed to exist when a company holds either directly or indirectly more than half of the exercisable voting rights at an ordinary shareholders’ meeting, also considering potential voting rights, meaning voting rights deriving from convertible financial instruments.

Subsidiaries are consolidated on a line-by-line basis.

Associates are companies in which the parent has a significant influence over strategic decisions, despite not having control, also considering potential voting rights, meaning voting rights deriving from convertible financial instruments; significant influence is assumed to exist when A2A S.p.A. holds, either directly or indirectly, more than 20% of voting rights exercisable at an ordinary shareholders’ meeting.

A joint venture is a contractual agreement whereby two or more parties undertake an income generating activity subject to joint control.

Shareholdings in associates and joint ventures are accounted for in the consolidated financial statements using the equity method.

Long term construction contracts in progress

Construction contracts with durations exceeding one year in progress are valued in accordance with IFRS 15. In particular, over-the-time revenues are recognized if it can be demonstrated that: a) the customer simultaneously receives and consumes the benefits of the contract in force at the same time as the service is provided b) the service provided improves.

Construction contracts currently in progress are measured on the basis of the contractual fees that have accrued with reasonable certainty on the basis of the stage of completion, using the “cost to cost” method, so as to allocate the revenues and net result of the contract to the individual periods to which they belong in proportion to the progress being made on the project. Any difference, positive or negative, between the value of the contracts and advances received is recognized as an asset or a liability respectively.

In addition to the contractual fees, contract revenues include variants, price revisions and incentive awards to the extent that it is probable that they represent actual revenues that can be reliably determined. Ascertained losses are recognized independently of the stage of completion of contracts.

Inventories

Inventories of materials and fuel are measured at the lower of weighted average cost and market value at the balance sheet date. Weighted average cost is determined for the period of reference for each inventory code. Weighted average cost includes any additional costs (such as sea freight, customers charges, insurance and lay or demurrage days in the purchase of fuel). Inventories are constantly monitored and, where necessary, obsolete stocks are written down with a charge to the Income Statement.

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

General information on A2A S.p.A.

Financial statements

Basis of preparation

Changes in international accounting standards

Accounting standards and policies

Notes to the balance sheet

Net debt

Notes to the income statement

Note on related party transactions

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

Guarantees and commitments with third parties

Other information

4 Attachments

5 Independent Auditors’ Report

6 Report of the Board of Auditors

Financial instruments

Financial instruments include shareholdings (excluding shareholdings in subsidiaries, joint ventures and associates) held for trading (so-called trading shareholdings) or available for sale, non-current receivables and loans and other non-current financial assets, trade and other receivables deriving from company operations and other current financial assets such as cash and cash equivalents. The latter consist of bank and postal deposits, readily negotiable securities used as temporary investments of surplus cash and financial receivables due within three months. Financial instruments also include financial payables (bank loans and bonds), trade payables, other payables and other financial liabilities and derivatives.

Financial assets and liabilities are recognized at the time that the contractual rights and obligations forming part of the instrument arise.

Financial assets and liabilities are accounted for in accordance with IFRS 9 "Financial Instruments".

Financial assets

Initial recognition

financial assets are classified into two categories alone - "at fair value" or "at amortized cost". Classification within the two categories is carried out on the basis of an entity's business model and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost if both of the following requirements are met: the objective of the entity's business model is to hold assets to collect contractual cash flows (and therefore in substance not to earn trading profits) and the characteristics of the cash flows of the asset are solely payments of principal and interest. A financial asset is measured at fair value if it is not measured at amortized cost.

All equity instruments both listed and unlisted – must be measured at fair value.

An entity has the option of presenting changes in the fair value of equity instruments that are not held for trading in equity; that option is not permitted for equity instruments that are held for trading. This designation is permitted on initial recognition, may be adopted for each individual instrument and is irrevocable. If an election is made for this option, changes in the fair value of these instruments may never be reclassified from equity to the income statement. Dividends on the other hand continue to be recognized in the income statement.

In addition, the method of expected credit losses is modified, moving to an impairment model that leads to the early recognition of forward-looking losses.

Subsequent valuation

Measurement subsequent to initial recognition depends on which of the following categories the financial instrument falls into:

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value in the Income Statement with reclassification of cumulative gains and losses (debt instruments);
- Financial assets at fair value in the Income Statement without reversal of cumulative gains and losses at the time of derecognition (equity instruments);
- Financial assets at fair value in the Income Statement.

Financial assets at amortized cost

Financial assets at amortized cost are valued using the effective interest method and are subject to impairment.

Gains and losses are recognized in the income statement when the asset is derecognized, modified or revalued.

Investments in equity instruments

On initial recognition, the Group may irrevocably choose to classify its equity investments as equity instruments recognized at fair value through profit and loss when they meet the definition of equity instruments pursuant to IAS 32 "Financial instruments: Presentation" and are not held for trading. The classification is determined for each individual instrument.

Gains and losses on these financial assets are never reclassified to the income statement. Dividends are recognized as other income in the income statement when the right to payment has been approved, except when the Group benefits from such income as a recovery of part of the cost of the financial asset, in which case such profits are recognized in OCI. Equity instruments recognized at fair value through OCI are not subject to impairment testing.

Financial assets measured at fair value through the income statement

This category includes assets held for trading, assets designated at the time of initial recognition as financial assets at fair value with changes recognized in the Income Statement, or financial assets that must be measured at fair value. Assets held for trading are all those assets acquired for sale or repurchase in the short term. Derivatives, including those separated, are classified as financial instruments held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not represented solely by principal and interest payments are classified and measured at fair value in the Income Statement, regardless of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be recognized at fair value in the Income Statement upon initial recognition if this results in the elimination or significant reduction of an accounting mismatch.

Financial instruments at fair value with changes recognized in the Income Statement are recognized in the statement of financial position at fair value and net changes in fair value are recognized in profit/(loss) for the year.

This category includes derivative instruments and listed equity investments that the Group has not irrevocably chosen to classify at fair value through OCI. Dividends on listed equity investments are also recognized as other income in the statement of profit/(loss) for the year when the right to payment is established.

The embedded derivative contained in a non-derivative hybrid contract, in a financial liability or in a principal non-financial contract, is separated from the principal contract and accounted for as a separate derivative, if: its economic characteristics and the risks associated with it are not closely correlated with those of the principal contract; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value in the Income Statement. Embedded derivatives are measured at fair value, with changes in fair value recognized in the Income Statement. A restatement occurs only when there is a change in the terms of the contract that significantly changes the cash flows otherwise expected or a reclassification of a financial asset to a category other than fair value through profit or loss.

An embedded derivative included in a hybrid contract that contains a financial asset is not separated from the host contract. The financial asset together with the embedded derivative is classified entirely as a financial asset at fair value in the Income Statement.

Derecognition

A financial asset is derecognized when:

- the rights to receive cash flows from the asset no longer apply;
- the company has transferred to a third party the right to receive cash flows from the asset or has assumed a contractual obligation to transfer them. In substance, the transfer is completed when: the company has transferred all the risks and rewards of ownership of the asset or has transferred control of the asset while maintaining the related risks and rewards.

In cases where the company has transferred the rights to receive cash flows from an asset or signed an agreement under which it retains the contractual rights to receive the cash flows from the financial asset but assumes a contractual obligation to pay the cash flows to one or more beneficiaries (pass-through), it assesses whether and to what extent it has retained the risks and rewards of ownership. In the cases in which it has neither transferred nor retained substantially all of the risks and rewards or has not lost control of the asset, it continues to be recognized in the financial statements of the Group to the extent of its continuing involvement in the asset. In this case, the Group also recognizes an associated liability. The transferred asset and the associated liability are valued to reflect the rights and obligations that remain with the Group.

When the entity’s continuing involvement is a guarantee of the transferred asset, involvement is measured on the basis of the lower of the amount of the asset and the maximum amount of consideration received that the entity might have to repay.

Overview of performance, financial conditions and net debt
1 Financial statements
2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010
3 Notes
General information on A2A S.p.A.
Financial statements
Basis of preparation
Changes in international accounting standards
Accounting standards and policies
Notes to the balance sheet
Net debt
Notes to the income statement
Note on related party transactions
Consob Communication no. DEM/6064293 of July 28, 2006
Guarantees and commitments with third parties
Other information
4 Attachments
5 Independent Auditors' Report
6 Report of the Board of Auditors

Financial liabilities

Financial liabilities are classified, at the time of initial recognition, at fair value in the Income Statement, as mortgages and loans or as derivatives designated as hedges.

Directly attributable transaction costs are added to the valuation.

The Group's financial liabilities include trade payables and other payables, mortgages and loans, including current account overdrafts and derivative financial instruments.

The subsequent evaluation depends on the classification of the main instrument:

- financial liabilities at fair value in the Income Statement, typically of a trading nature (settlement and transfer in the short term). This category includes financial derivatives held for trading (speculative);
- loans and receivables: valued at amortized cost using the effective interest method. Gains and losses are recognized in the income statement when the liability is settled, as well as through amortization.

A financial liability is derecognized when the obligation underlying the liability is settled or cancelled.

Derivative financial instruments and hedge accounting

These are initially recognized at fair value on the date the contract is signed and the subsequent measurement is also at fair value.

To classify a derivative as a hedge, the company formally designates and documents the hedging relationship, its risk management objectives and the strategy pursued.

From January 1, 2018, the following must be identified: a) the hedging instrument b) the nature of the risk being hedged c) the way in which the company will assess the effectiveness of the hedge.

The hedging relationship is effective if:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of the credit risk does not prevail over the changes in value resulting from the aforementioned economic relationship;
- the hedging ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge this quantity of hedged item.

Transactions that meet the above criteria are accounted for as follows:

Fair value hedging

If a derivative financial instrument is designated as a hedge against exposure to changes in the fair value of an asset or liability attributable to a specific risk, the gain or loss resulting from subsequent changes in fair value of the hedging instrument is recognized in the Income Statement. The profit or loss deriving from the adjustment to fair value of the item hedged, for the part attributable to the hedged risk, changes the book value of this item and is recognized in the Income Statement. Cash flow hedge - If a derivative financial instrument is designated to hedge the exposure to the variability of the cash flows of an asset or a liability recognized in the Financial Statements or of a highly probable transaction, the effective portion of the resulting profits or losses deriving from the fair value adjustment of the derivative instrument is recognized in a specific equity reserve. The cumulative profit or loss is reversed from the equity reserve and recorded in the Income Statement in the same years in which the effects of the hedged transaction are recognized in the Income Statement. The gain or loss associated with that part of the ineffective hedge is recognised in the Income Statement immediately. If the hedged transaction is no longer considered probable, the unrealized gains or losses recognized in the equity reserve are immediately recognized in the Income Statement.

Cash flow hedges

The portion of gain or loss on the hedged instrument relating to the effective portion of the hedge is recognized in other comprehensive income in the cash flow hedge reserve, while the ineffective portion is recognized directly in the Income Statement. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in the fair value of the hedged item.

Amounts accumulated under other components of the comprehensive income statement are recorded, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial component, the accumulated amount in equity is removed from the separate component of equity and included in the cost or other carrying amount of the asset or liability hedged. This is not considered a reclassification of the items recognized in OCI for the period. This also applies in the case of a hedged forecast transaction of a non-financial asset or a non-financial liability that subsequently becomes an irrevocable commitment to which fair value hedge accounting is applied.

For any other cash flow hedge, the amount accumulated in OCI is reclassified to the income statement as a reclassification adjustment in the same period or periods during which the hedged cash flows impact the income statement.

If the cash flow hedge accounting is discontinued, the accumulated amount in OCI must remain so if the hedged future cash flows are expected to occur. Otherwise, the amount shall be immediately reclassified to profit or loss for the period as a reclassification adjustment. After suspension, once the hedged cash flow occurs, any accumulated amount remaining in OCI must be accounted for depending on the nature of the underlying transaction as described above.

Non-current assets held for sale, disposal groups and discontinued operations – IFRS 5

Non-current assets held for sale, disposal groups and discontinued operations whose carrying amount will be recovered principally through sale rather than continuous use are measured at the lower of their carrying amount and fair value less costs to sell. A disposal group is a group of assets to be disposed of together as a group in a single transaction together with the liabilities directly associated with those assets that will be transferred in that transaction. Discontinued operations on the other hand consist of a significant component of the Group such as a separate major line of business or a geographical area of operations or a subsidiary acquired exclusively with a view to resale.

In accordance with IFRSs, the figures for non-current assets held for sale, disposal groups and discontinued operations are shown on two specific lines in the balance sheet: non-current assets held for sale and liabilities directly associated with non-current assets held for sale.

Non-current assets held for sale are not depreciated or amortized and are measured at the lower of carrying amount and fair value less costs to sell; any difference between carrying amount and fair value less costs to sell is recognized in the income statement as a write-down.

The net economic results arising from discontinued operations, and only discontinued operations, pending the disposal process, any gains or losses on disposal and the corresponding comparative figures for the previous year or period are recognized in a specific line of the income statement: “Net result from discontinued operations”. On the other hand any gains or losses recognized as the result of measuring non-current assets (or disposal groups), classified as held for sale within the meaning of IFRS 5, at fair value less costs to sell are presented in a specific line item of the income statement “Result from non-recurring transactions”, as discussed further in the previous section “Format of financial statements”.

Employee benefits

The employees’ leaving entitlement (TFR) and pension provisions are determined using actuarial methods; the rights accrued by employees during the year are recognized in the Income Statement as “labour costs”, whereas the figurative financial cost that the company would have to bear if it were to ask the market for an loan of the same amount as the TFR is recognized as part of the “financial balance”. Actuarial gains and losses arising from changes in actuarial assumptions are recognized in income statement taking into account the residual average working life of the employees.

Following the introduction of Finance Law no. 296 of December 27, 2006, only the portion of accrued employees’ leaving entitlement that remained in the company has been measured in accordance with IAS 19, as amounts are now paid over to a separate entity as they accrue (either to a supplementary pension scheme or to funds held by INPS). As a result of these payments the company no longer has any obligations in connection with the services employees may render in the future.

Guaranteed employee benefits paid on or after the termination of employment through defined benefit plans (energy discount, health care or other benefits) or long-term benefits (loyalty bonuses) are recognized in the period when the right vests.

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

General information on A2A S.p.A.

Financial statements

Basis of preparation

Changes in international accounting standards

Accounting standards and policies

Notes to the balance sheet

Net debt

Notes to the income statement

Note on related party transactions

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

Guarantees and commitments with third parties

Other information

4 Attachments

5 Independent Auditors’ Report

6 Report of the Board of Auditors

The liability for defined benefit plans, net of any plan assets, is determined by independent actuaries on the basis of actuarial assumptions and recognized on an accrual basis in line with the work performed to obtain the benefits.

Gains and losses arising from actuarial calculations are recognized in a specific equity reserve.

Reverse factoring

The Group entered into factoring agreements, typically in the technical form of reverse factoring. On the basis of the contractual structures in place, the supplier has the possibility to sell at its discretion, the receivables from the company to a lending institution. In some cases, the payment terms indicated in the invoice are the subject of further deferments agreed between the supplier and the Group; these deferments can be both burdensome and not burdensome.

In the event of extensions, a quantitative analysis is carried out to verify whether or not the contractual terms have been amended. In this context, the relations, for which the primary obligation is maintained with the supplier and the possible deferment, if granted, does not involve a substantial change in payment terms, retain their nature and are therefore classified as trading liabilities.

Provisions for risks, charges and liabilities for landfills

Provisions for risks and charges regard costs of a determinate nature and of certain or probable existence which at year-end are uncertain in terms of timing or amount. Provisions are recognized when there is a legal or constructive present obligation arising from past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits, and it is possible to make a reasonable estimate of the obligation.

Provisions are recognized at the best estimate of the amount that the company would have to pay to settle the liability or to transfer it to third parties at the balance sheet date. If the effect of discounting is significant, provisions are calculated by discounting expected future cash flows at a pre-tax discount rate that reflects the current market assessment of the time value of money. If discounting is used the increase in the provision due to the passage of time is recognized as financial expense.

If the liability relates to tangible assets (such as the dismantling and reclamation of industrial sites), the initial provision is recognized as a counter-entry to the assets to which it refers; expense is then charged to income statement as the asset in question is depreciated.

Treasury shares

Treasury shares are accounted for as a deduction from equity. In particular, treasury shares are recognized as a negative equity reserve.

Grants

Grants, both from public entities and from third party private entities, are measured at fair value when there is the reasonable certainty that they will be received and that the Group will be able to comply with the terms and conditions for obtaining them.

Grants received to provide support for the cost of specific assets are recognized as a direct deduction from the assets concerned and credited to the income statement over the life of the depreciable asset to which they refer.

Revenue grants (given to provide the company with immediate financial support or as compensation for expenses or losses incurred in a previous accounting period) are recognized in their entirety in the income statement as soon as the conditions for recognizing the grants are met.

Revenues and costs

The recognition of revenues is based on the following five steps: (i) identification of the contract with the customer; (ii) identification of the performance obligations, represented by the contractual promises to transfer goods and/or services to a customer; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations identified on the basis of the stand-alone sale price of each good or service; (v) recognition of the revenue when the relative performance obligation is satisfied, i.e. when the promised good or service is transferred to the customer; the transfer is considered completed when the customer obtains control of the good or service, which can occur continuously over time diluted and extended or at a point in time. Depending on the type of transaction, revenues are recognized on the basis of the following specific criteria:

- revenues for the sale and transport of electricity and gas are recognized at the time that the energy is supplied or the service rendered, even if invoicing has not yet taken place, and are determined by adding estimates of consumption to amounts resulting from pre- established meter-reading schedules. Where applicable, these revenues are based on the tariffs and related tariff restrictions in force during the year prescribed by the law and the Italian Regulation Authority for Energy Networks and Environment and similar foreign bodies;
- connection contributions paid by users, if not for costs incurred to extend the network, are recognized in the income statement on collection and presented as “revenues from services”;
- the revenues billed to users for an extension of the gas network are accounted for as a reduction in the carrying amount of tangible assets and are recognized in the income statement as a reduction in the depreciation charged over the useful life of the cost capitalized to extend the network;
- the revenues and costs involved in withdrawing quantities that are higher or lower than the Group’s share are measured at the prices envisaged in the related purchase or sale contract;
- revenues from the provision of services are recognized according to the stage of completion based on the same criteria as for contract work in progress. If it is impossible to calculate revenues on a reliable basis they are recognized up to the amount of the costs incurred providing they are expected to be recovered;
- revenues from the sale of certificates are recognized at the time of sale.

Revenues are stated net of returns, discounts, allowances and rebates, as well as directly related taxes.

Expenses relate to goods or services sold or consumed during the year or as a result of systematic allocation; if no future use is envisaged they are recognized directly in the income statement.

Result from non-recurring transactions

The item “Non-recurring transactions” consists of the gains and losses arising from the measurement at fair value less costs to sell or from the sale or disposal of non- current assets (or disposal groups) classified as held for sale within the meaning of IFRS 5, the gains or losses arising on the disposal of shareholdings in unconsolidated subsidiaries and associates and other non-operating income and expense.

Financial income and expenses

Financial income is recognized when interest income arises using the effective interest method, i.e. at the rate that exactly discounts expected future cash flows over the expected life of the financial instrument.

Financial expense is recognized in the Income Statement on an accrual basis on the basis of the effective interest.

Dividends

Dividend income is recognized when it is established that the shareholders have a right to receive payment, and is recognized as financial income in the Income Statement.

Income taxes

Current taxes

Current income taxes are based on an estimate of taxable income in compliance with tax regulations in force or substantially approved at the balance sheet date, bearing in mind any exemptions or tax credits due. Account is also taken of the fact that the Group now files for tax on a consolidated basis.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are calculated on the temporary differences between the carrying amount of assets and liabilities in the balance sheet and their tax bases, with the exception of goodwill which is not deductible for tax purposes and any differences resulting from investments in subsidiaries which are not expected to reverse in the foreseeable future. The tax rates used are those expected to apply to the period when the temporary differences reverse. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

General information on A2A S.p.A.

Financial statements

Basis of preparation

Changes in international accounting standards

Accounting standards and policies

Notes to the balance sheet

Net debt

Notes to the income statement

Note on related party transactions

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

Guarantees and commitments with third parties

Other information

4 Attachments

5 Independent Auditors’ Report

6 Report of the Board of Auditors

that the tax benefit will be realized. The measurement of deferred tax assets takes account of the period for which business plans are available.

When transactions are recognized directly in equity, any related current or deferred tax effects are also recognized directly in equity. Deferred taxes on the undistributed profits of Group companies are only provided for if there is the real intention to distribute such profits and, in any case, if the taxation is not offset as the result of filing a Group tax return.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Taxes are only offset when they are levied by the same tax authority, when there is the legal right of set-off and when settlement of the net balance is expected.

Use of estimates

Preparing the financial statements and notes requires the use of estimates and assumptions in determining certain assets and liabilities and measuring contingent assets and liabilities. The actual results after the event could differ from such estimates.

Estimates have been used in impairment testing, to determine certain sales revenues, in provisions for risks and charges, in provisions for receivables and other write-downs, amortization and depreciation, the valuation of derivatives, employee benefits and taxes. The underlying estimates and assumptions are regularly reviewed and the effect of any change is immediately recognized in the income statement.

The following are the key assumptions made by management as part of the process of making these accounting estimates. The inherently critical element of such estimates comes from using assumptions or professional opinions on matters that are by their very nature uncertain. Changes in the conditions underlying the assumptions and opinions used could have a material impact on subsequent results.

Impairment Test

The carrying amount of non-current assets (including goodwill and other intangible assets) and of assets held for sale is reviewed periodically and whenever circumstances or events require a more frequent assessment. If it is considered that the book value of a group of fixed assets has had an impairment loss, it is subject to the application of professional judgement by management and is based on assumptions that include: the identification of the Cash Generating Units, the estimate of the future operating cash flows associated with these CGUs during the reference period of the 2019-2023 business plan, the estimate of the cash flows subsequent to this time horizon, the cash flow deriving from the disposal at the end of useful life of the assets, discount rates used ("Wacc"). These assumptions are complex due to their nature and imply recourse to the opinion of the directors, who are also sensitive to future trends in energy markets, macroeconomic scenarios, and the resolutions of ARERA (Regulatory Authority for Energy Networks and Environment).

For the purpose of preparing the impairment test, the company avails itself of the support of an independent expert, external to the A2A Group.

In the hypothesis in which the recoverable value is lower than the carrying amount, the latter is written down to the extent applicable. Management is of the opinion that the estimates of such recoverable amounts are reasonable, albeit subject to changes in the factors underlying the estimates on which these recoverable amounts have been calculated could produce different measurements. For further details on the way in which impairment testing was carried out and the results of such testing, reference is made to the specific paragraph below.

Revenue recognition

Revenues from sales include the estimate of accrued revenues related to gas and electricity consumed by customers and not yet subject to periodic reading at December 31, 2019 and the estimate of revenues accrued for gas and electricity consumed by customers and not yet billed at December 31, 2019, in addition to the revenues already billed to customers based on the periodic consumption readings made during the year. The processes and methods for evaluating and determining these estimates are based on sometimes complex assumptions that by their nature imply recourse to the opinion of the directors, in particular with regard to recognition of accrued revenues, as the methods used by the A2A Group to estimate the quantities of consumption between the date of the last reading and December 31, and therefore to value the revenues accrued during the year, are based on assumptions and complex calculation algorithms that concern various information systems. Furthermore, the estimate of consumption not subject to periodic reading is made by taking as reference the historical

profile of each user, adjusted on the basis of climatic correction factors provided by the Regulation Authority for Energy Networks and the Environment (ARERA), to incorporate other variables that can have an impact on consumption.

Provisions for risks and charges

In certain circumstances it is not easy to identify whether a legal or constructive present obligation exists. The directors assess these situations case by case, together with an estimate of the economic resources required to settle the obligation. Estimating such provisions is the result of a complex process that involves subjective judgements on the part of company management. When the directors are of the opinion that it is only possible that a liability could arise, the risks are disclosed in the section on commitments and contingent liabilities without making any provision.

Liabilities for landfills

The liabilities for landfills provision represents the amount set aside to meet the costs which will be incurred for the management of the period of closure and post-closure of landfills currently in use. The future outlays, calculated for each landfill by a specific appraisal updated annually, were discounted in accordance with the provisions of IAS 37.

Bad debt provision

The entry into force of IFRS 9 on January 1, 2018 has led to a change in the recognition of credit losses for the Group. The approach adopted is a forward-looking one, focusing on the probability of future losses on receivables, even in the absence of events that would suggest the need to write-down a credit position (Expected Losses).

Although the provision is considered adequate, the use of different assumptions or changes in prevailing economic conditions, even more so in this period of recession, could give rise to adjustments to the bad debts provision.

Amortization

Depreciation and amortization charges are a significant cost for the company. Non-current assets are depreciated or amortized on a straight-line basis over the useful lives of the assets. The useful lives of the company's non-current assets are established by the directors, with the assistance of expert appraisers, when they are purchased. The company periodically reviews technological and sector changes, dismantling/closure charges and the recovery amount of assets to update their residual useful lives. This periodic update could lead to a change in the period of depreciation or amortization and hence also in the depreciation or amortization charge in future years.

Measurement of derivative instruments

The derivatives used are measured at fair value based on the forward market curve at the balance sheet date, if the underlying of the derivative is traded on markets that provide official, liquid forward prices. If the market does not provide forward prices, forecast price curves are used based on simulation models developed by Group companies internally. However, the actual results of derivatives could differ from the measurements made.

The serious turbulence on markets for the energy commodities traded by the company, as well the fluctuations in exchange and interest rates, could lead to greater volatility in cash flows and in expected results.

Employee benefits

The calculations of expenses and the related liabilities are based on actuarial assumptions. The full effects of any changes in these actuarial assumptions are recognized in a specific equity reserve.

Business combinations

Accounting for business combinations entails allocating the difference between purchase cost and net carrying amount to the assets and liabilities of the acquired business. For the majority of assets and liabilities this difference is allocated by recognizing the assets and liabilities at fair value. If positive, the unallocated portion is recognized as goodwill. If negative, it is recognized in the income statement. A2A S.p.A. bases its allocations on available information and, for the more significant business combinations, on external appraisals.

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

General information on A2A S.p.A.

Financial statements

Basis of preparation

Changes in international accounting standards

Accounting standards and policies

Notes to the balance sheet

Net debt

Notes to the income statement

Note on related party transactions

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

Guarantees and commitments with third parties

Other information

4 Attachments

5 Independent Auditors' Report

6 Report of the Board of Auditors

Current taxes and future recovery of deferred tax assets

The uncertainties that exist regarding the way of applying certain tax regulations have led the company to taking an interpretative stance when providing for current taxes in the financial statements; such interpretations could be overturned by official clarifications on the part of the tax authorities.

Deferred tax assets are accounted for on the basis of the taxable profit expected to be available in future years. Assessing the expected taxable profit for the purpose of accounting for deferred taxation depends on factors that can vary over time, and may lead to significant effects on the measurement of deferred tax assets.

Notes to the balance sheet

The Balance Sheet of A2A S.p.A. includes, with respect to the situation at December 31, 2018, the effect of the following non-recurring transactions:

- the transfer of the International Business Unit to the subsidiary A2Abroad S.p.A. with effect from July 1, 2019;
- the acquisition of the STAFF HR Business Unit from the subsidiary AMSA S.p.A. with effect from August 1, 2019.

For details of the equity effects of extraordinary transactions in 2019, please refer to note no. 37) Consob Communication no. DEM/6064293 of July 28, 2006 - extraordinary transactions.

Overview of performance, financial conditions and net debt
1 Financial statements
2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010
3 Notes
General information on A2A S.p.A.
Financial statements
Basis of preparation
Changes in international accounting standards
Accounting standards and policies
Notes to the balance sheet
Net debt
Notes to the income statement
Note on related party transactions
Consob Communication no. DEM/6064293 of July 28, 2006
Guarantees and commitments with third parties
Other information
4 Attachments
5 Independent Auditors' Report
6 Report of the Board of Auditors

ASSETS

NON-CURRENT ASSETS

1) Tangible assets

thousands of euro	Balance at 12 31 2018	Effect of non- recurring transactions	Changes during the year					Balance at 12 31 2019
			Invest.	Other changes	Reclassi- fications net of the provision	Amort.	Total changes	
Land	32,674		29	1	(369)		(339)	32,335
Buildings	224,988		1,363	1,464	(772)	(12,059)	(10,004)	214,984
Plant and machinery	754,432		3,378	13,712	(434)	(54,916)	(38,260)	716,172
Industrial and commercial equipment	1,486		875	58		(323)	610	2,096
Other assets	11,645		4,647	151		(4,667)	131	11,776
Construction in progress and advances	13,712		13,309	(11,461)			1,848	15,560
Leasehold improvements	10		58			(6)	52	62
Assets for rights of use				13,697		(4,076)	9,621	9,621
Total tangible assets	1,038,947	-	23,659	17,622	(1,575)	(76,047)	(36,341)	1,002,606
of which:								
Historical cost	2,795,028		23,659	17,592	(16,567)		24,684	2,819,712
Accumulated amortization	(1,403,592)			30	14,992	(76,047)	(61,025)	(1,464,617)
Write-downs	(352,489)							(352,489)

At December 31, 2019, “Tangible assets” amounted to 1,002,606 thousand euro (1,038,947 thousand euro in the previous year) and show a decrease of 36,341 thousand euro resulting from the following transactions:

- capex for 23,659 thousand euro;
- other positive changes of 17,622 thousand euro due to the adoption of IFRS 16 for 13,697 thousand euro, the recognition of a provision for decommissioning for the Valtellina area for 3,965 thousand euro) and negative changes due to reclassifications to other items in the financial statements for 40 thousand euro;
- disposal of assets, net of accumulated depreciation, for 1,575 thousand euro;
- amortization for the year for 76,047 thousand euro.

For a detailed analysis of changes in the year, reference shall be made to annex “1 Statement of changes in tangible assets”.

Capex during the year refer to:

- “Land” for a total of 29 thousand euro, referring to maintenance works on the land adjacent to the Basin Quota 800 of the Calabria Unit;
- “Buildings” for a total amount of 1,363 thousand euro.
In detail, they refer: for 730 thousand euro to various interventions on the buildings in Via della Signora, Piazza Po, Piazza Trento, Via Orobia, Canavese, Caracciolo and Gonin Warehouse in Milan; for 416 thousand euro to capex in the office in via Lamarmora in Brescia; for 108 thousand euro to interventions on the buildings in Via Suardi and Via Codussi in Bergamo; for 81 thousand euro to interventions on the building of Pontevico; for 27 thousand euro to restructuring interventions of the guard house of the Arvo dam; for 1 thousand euro to interventions on the buildings of Bormio.
- “Plant and machinery” for 3,378 thousand euro.

In particular, they refer to interventions for 1,706 thousand euro to the power plants of the Calabria Unit; for 885 thousand euro to the power plants of the Valtellina Unit; for 486 thousand euro to the power plants of the Mese and Udine Unit; for 242 thousand euro to telematic and telephone wiring of buildings in Valtellina; for 59 thousand euro to other minor plants;

- “Industrial and commercial equipment” for 875 thousand euro;
- “Other assets” relating to furniture, furnishings, IT equipment and assets worth less than 516 euro, for 4,647 thousand euro;
- “Construction in progress and advances” for an amount of 13,309 thousand euro;
- “Leasehold improvements” for 58 thousand euro.

“Tangible assets” include “Construction in progress and advances” for 15,560 thousand euro (13,712 thousand euro at December 31, 2018), presenting an increase of 1,848 thousand euro resulting from the counter effects of the following items:

- the increase of 13,309 thousand euro is mainly due: for 5,168 thousand euro to works on buildings (mainly in the Piazza Trento area in Milan, for the Canavese plant, for the Magisano plant, on the Via Lamarmora site in Brescia and for buildings of Ricevitrice Sud and Grosio); for 8,141 thousand euro to interventions on plants and machinery, on the Calabria Unit hydroelectric plants (2,455 thousand euro), on the Valtellina Unit plants (1,239 thousand euro), interventions on data, electricity and telephone networks in Valtellina (16 thousand euro), on the Mese and Udine Unit hydroelectric plants (4,180 thousand euro) and to the improvement of other plants (251 thousand euro);
- the decrease resulting from entry into service, amounting to 11,452 thousand euro, including: 1,065 thousand euro for the completion of the works mainly related to the buildings of the Lamarmora site and the new call center of Piazza Trento; 10,198 thousand euro for works related to the production plants (of which 2,753 thousand euro for the hydroelectric plants of Calabria, 1,965 thousand euro for the plants in Valtellina, 4,424 thousand euro for the plants in Mese and Udine, 1,056 thousand euro for other minor plants); 189 thousand euro for other assets;
- the decrease of 9 thousand euro due to other changes in the accounts.

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 the Report on Operations in the section “Regulatory Changes and Impacts on the Business Units of the A2A Group - Generation and Trading Business Unit”. While waiting for the Regions to regulate with their own laws the methods, procedures and criteria for awarding concessions, the company is analysing the possible impacts of the new regulations and confirms, to date, that the values recorded in the financial statements of dry and wet works linked to hydroelectric concessions are prudent and recoverable even if they are applied.

2) Intangible assets

thousands of euro	Balance at 12 31 2018	Effect of non- recurring transactions	Changes during the year					Balance at 12 31 2019
			Invest.	Other changes	Write- downs	Amort.	Total changes	
Industrial patents and intellectual property rights	7,574		3,714	9,780		(4,842)	8,652	16,226
Concessions, licences, trademarks and similar rights	17,025		5,673	7,771		(9,179)	4,265	21,290
Goodwill	38,687	954			(4,000)		(4,000)	35,641
Assets in progress	14,126		12,549	(17,595)			(5,046)	9,080
Other intangible assets	2,838			2,054		(11)	2,043	4,881
Total intangible assets	80,250	954	21,936	2,010	(4,000)	(14,032)	5,914	87,118

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

General information on A2A S.p.A.

Financial statements

Basis of preparation

Changes in international accounting standards

Accounting standards and policies

Notes to the balance sheet

Net debt

Notes to the income statement

Note on related party transactions

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

Guarantees and commitments with third parties
Other information

4 Attachments

5 Independent Auditors' Report

6 Report of the Board of Auditors

At the reporting date, “Intangible assets” amounted to 87,118 thousand euro (80,250 thousand euro at December 31, 2018) and include the positive effect of non-recurring transactions in the year for a total of 954 thousand euro.

“Intangible assets” in 2019, net of the non-recurring transaction, show an increase of 5,914 thousand euro resulting from the following:

- capex for 21,936 thousand euro;
- positive changes for 2,010 thousand euro, mainly related to the change in environmental certificates and industrial CO₂ portions;
- decrease of 4,000 thousand euro due to write-downs for the year, due to the results of the Impairment Test phase, as further described in the paragraph “Goodwill”;
- amortization for 14,032 thousand euro accounted for in the year.

More specifically, capex during the year refer to the following:

- 3,714 thousand euro for industrial patents and intellectual property rights mainly concerning the implementation of information technology and computer systems;
- 5,673 thousand euro for concessions, licences, trademarks and similar rights related to the purchase of software;
- 12,549 thousand euro for intangible assets under construction.

Included in the total balance of “Intangible assets” are “Assets in progress” which amounted to 9,080 thousand euro (14,126 thousand euro as at December 31, 2018), resulting in a decrease of 5,046 thousand euro due to the combined effect of the following:

- the increase of 12,549 thousand euro mainly relating to the IT projects;
- the decrease of 17,595 thousand euro due to the entry into service of software and IT applications;

For more in-depth information, refer to annex “2. Statement of changes in intangible assets”.

Goodwill

thousands of euro	Balance at 12 31 2018	Effect of non- recurring transactions	Changes during the year					Balance at 12 31 2019
			Invest.	Reclass./ Other changes	Disp./ Write- downs	Amort.	Total changes	
Goodwill	38,687	954			(4,000)		(4,000)	35,641
Total goodwill	38,687	954	-	-	(4,000)	-	(4,000)	35,641

Goodwill equal to 35,641 thousand euro at December 31, 2019 (38,687 thousand euro at December 31, 2018), was formed as a result of non-recurring transactions with third parties.

This goodwill was allocated to the following CGUs: “A2A Reti Gas” for 3,700 thousand euro, “A2A Gas” for 6,800 thousand euro, “A2A Calore” for 18,000 thousand euro and “A2A Ambiente” for 7,141 thousand euro.

The increase of 954 thousand euro refers to goodwill arising from the non-recurring acquisition of the business unit “STAFF HR” from the subsidiary AMSA S.p.A..

Under IAS 36 goodwill, an intangible asset with an indefinite useful life, is not amortized systematically but tested at least once a year (“Impairment Test”). As goodwill neither generates independent cash flow nor can it be sold separately, IAS 36 calls for a secondary audit of its recoverable amount, determining cash flows generated by a set of assets that constitute the business to which it belongs, i.e. the Cash Generating Unit (CGU).

The verification of the recoverable value has been carried out within the broader Impairment Test activities of the various CGU carried out for the Consolidated Financial Statements, which includes the goodwill in question.

Following the Impairment Test, the Company recorded an impairment loss of 4,000 thousand euro related to the “A2A Reti Elettriche” CGU.

The parameters used for the purposes of the Impairment Test are set out in note 2 of the Consolidated Annual Financial Report, to which reference is made for further details.

3) Shareholdings and other non-current financial assets

thousands of euro	Balance at 12 31 2018	Effect of non- recurring transactions	Changes during the year	Balance at 12 31 2019	of which included in the NFP	
					12 31 2018	12 31 2019
Shareholdings in subsidiaries	3,700,507	286	92,759	3,793,552		
Shareholdings in affiliates	2,077			2,077		
Other non-current financial assets	609,166		539,386	1,148,552	608,269	1,147,655
Total shareholdings and other non-current financial assets	4,311,750	286	632,145	4,944,181	608,269	1,147,655

Shareholdings in subsidiaries

“Shareholdings in subsidiaries” amounted to 3,793,552 thousand euro (3,700,507 thousand euro as at December 31, 2018).

The following table illustrates the changes during the year:

Shareholdings in subsidiaries thousands of euro	TOTAL
Balance at December 31, 2018	3,700,507
Effect of non-recurring transactions	286
Changes during the year:	
- acquisitions and capital increases	9,010
- sales and decreases	(12,594)
- reversals	96,500
- write-downs	
- exchange assessments	
- losses for free float recovery	
- reclassifications	
- other changes	(157)
Total changes during the year	92,759
Balance at December 31, 2019	3,793,552

The value of shareholdings in subsidiaries, net of the positive effect of non-recurring transactions for the year 2019 for 286 thousand euro, a total increase of 92,759 thousand euro compared to the previous year-end and is due to the following changes:

- increase of 96,500 thousand euro for the write-back of the shareholding in A2A gencogas S.p.A. following the results of the specific impairment test carried out by an external expert on the shareholdings attributable to the “Electricity” CGU;
- increase of 5,010 thousand euro due to the incorporation of the company YADA ENERGIA S.r.l. for 10 thousand euro, as well as the subsequent capital contribution made in December for 5,000 thousand euro;
- increase of 4,000 thousand euro relating to the capital contribution subscribed in the investee company A2Abroad S.p.A. in December;

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

General information on A2A S.p.A.

Financial statements

Basis of preparation

Changes in international accounting standards

Accounting standards and policies

Notes to the balance sheet

Net debt

Notes to the income statement

Note on related party transactions

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

Guarantees and commitments with third parties

Other information

4 Attachments

5 Independent Auditors' Report

6 Report of the Board of Auditors

- decrease of 9,600 thousand euro relating to the shareholding in A2A Illuminazione Pubblica S.r.l., following the reduction in share capital approved during the year;
- decrease of 2,994 thousand euro relating to the shareholding in Linea Group Holding S.p.A., following the renewal of the partnership agreement between the parties that redefined the amount of the earn-out clauses recorded in A2A S.p.A.'s financial statements;
- 157 thousand euro for other negative changes.

Further information regarding movements involving shareholdings in subsidiary companies may be found within annexes 3a and 4a to compare their book value and corresponding portions of net assets.

Shareholdings in affiliates and joint ventures

“Shareholdings in affiliates and joint ventures” amounted to 2,077 thousand euro, unchanged compared to the previous year.

Further details regarding shareholdings in affiliates may be found in annexes 3/b and 4/b.

Impairment of shareholdings in subsidiaries, associates and joint ventures

The recoverable value of shareholdings has been measured based on the present value of the corresponding expected net cash flows attributable to the shareholdings of A2A S.p.A.. The cash flows used are in line with those used for the Impairment Test of the CGU for the consolidated financial statements. The same applies to the methodological approach and discount rates adopted further detailed in the Consolidated Annual Financial Report (note 2).

Shown below are the carrying values of the individual shareholdings subject to Impairment Test by an external expert, along with a specification of the type and discount rate applied. It shall be recalled that the Impairment Test is carried out for all shareholdings which have a carrying value higher than the corresponding fraction of shareholders’ equity of competence and/or in the presence of specific impairment indicators.

In 2019 the Impairment Test carried out on A2A gencogas S.p.A. resulted in a write-back of 96,500 thousand euro, consistent with the write-back of the Electricity CGU of the Generation and Trading Business Unit, 127 million euro of which was recognized in the consolidated financial statements. More specifically, the 400 MW units of the Mincio, Chivasso and Sermide thermoelectric power plants, which had been fully written down in previous years following their preservation were written back due to their correct function, the changed (increased) prospects of use, also connected with the envisaged phase-out of coal, scenario and remuneration offered by the capacity market mechanism, already assigned for 2022 and 2023 and expected for subsequent years.

The other shareholdings did not require any write-downs/reversals.

Shareholdings <i>millions of euro</i>	Pre- impairment test values at 12 31 2019	Recoverable amount (use value) at 12 31 2019	WACC Post-tax	Growth rate g	Reversal
A2A gencogas S.p.A.	510	607	6.6%	0.0%	97

In the previous year, the Impairment Test conducted on A2A Energiefuture S.p.A. had resulted in a write-down of 73,000 thousand euro, while the other shareholdings had not required any write-down.

Shareholdings <i>millions of euro</i>	Pre- impairment test values at 12 31 2018	Recoverable amount (use value) at 12 31 2018	WACC Post-tax	Growth rate g	Write-down
A2A Energiefuture S.p.A.	263	190	7.4%	0.0%	(73)

Other non-current financial assets

“Other non-current financial assets” amounted to 1,148,552 thousand euro (609,166 thousand euro as at December 31, 2018), of which:

- financial assets measured at amortized cost (HTC) for 1,147,655 thousand euro (608,269 thousand euro at December 31, 2018), which refer:
 - for 1,147,559 thousand euro (608,173 thousand euro at December 31, 2018) to financial assets with related parties. This item refers to financial receivables from subsidiaries: Linea Group Holding S.p.A. (308,000 thousand euro), A2A gencogas S.p.A. (240,000 thousand euro), A2A Calore & Servizi S.r.l. (205,000 thousand euro), A2A Rinnovabili S.p.A. and the companies acquired by it (INTHE 2 S.r.l., Bellariva Enertel 07 S.r.l., RenewA26 S.r.l., RenewA27 S.r.l., RenewA28 S.r.l., Des Energia Tredici S.r.l., Trovosix S.r.l., Onice S.r.l., CS Solar2 S.r.l. and Solar Sicily S.r.l. for a total of 144,759 thousand euro), Unareti S.p.A. (100,000 thousand euro), A2A Ciclo Idrico S.p.A. (100,000 thousand euro), Aprica S.p.A. (21,000 thousand euro), A2A Smart City S.p.A. (9,000 thousand euro), Biofor (8,700 thousand euro), Azienda Servizi Valtrompia S.p.A. (7,500 thousand euro), SED S.r.l. (3,600 thousand euro). The significant increase in financial assets from related parties is due in particular to the disbursement of new interest-bearing inter-Group loans, net of repayments made during the year, as well as the reclassification of the short-term portion of these loans to “Current financial assets”;
 - for 96 thousand euro (unchanged compared to the previous year) to other government securities;
- financial assets measured at fair value through profit or loss (FVTPL) for 897 thousand euro (unchanged from the previous year), relating to other minority interests.

4) Deferred tax assets

thousands of euro	Balance at 12 31 2018	Effect of non-recurring transactions	Net changes during the year	Balance at 12 31 2019
Deferred tax assets	66,000	(2)	(6,310)	59,688

The item, equal to 59,688 thousand euro, includes the net effect, as detailed in the table below to which reference is made, of deferred tax liabilities and deferred tax assets as per corporate income tax (IRES) and regional tax (IRAP) as well as provisions made solely for tax purposes. The recoverability of “Deferred tax assets” recognized in the financial statements is considered likely, since future plans include IRES taxable income sufficient to absorb the temporary differences that will be reversed; for the years of the plan for which the IRAP taxable income is not provided sufficiently to absorb IRAP temporary differences, it was decided to repay the related IRAP deferred tax assets and liabilities.

Deferred tax assets are calculated using the tax rate applicable at the time of repayment.

At December 31, 2019, the amounts relative to deferred tax assets/deferred tax liabilities have been expressed as net (“offsetting”) as per IAS 12 standards.

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

General information on A2A S.p.A.

Financial statements

Basis of preparation

Changes in international accounting standards

Accounting standards and policies

Notes to the balance sheet

Net debt

Notes to the income statement

Note on related party transactions

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

Guarantees and commitments with third parties

Other information

4 Attachments

5 Independent Auditors' Report

6 Report of the Board of Auditors

This item is detailed within the table below:

<i>thousands of euro</i>	Balance at 12 31 2019	Balance at 12 31 2018
Value differences of tangible assets	131,810	142,605
Adoption of the finance lease standard (IFRS 16)	348	5,374
Measurement differences of intangible assets	2,522	2,922
Deferred capital gains	15	23
Employee leaving entitlement (TFR)	-	1,226
Other deferred tax liabilities	4,404	9,066
Deferred tax liabilities (A)	139,099	161,216
Taxed risk provisions	61,052	82,997
Amortization, depreciation and write-downs	71,528	78,083
Application of the financial instrument standard (IFRS 9)	781	359
Bad debt provision	2,565	2,716
Grants	-	2,654
Goodwill	50,466	50,466
Other deferred tax assets	12,395	9,941
Deferred tax assets (B)	198,787	227,216
Net effect deferred tax assets (B-A)	59,688	66,000

For further details and information, please refer to the item “Income/expenses for income tax” on the income statement.

5) Other non-current assets

<i>thousands of euro</i>	Balance at 12 31 2018	Effect of non- recurring transactions	Changes during the year	Balance at 12 31 2019	<i>of which included in the NFP</i>	
					12 31 2018	12 31 2019
Non-current derivatives	7,693	-	(5,312)	2,381	7,693	2,381
Other non-current assets	708	-	12,258	12,966	-	-
Total other non-current assets	8,401	-	6,946	15,347	7,693	2,381

“Other non-current assets” amounted to 15,347 thousand euro (8,401 thousand euro at December 31, 2018), presenting an increase of 6,946 thousand euro over the previous year and consist of:

- non-current derivative instruments amounting to 2,381 thousand euro (7,693 thousand euro at December 31, 2018) that refer to the fair value measurement of a financial instrument at the end of the year;
- other non-current receivables of 12,966 thousand euro (708 thousand euro at December 31, 2018) relating to security deposits. The significant increase in this item is due to higher security deposits provided to Terna during the year as participation in auctions on the production capacity market.

CURRENT ASSETS

6) Inventories

thousands of euro	Balance at 12 31 2018	Effect of non-recurring transactions	Changes during the year	Balance at 12 31 2019
- Materials	1,272		(50)	1,222
- Material obsolescence provision	(620)		(14)	(634)
Total material	652	-	(64)	588
- Fuel	90,546		5,009	95,555
- Others (include environmental certificates)	48		(48)	-
Raw and ancillary materials and consumables	91,246	-	4,897	96,143
Third-party fuel	3,491		7,278	10,769
Total inventories	94,737	-	12,175	106,912

Inventories at December 31, 2019 amounted to 106,912 thousand euro (94,737 thousand euro at December 31, 2018); changes during the year were positive for 12,175 thousand euro and mainly refer to the increase in fuel inventories held by third parties and natural gas inventories. This item includes:

- inventories of materials amounting to 1,222 thousand euro, net of relative provisions for obsolescence for 634 thousand euro;
- inventories of fuels, for 95,555 thousand euro, which include the inventories of fuels for the production of electricity, as well as the gas inventories for the sale and storage thereof;
- fuels at third parties, for 10,769 thousand euro, relating to coal at the warehouse in Koper that have not cleared customs in Italy yet.

7) Trade receivables

thousands of euro	Balance at 12 31 2018	Effect of non-recurring transactions	Changes during the year	Balance at 12 31 2019
Trade receivables - invoices issued	348,061		(318,394)	29,667
Trade receivables - invoices to be issued	384,014		248,419	632,433
Bad debt provision	(14,883)		8,689	(6,194)
Total trade receivables	717,192	-	(61,286)	655,906

At December 31, 2019, trade receivables amounted to 655,906 thousand euro (717,192 thousand euro at December 31, 2018) and decreased by 61,286 thousand euro. These receivables include:

- 420,657 thousand euro of receivables from customers;
- 235,249 thousand euro of receivables from subsidiaries, controlling entities and associates.

As of the reporting date, the bad debt provision calculated in accordance with IFRS 9 amounted to 6,194 thousand euro, a decrease of 8,689 thousand euro. This provision is considered adequate to cover the risks to which it relates.

The detailed changes in the provisions to adjust the values of receivables are outlined in the following table:

thousands of euro	Balance at 12 31 2018	Effect of non-recurring transactions	Provisions	Utilizations	Other changes	Balance at 12 31 2019
Bad debt provision	14,883	-	(404)	(8,285)	-	6,194

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

General information on A2A S.p.A.

Financial statements

Basis of preparation

Changes in international accounting standards

Accounting standards and policies

Notes to the balance sheet

Net debt

Notes to the income statement

Note on related party transactions

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

Guarantees and commitments with third parties

Other information

4 Attachments

5 Independent Auditors' Report

6 Report of the Board of Auditors

The following is the aging of trade receivables:

<i>thousands of euro</i>	Balance at 12 31 2018	Balance at 12 31 2019
Trade receivables of which:	717,192	655,906
Current	287,032	21,816
Past due of which:	61,029	7,851
- Past due up to 30 days	25,497	1,079
- Past due from 31 to 180 days	6,520	724
- Past due from 181 to 365 days	884	(124)
- Past due over 365 days	28,128	6,172
Invoices to be issued	384,014	632,433
Bad debts provision	(14,883)	(6,194)

8) Other current assets

<i>thousands of euro</i>	Balance at 12 31 2018	Effect of non- recurring transactions	Changes during the year	Balance at 12 31 2019	<i>of which included in the NFP</i>	
					12 31 2018	12 31 2019
Current derivatives	163,043	-	208,436	371,479	-	-
Other current assets of which:	97,339	-	8,182	105,521	-	-
- advances to suppliers	17,409		(6,502)	10,907		
- receivables from employees	204		(11)	193		
- tax receivables	3,645		(1,587)	2,058		
- receivables related to future years	8,062		596	8,658		
- receivables from subsidiaries for tax consolidation	60,575		(5,116)	55,459		
- receivables from social security entities	910		(28)	882		
- receivables for water derivation fees	52			52		
- Stamp office	124			124		
- receivables for security deposits	1,276		(102)	1,174		
- receivables from Ergosud	2,175			2,175		
- other sundry receivables	2,907		20,932	23,839		
Total other current assets	260,382	-	216,618	477,000	-	-

“Other current assets” presented a balance of 477,000 thousand euro (260,382 thousand euro at December 31, 2018), an increase of 216,618 thousand euro with respect to the previous year.

“Current derivative instruments” amounting to 371,479 thousand euro (163,043 thousand euro at December 31, 2018) refer to the fair value valuation of commodity derivatives at the end of the year under review. The increase is due both to the increase in the fair value valuation of the year and to the change in the amounts covered. It should be noted that “Other current liabilities” include 380,090 thousand euro in “Current derivatives”.

Tax receivables, amounting to 2,058 thousand euro, mainly relate to tax receivables from the tax authorities for excise and withholding taxes.

Receivables from Ergosud, amounting to 2,175 thousand euro, unchanged over the previous year, refer to the receivable due for new entry plants (Scandale Plant), regarding portions of emission allowances as provided by ARERA Resolutions no. ARG/elt 194/10 and no. 117/10.

Other receivables show an increase of 20,932 thousand euro mainly attributable to the advance payment of electricity futures contracts the economic result of which will be in the following year.

9) Current financial assets

thousands of euro	Balance at 12 31 2018	Effect of non- recurring transactions	Changes during the year	Balance at 12 31 2019	of which included in the NFP	
					12 31 2018	12 31 2019
Financial assets measured at amortized cost (HTC) of which:						
- third parties	1,200	-	(1,200)	-	1,200	-
- related parties	660,177	(461)	(273,419)	386,297	660,177	386,297
Total financial assets measured at amortized cost (HTC)	661,377	(461)	(274,619)	386,297	661,377	386,297
Total current financial assets	661,377	(461)	(274,619)	386,297	661,377	386,297

“Current financial assets” refer to “Financial assets measured at amortized cost (HTC)” totalling 386,297 thousand euro and refer:

- 386,047 thousand euro in financial receivable from subsidiaries for both the balance in inter-Group current accounts to which interest rates are applied, at market rates, on a variable Euribor basis with specific spreads for each company, and for the current portion of loans granted to Linea Group Holding S.p.A., Aprica S.p.A., A2A Smart City S.p.A., A2A Rinnovabili S.p.A. and the companies acquired by it (INTHE 2 S.r.l., Bellariva Enertel 07 S.r.l., RenewA26 S.r.l., RenewA27 S.r.l., RenewA28 S.r.l., Trovosix S.r.l.), SED S.r.l. and A2A Montenegro d.o.o. for a total of 25,929 thousand euro;
- for 250 thousand euro, to financial receivables from associates.

This item, net of the effect of negative non-recurring transactions amounting to 461 thousand euro, shows a decrease of 274,619 thousand euro due to the combined effect of lower receivables for loans granted to subsidiaries following repayments made during the year, as well as lower receivables accrued on current accounts.

10) Current tax assets

thousands of euro	Balance at 12 31 2018	Effect of non-recurring transactions	Changes during the year	Balance at 12 31 2019
Current tax assets	35,542	-	14,541	50,083

At December 31, 2019, this item amounted to 50,083 thousand euro (35,542 thousand euro at December 31, 2018) and refers to IRAP receivables (13,392 thousand euro), IRES receivables (36,066 thousand euro), relating to current IRES for amounts requested for reimbursement on payments of previous years, and the remaining credit for Robin Tax (625 thousand euro) paid in previous years and that will be recovered in subsequent years.

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

General information on A2A S.p.A.

Financial statements

Basis of preparation

Changes in international accounting standards

Accounting standards and policies

Notes to the balance sheet

Net debt

Notes to the income statement

Note on related party transactions

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

Guarantees and commitments with third parties

Other information

4 Attachments

5 Independent Auditors' Report

6 Report of the Board of Auditors

11) Cash and cash equivalents

<i>thousands of euro</i>	Balance at 12 31 2018	Effect of non- recurring transactions	Changes during the year	Balance at 12 31 2019	<i>of which included in the NFP</i>	
					12 31 2018	12 31 2019
Cash and cash equivalents	509,947	-	(149,869)	360,078	509,947	360,078

“Cash and cash equivalents” at December 31, 2019 amounted to 360,078 thousand euro (509,947 thousand euro at December 31, 2018), with a decrease of 149,869 thousand euro compared with the end of the previous year. Bank deposits include accrued interest not yet credited by the end of the year.

Cash and cash equivalents at December 31, 2019 are free from any kind of restriction, block, even temporary, and pledge.

12) Non-current assets held for sale

<i>thousands of euro</i>	Balance at 12 31 2018	Effect of non-recurring transactions	Changes during the year	Balance at 12 31 2019
Non-current assets held for sale	108,960	-	(108,960)	-

The item “Non-current assets held for sale” at December 31, 2019 shows a zero balance while at December 31, 2018, it amounted to 108,960 thousand euro and referred to the fair value of the shareholding in EPCG, 18.70% held by A2A S.p.A.. The decrease compared to December 31, 2018 is due to the collections made during the reporting year under the agreements entered into by the parties, which brought the residual value existing at December 31, 2018 to zero, thus completing the redemption process begun in 2017 following management’s decision to exercise the put option on the entire share package.

EQUITY AND LIABILITIES

EQUITY

Equity, which at December 31, 2019 amounted to 2,843,650 thousand euro (2,635,588 thousand euro at December 31, 2018), is set forth within the following table:

<i>thousands of euro</i>	Balance at 12 31 2018	Effect of non-recurring transactions	Changes during the year	Balance at 12 31 2019
Equity				
Share capital	1,629,111			1,629,111
(Treasury shares)	(53,661)			(53,661)
Reserves	687,047		130,530	817,577
Net result of the year	373,091		77,532	450,623
Total equity	2,635,588	-	208,062	2,843,650

13) Share capital

At December 31, 2019, the “Share capital” amounted to 1,629,111 thousand euro and is comprised of 3,132,905,277 ordinary shares with a unitary value of 0.52 euro each.

14) Treasury shares

The “Treasury shares” amounted to 53,661 thousand euro, unchanged with respect to December 31, 2018 and consist of 23,721,421 own shares held by the company.

15) Reserves

<i>thousands of euro</i>	Balance at 12 31 2018	Effect of non-recurring transactions	Changes during the year	Balance at 12 31 2019
Reserves	687,047		130,530	817,577
of which:				
Change in fair value of derivatives Cash flow hedges and fair value bonds	(3,346)		(34,102)	(37,448)
Tax effect	975		9,917	10,892
Cash flow hedge reserves and fair value bonds	(2,371)	-	(24,185)	(26,556)
Change in the IAS 19 Revised reserve - Employee Benefits	(50,109)		(2,094)	(52,203)
Tax effect	14,085		571	14,656
IAS 19 Revised reserves - Employee benefits	(36,024)	-	(1,523)	(37,547)
Change in the Available for sale reserves	(608)			(608)
Tax effect	146			146
Change in Available for sale	(462)	-	-	(462)

“Reserves”, which at December 31, 2019 amounted to 817,577 thousand euro (687,047 thousand euro at December 31, 2018), increased by 130,530 thousand euro mainly due to the allocation of the 2018 profit.

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

General information on A2A S.p.A.

Financial statements

Basis of preparation

Changes in international accounting standards

Accounting standards and policies

Notes to the balance sheet

Net debt

Notes to the income statement

Note on related party transactions

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

Guarantees and commitments with third parties

Other information

4 Attachments

5 Independent Auditors' Report

6 Report of the Board of Auditors

This item includes the following unavailable reserves:

- for 95,325 thousand euro the reserve arising from the corporate separation occurred in 1999. Such reserve will be available for distribution in portions in the following years based on the amortization carried out by the receiving company on the higher values determining capital gains from contribution;
- 26,556 thousand euro for the negative cash flow hedge reserve including the fair value of hedging derivatives and bonds in foreign currency, net of tax;
- for 37,547 thousand euro, the negative reserve arising from the adoption of IAS 19 Revised - Employee Benefits which requires actuarial profits and losses to be recognized directly in an equity reserve, net of the tax effect.
- for 462 thousand euro, the negative available-for-sale reserve including the fair value of certain available-for-sale shareholdings net of the tax effect;
- for 232,248 thousand euro, the legal reserve.

Reserves and the profits that in case of distribution must be considered as IRES tax suspension amounted to 73,576 thousand euro.

It should be noted that during 2019, dividends amounting to 217,643 thousand euro corresponding to 0.070 euro per share were distributed, as approved by the shareholders’ meeting on May 13, 2019.

16) Result of the year

Positive result for 450,623 thousand euro.

LIABILITIES

NON-CURRENT LIABILITIES

17) Non-current financial liabilities

thousands of euro	Balance at 12 31 2018	Effect of non- recurring transactions	Changes during the year	Balance at 12 31 2019	of which included in the NFP	
					12 31 2018	12 31 2019
Non-convertible bonds	2,150,370		399,441	2,549,811	2,150,370	2,549,811
Payables to banks	691,037		(77,548)	613,489	691,037	613,489
Non-current financial payables for rights of use to third parties	-		4,745	4,745	-	4,745
Non-current financial payables for rights of use to related parties	-		1,121	1,121	-	1,121
Total non-current financial liabilities	2,841,407	-	327,759	3,169,166	2,841,407	3,169,166

“Non-current financial liabilities” amounted to 3,169,166 thousand euro (2,841,407 thousand euro at December 31, 2018), with an increase of 327,759 thousand euro.

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

- 350,739 thousand euro, maturing in January 2021 and coupon of 4.375%, the nominal value of which is equal to 351,457 thousand euro;
- 498,713 thousand euro, maturing in January 2022 and coupon of 3.625%, the nominal value of which is equal to 500,000 thousand euro;
- 299,385 thousand euro, Private Placement maturing in December 2023 and coupon of 4.00%, the nominal value of which is equal to 300,000 thousand euro;

- 299,395 thousand euro, Private Placement maturing in March 2024 and coupon of 1.25%, the nominal value of which is equal to 300,000 thousand euro;
- 297,844 thousand euro, maturing in February 2025 and coupon of 1.75%, the nominal value of which is equal to 300,000 thousand euro;
- 295,805 thousand euro, maturing in October 2027 and coupon of 1.625%, the nominal value of which is equal to 300,000 thousand euro;
- 114,433 thousand 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;
- 393,497 thousand euro, maturing in July 2029 and coupon of 1.00%, the nominal value of which is equal to 400,000 thousand euro.

The net increase in the non-current component of “Non-convertible Bonds”, amounting to 399,441 thousand euro compared to December 31, 2018, is mainly due to the subscription of the new green bond with maturity in 2029 aimed at financing and/or refinancing environmental sustainability projects related, for example, to the circular economy and decarbonization, as well as the increase in the ECB exchange rate applied to the yen bond.

Non-current “Payables to banks” amounted to 613,489 thousand euro, a decrease of 77,548 thousand euro compared to the previous year-end, due to the reclassification under current liabilities of the portions of capital maturing within the following year.

“Non-current financial payables for rights of use” to both third parties and related parties amounted to 5,866 thousand euro following the application of IFRS 16 for leases previously classified as operating leases.

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 A2A S.p.A..

<i>Figures in thousands of euro and excluding financial payables for rights of use</i>	Nominal value	Book value	Current portion	Non-current portion	Fair value
Bonds	2,549,457	2,595,413	45,602	2,549,811	2,759,698
Bank loans	721,553	721,215	107,726	613,489	720,401
Total	3,271,010	3,316,628	153,328	3,163,300	3,480,099

18) Employee benefits

At the end of the fiscal year, “Employee Benefits” amounted to 140,247 thousand euro (142,277 thousand euro as of December 31, 2018) with changes as follows during the period:

<i>thousands of euro</i>	Balance at 12 31 2018	Effect of non-recurring transactions	Provisions	Utilizations	Other changes	Balance at 12 31 2019
Employee leaving entitlement (TFR)	27,504	714	5,687	(1,949)	(4,141)	27,815
Employee benefits	114,773	12		(5,122)	2,769	112,432
Total employee benefits	142,277	726	5,687	(7,071)	(1,372)	140,247

Changes during the year include 5,687 thousand euro in provisions for the year, 7,071 thousand euro in the decrease due to disbursements during the year, 726 thousand euro in the increase due to the effect of extraordinary transactions during the year and 1,372 thousand euro in the net decrease due to actuarial valuations for the year, resulting from the combined effect of the increase for interest cost of 1,857 thousand euro, the increase for actuarial gains/losses of 2,093 thousand euro and other negative changes for 5,322 thousand euro.

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

General information on A2A S.p.A.

Financial statements

Basis of preparation

Changes in international accounting standards

Accounting standards and policies

Notes to the balance sheet

Net debt

Notes to the income statement

Note on related party transactions

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

Guarantees and commitments with third parties
Other information

4 Attachments

5 Independent Auditors' Report

6 Report of the Board of Auditors

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

	2019	2018
Discount rate	from -0.1% to 0.8%	from 0.1% to 1.6%
Annual inflation rate	1.2%	1.5%
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	2.4%	2.6%
Average annual increase rate of supplementary pensions	1.1%	1.1%
Annual turnover frequencies	5.0%	5.0%
Annual TFR advance frequencies	2.0%	2.0%

It is noted that:

- the annual discount rate used to determine the present value of the bond has been derived, in line with paragraph 83 of IAS 19, from the Iboxx Corporate AA index recognized at the measurement date. For this purpose, the yield with duration comparable to the duration of the work group evaluated was chosen;
- 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;
- for the demographic technical bases, it is noted that:
 - for “death”, the tables TG62 (Premungas) AS62 (Electricity and gas discount) and RG48 (other plans) 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) in accordance with DL no. 04/2019;
 - for the “probability of leaving the family”, the table in the INPS model was used for projections to 2010 updated;
 - 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.

As required by IAS 19, the sensitivity for post-employment employee benefit obligations is outlined below:

thousands of euro	Turnover rate +1%	Turnover rate -1%	Inflation rate +0.25%	Inflation rate -0.25%	Actualization rate +0.25%	Actualization rate -0.25%
TFR	27,429	27,739	27,829	27,330	27,178	27,989

thousands of euro	Actualization rate +0.25%	Actualization rate -0.25%	Mortality table increased by 10%	Mortality table decreased by 10%
Premungas	19,788	20,483	19,097	21,292
Electricity and gas discount	84,363	89,320	89,381	84,368
Additional months	3,192	3,337	n.s.	n.s.

19) Provisions for risks, charges and liabilities for landfills

thousands of euro	Balance at 12 31 2018	Effect of non- recurring transactions	Provisions	Releases	Utilizations	Other changes	Balance at 12 31 2019
Decommissioning provisions	-					3,965	3,965
Tax provisions	1,986		116	(1,984)			118
Personnel lawsuits and disputes provisions	14,641		1,485	(6,285)	(853)	(1,161)	7,827
Other risk provisions	163,677		9,403	(55)		(74,572)	98,453
Provisions for risks, charges and liabilities for landfills	180,304	-	11,004	(8,324)	(853)	(71,768)	110,363

“Decommissioning provisions”, which amounted to 3,965 thousand euro, include charges for costs of dismantling and recovery of production sites related to hydroelectric plants of Valtellina. Changes during the year were related to other increases of 3,965 thousand euro, which refer to the effects of the updated appraisals and have as balancing entry “Tangible assets”.

“Tax Provisions”, which amounted to 118 thousand euro, refer to provisions for pending or potential litigation with the tax authorities or territorial entities for levies and direct and indirect taxes. The changes in the year were related to the provisions for 116 thousand euro and releases for 1,984 thousand euro, mainly relating to the ICI/IMU dispute with some regional authorities.

The “Personnel lawsuits and disputes provisions” amounted to 7,827 thousand euro and refer to lawsuits pending with social security institutions, for contributions not paid for 998 thousand euro, to lawsuits with third parties for 6,762 thousand euro and with employees for 67 thousand euro, to cover the liabilities that could arise from litigations in progress. Provisions for the year, for 1,485 thousand euro, mainly refer to disputes pending with third parties. Releases amounting to 6,285 thousand euro mainly refer to the disputes in progress with Social Security Institutions following the resolution of the dispute. Utilizations, for 853 thousand euro, mainly refer to the payment made following the resolution of the disputes with third parties. Other changes were negative and totalled 1,161 thousand euro.

“Other risk provisions” of 98,453 thousand euro refer to provisions relating to public water derivation fees for 52,335 thousand euro, provisions for contractual expenses for 14,717 thousand euro, to the mobility provision for the costs arising from the corporate restructuring plan for 7,674 thousand euro, as well as other provisions for risks for 23,727 thousand euro. Provisions for the year amounted to 9,403 thousand euro and refer to allocations to provisions relating to public water derivation fees. Releases amounted to 55 thousand euro. Other changes refer for 7,429 thousand euro to the increase in the mobility provision and for 82,001 thousand euro to the decrease in the provision relating to the cost of the current obligations in the existing tolling contract with the company Ergosud S.p.A.

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

General information on A2A S.p.A.

Financial statements

Basis of preparation

Changes in international accounting standards

Accounting standards and policies

Notes to the balance sheet

Net debt

Notes to the income statement

Note on related party transactions

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

Guarantees and commitments with third parties

Other information

4 Attachments

5 Independent Auditors' Report

6 Report of the Board of Auditors

registered in 2014; this release was possible as a result of new and positive future margins of the Scandale plant, also due to the award of the Capacity Market for the years 2022 and 2023, as well as the reduction in the amount of the tolling contract during the year.

20) Other non-current liabilities

thousands of euro	Balance at 12 31 2018	Effect of non- recurring transactions	Changes during the year	Balance at 12 31 2019	of which included in the NFP	
					12 31 2018	12 31 2019
Other non-current liabilities	10,664		(4,737)	5,927	-	-
Non-current derivatives	7,958		(2,321)	5,637	7,958	5,637
Total other non-current liabilities	18,622	-	(7,058)	11,564	7,958	5,637

“Other non-current liabilities” amounted to 11,564 thousand euro and are divided as follows:

- 5,637 thousand euro for the fair value of financial derivatives to hedge interest rate risk on variable rate mortgages;
- 2,142 thousand euro for the payable to minority shareholders of Linea Group Holding S.p.A. revised on the basis of the new partnership agreement stipulated during the year by the parties, which reduced the debt relating to earn-out clauses;
- for 3,354 thousand euro to non-current liabilities related to long-term service agreements relating to the maintenance of the plants;
- 431 thousand euro for “Other non-current liabilities”.

CURRENT LIABILITIES

21) Trade payables and other current liabilities

thousands of euro	Balance at 12 31 2018	Effect of non- recurring transactions	Changes during the year	Balance at 12 31 2019	of which included in the NFP	
					12 31 2018	12 31 2019
Advances	112		(104)	8		
Payables to suppliers	677,832		(6,294)	671,538		
Trade payables to related parties:	98,061	-	3,160	101,221		
- subsidiaries	83,605		3,608	87,213		
- parent companies	545		(489)	56		
- associates	13,911		41	13,952		
Total trade payables	776,005	-	(3,238)	772,767	-	-
Payables to pension and social security institutions	13,925		89	14,014		
Current derivatives	155,542		224,548	380,090		
Other payables:	81,009	51	32,442	113,502		
- payables for tax consolidation	26,376		(993)	25,383		
- payables for tax transparency	7,167			7,167		
- payables to personnel	17,650	51	2,440	20,141		
- payables to Cassa per i Servizi Energetici e Ambientali	3			3		
- tax payables	14,141		35,242	49,383		
- payables for liabilities of competence of the following year	532		(79)	453		
- payables for collections to be allocated	4,074		1,039	5,113		
- payables to insurance companies	1,939		(325)	1,614		
- payables to waterway municipalities	1,208		270	1,478		
- other	7,919		(5,152)	2,767		
Total other current liabilities	250,476	51	257,079	507,606	-	-
Total trade payables and other current liabilities	1,026,481	51	253,841	1,280,373	-	-

“Trade payables and other current liabilities” amounted to 1,280,373 thousand euro (1,026,481 thousand euro at December 31, 2018), representing an overall increase of 253,841 thousand euro net of the effect of non-recurring transactions, positive for 51 thousand euro.

“Trade payables” amounted to 772,767 thousand euro and include both debt exposure to third-party suppliers (671,546 thousand euro) and trade payables to related parties (101,221 thousand euro).

“Payables to pension and social security institutions” amounted to 14,014 thousand euro and relate to the company’s debt position with social security and pension institutions, related to contributions of the month of December 2019 not yet paid.

“Current derivatives” amounted to 380,090 thousand euro and refer to the fair value valuation of commodity derivatives. The increase is due both to the increase in the fair value valuation of the year and to the change in the amounts covered. It should be noted that “Other current assets” include 371,479 thousand euro in “Current derivatives”.

“Other current liabilities” mainly refer to:

- payables to subsidiaries for the Group tax consolidation and VAT regime for 25,383 thousand euro;
- payables for fiscal transparency for 7,167 thousand euro to the associate Ergosud S.p.A.;

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

General information on A2A S.p.A.

Financial statements

Basis of preparation

Changes in international accounting standards

Accounting standards and policies

Notes to the balance sheet

Net debt

Notes to the income statement

Note on related party transactions

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

Guarantees and commitments with third parties

Other information

4 Attachments

5 Independent Auditors’ Report

6 Report of the Board of Auditors

- payables to employees for 20,141 thousand euro relating to payables to employees for the productivity bonus accrued during the year, as well as the expense for holidays accrued but not taken at December 31, 2019;
- tax payables for 49,383 thousand euro that mainly refer to payables to the tax authorities for VAT, excise and withholding taxes;

22) Current financial liabilities

thousands of euro	Balance at 12 31 2018	Effect of non- recurring transactions	Changes during the year	Balance at 12 31 2019	of which included in the NFP	
					12 31 2018	12 31 2019
Non-convertible bonds	555,917		(510,315)	45,602	555,917	45,602
Payables to banks	52,565		55,161	107,726	52,565	107,726
Current financial payables for rights of use to third parties	-		3,366	3,366	-	3,366
Current financial payables for rights of use to related parties	-		333	333	-	333
Financial payables to related parties	411,430		21,370	432,800	411,430	432,800
Total current financial liabilities	1,019,912	-	(430,085)	589,827	1,019,912	589,827

“Current financial liabilities” amounted to 589,827 thousand euro, an overall decrease of 430,085 thousand euro.

“Non-convertible Bonds” decreased by 510,315 thousand euro mainly due to the repayment of the bond with maturity in November 2019 and coupon 4.50%. At December 31, 2019, the calculation of interest coupons amounted to 45,602 thousand euro (45,859 thousand euro at December 31, 2018).

Current “Payables to banks” increased by 55,161 thousand euro during the year, mainly due to the reclassification of the portion due within one year of a loan from the item “Non-current financial liabilities” net of the repayments of credit lines and portions of loans during the year under review.

“Current financial payables for rights of use” to both third parties and related parties amounted to 3,699 thousand euro following the application of IFRS 16 for leases previously classified as operating leases.

“Financial payables to related parties” amounted to 432,800 thousand euro and relate to intercompany current accounts on which rates are applied at market conditions, with variable Euribor base with specific spreads for companies.

23) Tax liabilities

thousands of euro	Balance at 12 31 2018	Effect of non-recurring transactions	Changes during the year	Balance at 12 31 2019
Tax liabilities	28,894		(28,868)	26

At December 31, 2019, this item amounted to 26 thousand euro (28,894 thousand euro at December 31, 2018) and refers to the payable for IRES Spain. At December 31, 2019, the exposure to the tax authorities for current IRES and IRAP had a credit balance unlike the previous year.

Net debt

24) Net debt (pursuant to CONSOB Communication no. DEM/6064293 of July 28, 2006 and ESMA/2013/319)

The following table provides details of net debt:

thousands of euro	Notes	12 31 2019	Effect of non-recurring transactions	12 31 2018
Bonds - non-current portion	17	2,549,811		2,150,370
Bank loans - non-current portion	17	613,489		691,037
Non-current financial payables for rights of use	17	5,866		-
Other non-current liabilities	20	5,637		7,958
Total medium/long-term debt		3,174,803	-	2,849,365
Non-current financial assets with related parties	3	(1,147,559)		(608,173)
Other non-current financial assets and other non-current assets	3-5	(2,477)		(7,789)
Total medium/long-term financial receivables		(1,150,036)	-	(615,962)
Total non-current net debt		2,024,767	-	2,233,403
Bonds - current portion	22	45,602		555,917
Bank loans - current portion	22	107,726		52,565
Current financial payables for rights of use	22	3,699		-
Financial liabilities with third parties - current portion	22	-		-
Financial liabilities with related parties - current portion	22	432,800		411,430
Total short-term debt		589,827	-	1,019,912
Other current assets	8	-		-
Financial assets with third parties - current portion	9	-		(1,200)
Financial assets with related parties - current portion	9	(386,297)	461	(660,177)
Total short-term financial receivables		(386,297)	461	(661,377)
Cash and cash equivalents	11	(360,078)		(509,947)
Total current net debt		(156,548)	461	(151,412)
Net debt		1,868,219	461	2,081,991

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

thousands of euro	12 31 2018	Cash flow	Non-cash flow			12 31 2019
			Effect of non-recurring transactions	Change in fair value	Other changes	
Bonds	2,706,287	(110,960)		3,567	(3,481)	2,595,413
Financial payables	1,155,032	(5,203)			13,751	1,163,580
Other liabilities	7,958			(2,321)		5,637
Financial assets	(1,269,646)	(261,259)	461		(3,508)	(1,533,952)
Other assets	(7,693)			5,312		(2,381)
Net liabilities deriving from financing activities	2,591,938	(377,422)	461	6,558	6,762	2,228,297
Cash and cash equivalents	(509,947)	149,869				(360,078)
Net debt	2,081,991	(227,553)	461	6,558	6,762	1,868,219

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

General information on A2A S.p.A.

Financial statements

Basis of preparation

Changes in international accounting standards

Accounting standards and policies

Notes to the balance sheet

Net debt

Notes to the income statement

Note on related party transactions

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

Guarantees and commitments with third parties

Other information

4 Attachments

5 Independent Auditors' Report

6 Report of the Board of Auditors



Notes to the income statement

The income statement items at December 31, 2019 of A2A S.p.A. reflect the effects of the following extraordinary transactions, with an impact that is not significant from an economic point of view:

- the transfer of the International Business Unit to the subsidiary A2Abroad S.p.A. with effect from July 1, 2019;
- the acquisition of the STAFF HR Business Unit from the subsidiary AMSA S.p.A. with effect from August 1, 2019.

25) Revenues

Revenues in 2019 amounted to 4,489,116 thousand euro (3,825,628 thousand euro at December 31, 2018).

Details of the most important sources of revenues are provided below:

Revenues thousands of euro	12 31 2019	12 31 2018	CHANGE
Revenues from the sale of goods	4,197,844	3,578,015	619,829
Revenues from services	185,728	164,568	21,160
Total revenues from the sale of goods and services	4,383,572	3,742,583	640,989
Other operating income	105,544	83,045	22,499
Total revenues	4,489,116	3,825,628	663,488

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

General information on A2A S.p.A.
Financial statements
Basis of preparation
Changes in international accounting standards
Accounting standards and policies
Notes to the balance sheet
Net debt

Notes to the income statement

Note on related party transactions
Consob Communication no. DEM/6064293 of July 28, 2006
Guarantees and commitments with third parties
Other information

4 Attachments

5 Independent Auditors' Report

6 Report of the Board of Auditors

Details of the main items are as follows:

<i>thousands of euro</i>	12 31 2019	12 31 2018	CHANGE
Sales of electricity of which:	2,514,982	2,295,143	219,839
- third-party customers	1,793,927	1,798,929	(5,002)
- subsidiaries	721,011	496,214	224,797
- associates	44	-	44
Sales of gas and fuels of which:	1,632,614	1,159,345	473,269
- third-party customers	1,020,479	648,998	371,481
- subsidiaries	606,111	506,089	100,022
- associates	6,024	4,258	1,766
Sales of heat of which	456	375	81
- third-party customers	-	-	-
- subsidiaries	456	375	81
Sales of materials and equipment of which:	8,058	13,187	(5,129)
- third-party customers	1,937	7,375	(5,438)
- subsidiaries	6,121	5,773	348
- associates	-	39	(39)
Sales of emission certificates and allowances of which:	41,734	109,965	(68,231)
- third-party customers and inventory change	13,785	89,610	(75,825)
- subsidiaries	27,949	20,355	7,594
Total revenues from the sale of goods	4,197,844	3,578,015	619,829
Services of which:			
- third-party customers	2,956	4,100	(1,144)
- subsidiaries	180,013	156,524	23,489
- Municipalities of Milan and Brescia	2,469	3,311	(842)
- associates	290	633	(343)
Total revenues from services	185,728	164,568	21,160
Total revenues from the sale of goods and services	4,383,572	3,742,583	640,989
Other operating income of which:			
Other revenues from subsidiaries	6,589	23,925	(17,336)
Other revenues from associates	62,977	15	62,962
Damage compensation	487	837	(350)
Contingent assets	2,026	7,698	(5,672)
Incentives for production from renewable sources (feed-in-tariff)	25,590	47,589	(21,999)
Gains on disposals of tangible assets	3,868	631	3,237
Other revenues	4,007	2,350	1,657
Total other operating income	105,544	83,045	22,499
Total revenues	4,489,116	3,825,628	663,488

“Revenues from the sale of goods and services” amounted to 4,383,572 thousand euro (3,742,583 thousand euro in 2018).

Sales revenues amounted to 4,197,844 thousand euro and mainly refer to the sale of electricity (2,514,982 thousand euro) to wholesalers and institutional operators (Gestore Mercato Elettrico S.p.A. and Terna S.p.A.), also through sales on the IPEX (Italian Power Exchange) markets as well as to subsidiaries and associates for a total of 11,979 million kWh (+34% compared to December 31, 2018); the sale of gas and fuels to third parties and to subsidiaries (1,632,614 thousand euro) resulting from the sale of 3,851 million cubic meters of natural gas (+37% compared with the previous year); the sale of heat, materials and equipment to third parties and subsidiaries (8,058 thousand euro), the decrease, equal to 5,129 thousand euro of which, compared with the end of the previous year is due mainly to the progressive completion of the turn-key supply of a plant for the bio-drying of municipal solid waste in Spain; and the sale of environmental certificates to third parties and subsidiaries (41,734 thousand euro), which decreased because in the previous year, this item included the sale of all the inventories of green certificates still held in A2A S.p.A.’s portfolio and this decrease was partly offset by higher revenues on CO₂ mainly due to the effect of the increase in the sale price of the same in relation to the increase recorded in the reference scenario.

Revenues from services amount to 185,728 thousand euro and mainly relate to revenues from provisions to subsidiaries of administrative, fiscal, legal, managerial and technical services, and revenues from the Municipality of Milan for the video surveillance service.

“Other operating income”, amounting to 105,544 thousand euro (83,045 thousand euro in the previous year), refers for 62,980 thousand euro to the release of the provision for the tolling contract with Ergosud. This release was possible as a result of new and positive assumptions about the future profitability of the Scandale power plant, also due to the award of the capacity market for 2022 and 2023, as well as the renegotiation of the tolling contract during the year. The remaining 42,564 thousand euro refer to the recognition of incentives on net production from renewable sources (25,590 thousand euro) for the entire remaining period of right to Green Certificates after 2015 recognized by the Energy Services Operator, in implementation of the Ministerial Decree of July 6, 2012 as regards plants from renewable sources (entered into service by December 31, 2012 and that have acquired the right to benefit from Green Certificates); as well as rents from subsidiaries and associates, contingent assets recorded as a result of the difference of appropriations in previous years, reimbursements for damages and penalties received from customers, insurance and private entities.

26) Operating expenses

“Operating expenses” totalled 4,127,459 thousand euro (3,515,874 thousand euro in 2018).

The main components of this item are as follows:

Operating expenses thousands of euro	12 31 2019	12 31 2018	CHANGE
Costs for raw materials and consumables	3,585,913	2,983,280	602,633
Costs for services	266,328	220,514	45,814
Total costs for raw materials and services	3,852,241	3,203,794	648,447
Other operating expenses	275,218	312,080	(36,862)
Total operating expenses	4,127,459	3,515,874	611,585

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

General information on A2A S.p.A.

Financial statements

Basis of preparation

Changes in international accounting standards

Accounting standards and policies

Notes to the balance sheet

Net debt

Notes to the income statement

Note on related party transactions

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

Guarantees and commitments with third parties
Other information

4 Attachments

5 Independent Auditors' Report

6 Report of the Board of Auditors

The following table sets out details of the more significant components:

<i>thousands of euro</i>	12 31 2019	12 31 2018	CHANGE
Purchases of power and fuel of which:	3,429,203	2,884,211	544,992
- third-party suppliers	3,251,474	2,721,637	529,837
- subsidiaries	177,729	161,804	15,925
- associates	-	770	(770)
Change in inventories of fuel	(5,009)	(16,480)	11,471
Purchases of water of which:	122	184	(62)
- third-party suppliers	41	88	(47)
- subsidiaries	81	96	(15)
Purchases of materials of which:	9,881	11,782	(1,901)
- third-party suppliers	9,821	11,756	(1,935)
- subsidiaries	60	26	34
Change in inventories of materials	64	41	23
Hedging gains on operating derivatives	(18,033)	(26,241)	8,208
Hedging losses on operating derivatives	14,693	16,109	(1,416)
Purchases of emission certificates and allowances of which:	154,992	113,674	41,318
- third-party suppliers	154,842	112,966	41,876
- subsidiaries	150	708	(558)
Total expenses for raw materials and consumables	3,585,913	2,983,280	602,633
Delivery and transmission costs of which:	144,080	115,650	28,430
- third-party suppliers	140,323	113,051	27,272
- subsidiaries	3,757	2,599	1,158
Maintenance and repairs	34,510	30,062	4,448
Services of which:	87,738	74,802	12,936
- third-party suppliers	72,176	59,053	13,123
- subsidiaries	15,489	15,486	3
- associates	73	263	(190)
Total costs for services	266,328	220,514	45,814
Total costs for raw materials and services	3,852,241	3,203,794	648,447
Leaseholds:	213,655	231,159	(17,504)
- third-party suppliers	24,836	26,995	(2,159)
- subsidiaries	188,819	182,201	6,618
- associates	-	21,963	(21,963)
Other operating expenses of which:	61,563	80,921	(19,358)
- other expenses from subsidiaries	18	4,203	(4,185)
- other expenses from associates	-	58	(58)
Water derivation concession fees	34,820	35,811	(991)
Damages and penalties	807	811	(4)
Contingent liabilities	1,059	16,399	(15,340)
Losses on disposal of tangible assets	349	222	127
Other operating expenses	24,510	23,417	1,093
Total other operating expenses	275,218	312,080	(36,862)
Total operating expenses	4,127,459	3,515,874	611,585

“Expenses for raw materials and services” amounted to 3,852,241 thousand euro (3,203,794 thousand euro in 2018).

Costs for raw materials and consumables amounted to 3,585,913 thousand euro and refer to costs for purchases of electricity and fuel (3,429,203 thousand euro) from third parties and subsidiaries for both electricity production and for resale to customers and wholesalers, the increase of which mainly derives from higher volumes of electricity and other fuels purchased partially offset by the decrease in procurement unit prices following the fall in the reference scenario; the change in inventories of fuels (-5,009 thousand euro); the net positive effect of gains/losses from hedging derivatives (-3,340 thousand euro); the purchase of materials and water (10,067 thousand euro including the change in inventories); and the purchase of environmental certificates (154,992 thousand euro), the increase of which refers in particular to higher purchases of CO₂ mainly due to the increase in the average procurement price as a result of as recorded in the reference scenario in the year.

Service costs amounted to 266,328 thousand euro and relate to the logistics costs for transport on the natural gas network (144,080 thousand euro), costs for maintenance and repairs (34,510 thousand euro) related to both the plants and information systems of the company, as well as costs for services from third parties and subsidiaries and associates (87,738 thousand euro) that include costs for administrative and technical professional services, costs for certification activities, gas storage costs, expenses for insurance, monitoring, banking and other services. The increase compared to the previous year is mainly due to higher costs for natural gas transport as a result of the higher volumes intermediated compared to the previous year, higher gas storage costs and higher costs for IT services, particularly in relation to cybersecurity projects.

“Other operating expenses” amounted to 275,218 thousand euro (312,080 thousand euro in 2018). This item includes the use of third-party assets for 213,655 thousand euro mainly relating to the contracting of thermoelectric production plants “tolling agreement” owned by the subsidiaries A2A Energiefuture S.p.A. and A2A gencogas S.p.A.; the latter was zeroed following the release of the provision, set aside in previous years, as further described in the paragraph relating to “Other revenues and income”. Other expenses amounted to 61,563 thousand euro and mainly refer to public water derivation fees, damages and penalties and contingent liabilities.

During the year, the Company paid 2,000 thousand euro in donations to the AEM and ASM Foundations.

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 thousands of euro	NOTES	12 31 2019	12 31 2018
Revenues	25	2.168.810	1.405.722
Operating expenses	26	(2.160.541)	(1.401.361)
Total trading margin		8.269	4.361

Thanks to the persistence of significant volatility in the commodity market, systematic trading activity contributed steadily to margin growth during the year. The Group’s ongoing listing and market making activities were extended to products with a lower level of liquidity, contributing to an increase in margins and volumes traded, as well as to transactions with energy commodity options and commercial counterparties.

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

General information on A2A S.p.A.

Financial statements

Basis of preparation

Changes in international accounting standards

Accounting standards and policies

Notes to the balance sheet

Net debt

Notes to the income statement

Note on related party transactions

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

Guarantees and commitments with third parties

Other information

4 Attachments

5 Independent Auditors’ Report

6 Report of the Board of Auditors

27) Labour costs

Net of capitalized expenses, labour costs at December 31, 2019, amounted to 148,148 thousand euro (134,536 thousand euro in the previous year).

“Labour costs” may be analysed as follows:

Labour costs <i>thousands of euro</i>	12 31 2019	12 31 2018	CHANGE
Wages and salaries	94,935	89,349	5,586
Social security charges	30,948	29,160	1,788
Employee leaving entitlement (TFR)	5,687	5,462	225
Other costs	19,628	13,529	6,099
Total labour costs before capitalizations	151,198	137,500	13,698
Capitalized labour costs	(3,050)	(2,964)	(86)
Total labour costs	148,148	134,536	13,612

The table below shows the average number of employees during the year, broken down by category:

	2019	2018	CHANGE
Managers	100	98	2
Supervisors	295	277	18
White-collar workers	1,064	1,001	63
Blue-collar workers	167	169	(2)
Total	1,626	1,545	81

At December 31, 2019, A2A S.p.A. employees totalled 1,638, including the effects of non-recurring transactions for the year, while at December 31, 2018, they were equal to 1,581.

Other personnel costs include 9,007 thousand euro (8 thousand euro at December 31, 2018) relating to the total cost of the company’s restructuring plan related to future staff leaving for redundancy.

The item also includes the remuneration paid by A2A S.p.A. to the members of the Board of Directors in the year for a total of 1,694 thousand euro; for further details, reference is made to the specific file “Remuneration Report - 2020”.

28) Gross operating income

Due to the effect of the dynamics explained above, “Gross operating income” totalled 213,509 thousand euro (175,218 thousand euro in 2018).

29) Depreciation, amortization, provisions and write-downs

“Depreciation, amortization, provisions and write-downs” equalled 96,355 thousand euro (90,452 thousand euro at December 31, 2018).

The following table provides details of the individual items:

Depreciation, amortization, provisions and write-downs thousands of euro	12 31 2019	12 31 2018	CHANGE
Amortization of intangible assets	14,032	10,420	3,612
Depreciation of tangible assets	76,047	72,869	3,178
Other write-downs of fixed assets	4,000	4,196	(196)
Total depreciation, amortization, provisions and write-downs	94,079	87,485	6,594
Bad debt provision on receivables recognized as current assets	(404)	849	(1,253)
Provisions for risks	2,680	2,118	562
Total depreciation, amortization, provisions and write-downs	96,355	90,452	5,903

In particular, “Depreciation and Amortization” totalled 90,079 thousand euro (83,289 thousand euro in 2018). As of January 1, 2019, this item reflects the effect of the application of IFRS 16 for 4,076 thousand euro. This item includes depreciation and amortization resulting from capex during the year in question net of the depreciation and amortization following the conclusion of the process of depreciation of plant parts and disposals during the year. Depreciation is calculated on the basis of technical and economic rates considered representative of the remaining useful life of the related tangible assets.

At December 31, 2019, write-downs of fixed assets amounted to 4,000 thousand euro and refer to the write-down of a portion of goodwill related to the A2A Reti elettriche CGU following the results of the Impairment Test carried out by an independent external expert. In the previous year, this item amounted to 4,196 thousand euro and referred to the write-down of a building owned by A2A S.p.A. relating to the Monfalcone thermoelectric plant following the results of the Impairment Test.

The “Bad debt provision” showed a negative balance of 404 thousand euro (849 thousand euro at December 31, 2018) related to the surpluses released during the year under review.

The balance of “Provisions for risks” shows a net effect of 2,680 thousand euro (2,118 thousand euro at December 31, 2018) due to allocations of 11,004 thousand euro made during the year, offset by the 8,324 thousand euro of risk provisions made in previous years and released in the current year since the original disputes have ceased to exist. Provisions in the year included for 9,403 thousand euro provisions to “Other risk provisions” mainly related to public water derivation fees, for 1,485 thousand euro provisions to “Personnel lawsuits and disputes provision”, for 116 thousand euro provisions to “Tax provisions”; releases mainly refer to “Personnel lawsuits and disputes provisions” relating to ongoing lawsuits with Social Security Institutions. For further details, reference is made to note 19) Provisions for risks, charges and liabilities for landfills.

30) Net operating income

The “Net operating income” is positive by 117,154 thousand euro (84,766 thousand euro at December 31, 2018).

31) Result from non-recurring transactions

At December 31, 2019, the item in question had no value while in the previous year, it amounted to 5,724 thousand euro and included the gain deriving from the sale of the shareholding held in the company Rudnik Uglja ad Pljevlja.

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

General information on A2A S.p.A.

Financial statements

Basis of preparation

Changes in international accounting standards

Accounting standards and policies

Notes to the balance sheet

Net debt

Notes to the income statement

Note on related party transactions

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

Guarantees and commitments with third parties

Other information

4 Attachments

5 Independent Auditors' Report

6 Report of the Board of Auditors

32) Financial balance

Financial income exceeded financial expenses by 352,988 thousand euro (positive for 276,123 thousand euro at December 31, 2018). Details of the most significant items are shown in the table below:

Financial income

Financial income thousands of euro	12 31 2019	12 31 2018	CHANGE
Income on derivatives	-	-	-
Reversal of equity investments	96,500	-	96,500
Income on financial assets	355,853	460,220	(104,367)
Income on dividends:	333,343	366,784	(33,441)
- subsidiaries	333,238	365,505	(32,267)
- associates	100	1,057	(957)
- in other companies	5	222	(217)
Gains on financial assets	-	76,311	(76,311)
Income on receivables/securities recorded as current assets:	21,905	14,188	7,717
- from subsidiaries	21,403	13,753	7,650
- from associates	337	-	337
- from others:	165	435	(270)
a) on bank accounts	118	191	(73)
b) on other receivables	47	244	(197)
Foreign exchange gains	605	2,937	(2,332)
Total financial income	452,353	460,220	(7,867)

“Financial income” totalled 452,353 thousand euro (460,220 thousand euro at December 31, 2018), and relate to income from financial assets.

The reversal of impairment of shareholdings amounted to 96,500 thousand euro (no value at December 31, 2018) and referred to the shareholding in A2A gencogas S.p.A. following the results of the specific Impairment Test carried out by an external expert on shareholdings attributable to the “Electricity” CGU, as further described in note 3) Shareholdings and other non-current financial assets.

Income on financial assets amounted to 355,853 thousand euro (460,220 thousand euro at December 31, 2018) and concerned:

- income on dividends in the amount of 333,343 thousand euro (366,784 thousand euro in the previous year) which refer to dividends distributed by subsidiaries, 333,238 thousand euro, associates, 100 thousand euro, and certain investees of A2A S.p.A., 5 thousand euro;
- income on receivables/securities recorded under current assets in the amount of 21,905 thousand euro (14,188 thousand euro at December 31, 2018), mainly including 21,403 thousand euro (13,753 thousand euro at December 31, 2018) interest from subsidiaries on intercompany loans, 337 thousand euro in interest income from affiliates and 165 thousand euro (435 thousand euro at December 31, 2018) in interest on bank deposits and other receivables;
- foreign exchange gains in the amount of 605 thousand euro (2,937 thousand euro in the previous year).

In the previous year, financial income included 76,311 thousand euro deriving essentially from the exchange ratios defined in the agreements between the parties for the conclusion of the acquisition of the shareholding in ACSM-AGAM S.p.A..

Financial expenses

Financial expenses thousands of euro	12 31 2019	12 31 2018	CHANGE
Expenses on financial assets held for trading	-	80,908	(80,908)
- Shareholdings write-downs/losses	-	80,908	(80,908)
Expenses on derivatives	2,961	3,610	(649)
Expenses on financial assets	96,404	99,579	(3,175)
- from subsidiaries	53	42	11
- from associates	4	-	4
- others:	96,347	99,537	(3,190)
a) interest on bond loans	90,720	90,624	96
b) banks	2,728	3,903	(1,175)
c) discounting charges	1,872	2,091	(219)
d) sundry	303	93	210
e) foreign exchange losses	724	2,826	(2,102)
Total financial expenses	99,365	184,097	(84,732)

“Financial expenses” amounted to 99,365 thousand euro (184,097 thousand euro in 2018) and referred to:

- realized losses on derivatives for 2,961 thousand euro (3,610 thousand euro at December 31, 2018);
- for 96,404 thousand euro (99,579 thousand euro at December 31, 2018) for expenses from financial liabilities, made up of:
 - interest charged by subsidiaries in the amount of 53 thousand euro (42 thousand euro in 2018) on intercompany loans extended under the Group’s cash management system;
 - charges to associated companies of 4 thousand euro;
 - other financial expenses in the amount of 96,347 thousand euro (99,537 thousand euro at December 31, 2018), which relate to interest on bonds and interest on the revolving credit lines used with various banks and other financial expenses.

In 2018, financial expenses included 80,908 thousand euro for the write-down of the shareholdings held in A2A Energiefuture S.p.A. (73,000 thousand euro), Ecofert S.r.l. in liquidation and Centrale Termoelettrica del Mincio S.r.l. in liquidation, as well as the loss deriving from the recovery of the free float of ACSM-AGAM S.p.A. shares on the Stock Exchange.

The nature and content of derivatives are described in the section “Other information”.

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

General information on A2A S.p.A.

Financial statements

Basis of preparation

Changes in international accounting standards

Accounting standards and policies

Notes to the balance sheet

Net debt

Notes to the income statement

Note on related party transactions

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

Guarantees and commitments with third parties

Other information

4 Attachments

5 Independent Auditors’ Report

6 Report of the Board of Auditors

33) Income taxes

Income taxes <i>thousands of euro</i>	12 31 2019	12 31 2018	CHANGE
Current IRES	3,769	15,929	(12,160)
Current IRAP	569	2,622	(2,053)
Effect of differences - taxes of previous years	(1,452)	1,473	(2,925)
Total current taxes	2,886	20,024	(17,138)
Deferred tax assets	35,700	4,788	30,912
Deferred tax liabilities	(18,321)	(10,640)	(7,681)
Total losses/gains for income taxes	20,265	14,172	6,093

It is noted that for IRES purposes, the Company filed for tax on a consolidated basis, together with its main subsidiaries, in accordance with arts. 117-129 of DPR 917/86.

To this end, a contract has been entered into with each of the subsidiaries to regulate the tax benefits and burdens transferred, with specific reference to current items.

The deferred tax assets and liabilities calculated when determining the subsidiaries' taxable income, again only for IRES purposes, are not transferred to the parent company, A2A S.p.A., but are recognized in the income statement of the individual subsidiary each time there is an effective divergence between net income calculated for tax reporting purposes and net income calculated for financial reporting purposes due to any temporary differences. The deferred tax assets and liabilities shown in the income statement of A2A are therefore calculated exclusively on the divergences between its income for taxable purposes and income for financial reporting purposes.

Current income tax (IRES) of A2A S.p.A. is calculated on its own taxable income net of the adjustments relating to the national tax consolidation filing.

The "income/expense related to consolidation", which constitute the remuneration/counter-entry for the transfer to the parent company A2A of a tax loss or taxable income, are recognized in the balance sheet.

The total amount of IRAP is calculated at 5.57% of the net value of production, suitably adjusted for the items foreseen in the relevant tax legislation.

The deferred tax assets and liabilities for IRAP purposes are booked to the income statement so as to show the total tax charge for the year, taking into account the tax effects of temporary differences. The recoverability of the "IRES deferred tax assets" recorded in the financial statements is considered probable, as the future plans provide for IRES taxable income sufficient for the absorption of the temporary differences that will be reversed; on the other hand, deferred tax assets and liabilities recorded for IRAP purposes are those considered adequate with respect to the best forecast of absorption from future taxable income.

No items have been excluded from the calculation of deferred taxation for IRES or IRAP purposes, with the exceptions highlighted above, and deferred tax liabilities and assets are recognized according to the balance sheet method.

At December 31, 2019, income taxes for the year (IRES and IRAP), amounted to 20,265 thousand euro (14,172 thousand euro at the end of the previous year) and were made up as follows:

- 4,518 thousand euro in current IRES for the year;
- 569 thousand euro in current IRAP for the year;
- -255 thousand euro for remuneration for the transfer of interest payable to the tax consolidation system;
- 210 thousand euro for transfer to Equity reserve of part of income taxes;
- -715 thousand euro for the recognition of tax receivables on "art bonus" disbursements;
- 11 thousand euro relating to taxes on the dividend received by EPCG during the year under review;

- -1,452 thousand euro related to taxes of previous years;
- -16,850 thousand euro for deferred tax liabilities for IRES purposes;
- -1,471 thousand euro for deferred tax liabilities for IRAP purposes;
- 30,864 thousand euro in deferred tax assets for IRES purposes;
- 4,836 thousand euro in deferred tax assets for IRAP purposes.

The main permanent increases in IRES include reversals for non-deductible amortization for 45,345 thousand euro, allocations to non-deductible provisions for risks for 21,518 thousand euro, as well as property taxes (IMU) for 6,346 thousand euro.

Reconciliation between the statutory tax rate and the effective tax rate for IRES and IRAP purposes are presented in the statements below.

IRES - reconciliation between statutory and effective taxation

Pre-tax result	470,887,584	
Theoretical tax expense		113,013,020
Permanent differences	(400,333,738)	
Income before taxes adjusted for permanent differences	70,553,846	
Current gains/losses on income for the year		16,932,923
Temporary differences deductible in subsequent years	23,519,051	
Temporary differences taxable in subsequent years	(120,058)	
Reversal of prior year temporary differences	(75,126,855)	
Taxable income	18,825,984	
Current gains/losses on income for the year		4,518,236

IRAP - reconciliation between statutory and effective taxation

Difference between production value and costs	199,690,035	
Costs not relevant for IRAP purposes	(118,787,020)	
Total	80,903,015	
Theoretical tax expense (4.20%)		3,397,927
Temporary differences deductible in subsequent years	19,920,381	
Temporary differences taxable in subsequent years	(120,058)	
Reversal of prior year temporary differences	(90,486,701)	
Taxable income for IRAP purposes	10,216,637	
Current IRAP on income for the year		569,067

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

General information on A2A S.p.A.

Financial statements

Basis of preparation

Changes in international accounting standards

Accounting standards and policies

Notes to the balance sheet

Net debt

Notes to the income statement

Note on related party transactions

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

Guarantees and commitments with third parties

Other information

4 Attachments

5 Independent Auditors' Report

6 Report of the Board of Auditors

Details are provided below on the analytic situation of the deferred tax assets and liabilities which, as required by international accounting standards, also shows the changes in equity reserves.

IRES - Deferred tax assets and liabilities for the year

Taxable temporary differences

Case description amounts in euro	Deferred tax liabilities A2A previous year	Non-recurring transactions 2019	Deferred tax liabilities previous year			Adjustments (+/-)			Uses in current year			
	Taxable amount	Taxable amount	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	
Measurement differences for tangible assets	510,403,316	0.00		24%	122,496,844	0	24%	0	44,045,132	24%	10,570,832	
Adoption of the finance lease standard (IFRS 16)	18,996,600	0.00	18,996,600	24%	4,559,184	(17,279,262)	24%	(4,147,023)	267,751	24%	64,260	
Measurement differences of intangible assets	12,157,490	0.00	12,157,490	24%	2,917,798	(1,815,005)	24%	(435,601)	0	24%	0	
Deferred capital gains	94,033	0.00	94,033	24%	22,568	0	24%	0	31,344	24%	7,523	
Employee leaving entitlement (TFR)	5,108,781	0.00	5,108,781	24%	1,226,107	(5,108,781)	24%	(1,226,107)	0	24%	0	
Other deferred tax liabilities	31,876,342	0.00	31,876,342	24%	7,650,322	(1,408,306)	24%	(337,993)	371,799	24%	89,232	
Total	578,636,762	0.00	578,636,762		138,872,823	(25,611,354)		(6,146,725)	44,716,026		10,731,846	

Deductible temporary differences

Case description amounts in euro	Deferred tax assets A2A previous year	Non-recurring transactions 2019	Deferred tax assets previous year			Adjustments (+/-)			Uses in current year			
	Taxable amount	Taxable amount	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	
Taxed risk provisions	282,159,607	(3,726)	282,155,881	24%	67,717,411	(129,269)	24%	(31,025)	95,844,186	24%	23,002,605	
Amortization, depreciation and write-downs	272,994,248	0	272,994,248	24%	65,518,620	(4,826,498)	24%	(1,158,360)	22,794,925	24%	5,470,782	
Application of the financial instrument standard (IFRS 9)	1,497,250	0	1,497,250	24%	359,340	(1,231,700)	24%	(295,608)	0	24%	0	
Bad debts provision	11,317,016	0	11,317,016	24%	2,716,084	(75,433)	24%	(18,104)	552,413	24%	132,579	
Grants	9,644,123	0	9,644,123	24%	2,314,590	(9,644,123)	24%	(2,314,590)	0	24%	0	
Goodwill	198,729,915	0	198,729,915	24%	47,695,180	0	24%	0	0	24%	0	
Other deferred tax assets	38,177,623	(2,151)	38,175,472	24%	9,162,113	(16,367,902)	24%	(3,928,296)	651,357	24%	156,326	
Total	814,519,782	(5,877)	814,513,905		195,483,337	(32,274,925)		(7,745,982)	119,842,881		28,762,292	

Sub-total			Changes in tax rate			Increases for the year			Equity			Total deferred tax liabilities		
Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax
466,358,384	24%	111,926,012	466,358,384	24%	111,926,012	0	24%	0	0	24%	0	466,358,384	24%	111,926,012
1,449,587	24%	347,901	1,449,587	24%	347,901	0	24%	0	0	24%	0	1,449,587	24%	347,901
10,342,485	24%	2,482,196	10,342,485	24%	2,482,196	120,058	24%	28,814	0	24%	0	10,462,543	24%	2,511,010
62,689	24%	15,045	62,689	24%	15,045	0	24%	0	0	24%	0	62,689	24%	15,045
0	24%	0	0	24%	0	0	24%	0	0	24%	0	0	24%	0
30,096,237	24%	7,223,097	30,096,237	24%	7,223,097	0	24%	0	(12,837,722)	24%	(3,081,053)	17,258,515	24%	4,142,044
508,309,382		121,994,252	508,309,382		121,994,252	120,058		28,814	(12,837,722)		(3,081,053)	495,591,718		118,942,012

Sub-total			Changes in tax rate			Increases for the year			Equity			Total deferred tax assets		
Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax
186,182,425	24%	44,683,782	186,182,425	24%	44,683,782	20,320,381	24%	4,876,892	1,217,421	24%	292,181	207,720,228	24%	49,852,855
245,372,825	24%	58,889,478	245,372,825	24%	58,889,478	1,748,692	24%	419,686	0	24%	0	247,121,517	24%	59,309,164
265,550	24%	63,732	265,550	24%	63,732	0	24%	0	2,990,537	24%	717,729	3,256,087	24%	781,461
10,689,170	24%	2,565,401	10,689,170	24%	2,565,401	0	24%	0	0	24%	0	10,689,170	24%	2,565,401
0	24%	0	0	24%	0	0	24%	0	0	24%	0	0	24%	0
198,729,915	24%	47,695,180	198,729,915	24%	47,695,180	0	24%	0	0	24%	0	198,729,915	24%	47,695,180
21,156,213	24%	5,077,491	21,156,213	24%	5,077,491	1,449,978	24%	347,995	20,948,306	24%	5,027,593	43,554,497	24%	10,453,079
662,396,098		158,975,064	662,396,098		158,975,064	23,519,051		5,644,572	25,156,264		6,037,503	711,071,414		170,657,139

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

General information on A2A S.p.A.

Financial statements

Basis of preparation

Changes in international accounting standards

Accounting standards and policies

Notes to the balance sheet

Net debt

Notes to the income statement

Note on related party transactions

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

Guarantees and commitments with third parties

Other information

4 Attachments

5 Independent Auditors' Report

6 Report of the Board of Auditors

IRAP - Deferred tax assets and liabilities for the year

Taxable temporary differences

Case description <i>amounts in euro</i>	Deferred tax liabilities A2A previous year	Non-recurring transactions 2019	Deferred tax liabilities previous year			Adjustments (+/-)			Uses in current year			
	Taxable amount	Taxable amount	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	
Measurement differences for tangible assets	361,012,487	0	361,012,487	5.57%	20,108,396	(3,767,915)	5.57%	(209,873)	259,983	5.57%	14,481	
Adoption of the finance lease standard (IFRS 16)	14,629,909	0	14,629,909	5.57%	814,886	(14,629,909)	5.57%	(814,886)	0	5.57%	0	
Measurement differences of intangible assets	75,934	0	75,934	5.57%	4,230	0	5.57%	0	0	5.57%	0	
Other deferred tax liabilities	25,426,651	0	25,426,651	5.57%	1,416,264	(3,980,453)	5.57%	(221,711)	3,897,374	5.57%	217,084	
Total	401,144,981	0	401,144,981		22,343,775	(22,378,277)		(1,246,470)	4,157,357		231,565	

Deductible temporary differences

Case description <i>amounts in euro</i>	Deferred tax assets A2A previous year	Non-recurring transactions 2019	Deferred tax assets previous year			Adjustments (+/-)			Uses in current year			
	Taxable amount	Taxable amount	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	
Taxed risk provisions	274,304,196	(2,609)	274,301,587	5.57%	15,278,598	(113,624)	5.57%	(6,329)	94,269,472	5.57%	5,250,810	
Amortization, depreciation and write-downs	225,575,807	0	225,575,807	5.57%	12,564,572	(5,897,501)	5.57%	(328,491)	303,229	5.57%	16,890	
Costs for business combinations				5.57%			5.57%			5.57%		
Grants	6,087,924	0	6,087,924	5.57%	339,097	(6,087,924)	5.57%	(339,097)	0	5.57%	0	
Goodwill	49,744,604	0	49,744,604	5.57%	2,770,774	0	5.57%	0	0	5.57%	0	
Other deferred tax assets	13,974,955	0	13,974,955	5.57%	778,405	0	5.57%	0	71,357	5.57%	3,975	
Total	569,687,486	(2,609)	569,684,877		31,731,448	(12,099,049)		(673,917)	94,644,058		5,271,674	

	Sub-total			Changes in tax rate			Increases for the year			Equity			Total deferred tax liabilities		
	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax
	356,984,589	5.57%	19,884,042	356,984,589	5.57%	19,884,042	0	5.57%	0	0	5.57%	0	356,984,589	5.57%	19,884,042
	0	5.57%	0	0	5.57%	0	0	5.57%	0	0	5.57%	0	0	5.57%	0
	75,934	5.57%	4,230	75,934	5.57%	4,230	120,058	5.57%	6,687	0	5.57%	0	195,992	5.57%	10,917
	17,548,824	5.57%	977,469	17,548,824	5.57%	977,469	0	5.57%	0	(12,837,722)	5.57%	(715,061)	4,711,102	5.57%	262,408
	374,609,347		20,865,741	374,609,347		20,865,741	120,058		6,687	(12,837,722)		(715,061)	361,891,683		20,157,367

	Sub-total			Changes in tax rate			Increases for the year			Equity			Total deferred tax assets		
	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax
	179,918,490	5.57%	10,021,460	179,918,490	5.57%	10,021,460	19,920,381	5.57%	1,109,565	1,217,421	5.57%	67,810	201,056,293	5.57%	11,198,836
	219,375,077	5.57%	12,219,192	219,375,077	5.57%	12,219,192	0	5.57%	0	0	5.57%	0	219,375,077	5.57%	12,219,192
		5.57%			5.57%			5.57%			5.57%			5.57%	
	0	5.57%	0	0	5.57%	0	0	5.57%	0	0	5.57%	0	0	5.57%	0
	49,744,604	5.57%	2,770,774	49,744,604	5.57%	2,770,774	0	5.57%	0	0	5.57%	0	49,744,604	5.57%	2,770,774
	13,903,598	5.57%	774,430	13,903,598	5.57%	774,430	0	5.57%	0	20,948,306	5.57%	1,166,821	34,851,904	5.57%	1,941,251
	462,941,769	5.57%	25,785,857	462,941,769	5.57%	25,785,857	19,920,381	5.57%	1,109,565	22,165,727	5.57%	1,234,631	505,027,878	5.57%	28,130,053

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

General information on A2A S.p.A.
Financial statements
Basis of preparation
Changes in international accounting standards
Accounting standards and policies
Notes to the balance sheet
Net debt

Notes to the income statement

Note on related party transactions
Consob Communication no. DEM/6064293 of July 28, 2006
Guarantees and commitments with third parties
Other information

4 Attachments

5 Independent Auditors' Report

6 Report of the Board of Auditors

34) Net result from discontinued operations

The “Net result from discontinued operations” was positive and equal to 746 thousand euro (20,650 thousand euro at December 31, 2018) and included the collection of dividends from the investee company EPCG for 219 thousand euro and for 527 thousand euro the discounting income to adjust the value of EPCG shareholding to fair value.

35) Net result of the year

The net income of the year amounted to 450,623 thousand euro (373,091 thousand euro at December 31, 2018).

Note on related party transactions

36) 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 aforesaid shareholders’ agreement was not subject to termination and therefore the agreement must be considered renewed with effect from February 1, 2020 to January 31, 2023.

At the date of approval of these Separate financial statements at December 31, 2019, the two shareholders held 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.

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

General information on A2A S.p.A.

Financial statements

Basis of preparation

Changes in international accounting standards

Accounting standards and policies

Notes to the balance sheet

Net debt

Notes to the income statement

Note on related party transactions

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

Guarantees and commitments with third parties

Other information

4 Attachments

5 Independent Auditors’ Report

6 Report of the Board of Auditors

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.

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 2019, 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 Smart City S.p.A..

As of July 1, 2018, the ACSM-AGAM Group's related-party transactions with related parties of the A2A Group are shown as related parties.

Finally, note that pursuant to the Consob communication issued on September 24, 2010, bearing the provisions regarding related party transactions in accordance with Consob Resolution no. 17221 of March 12, 2010, as amended, on November 11, 2010, the Group had approved the procedure for related party transactions which took effect on January 1, 2011, and which aims to ensure the transparency and substantial fairness of the related party transactions executed by A2A S.p.A. directly, or through subsidiaries, identified in accordance with the IAS 24 revised accounting standard. The Board of Directors of June 20, 2016 resolved, with the approval of the Risk Control Committee, the review of the procedure "Regulation of transactions with Related Parties". The review of the procedure particularly involves the reduction, introduced optionally, of the threshold for transactions with subsidiaries of the Municipalities of Milan and Brescia, regarding which to provide for the application of the Procedure. Finally, the procedure was updated on June 22, 2017, following Consob Resolution no. 19925 of March 22, 2017.

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	Total 12 31 2019	Of which with related parties								
		Subsidiary companies	Associated 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
thousands of euro										
TOTAL ASSETS OF WHICH:	8,145,216	5,613,558	3,795	4,076	3	318	139	-	5,621,889	69.0%
Non-current assets	6,108,940	4,942,613	2,077	-	-	-	139	-	4,944,829	80.9%
Tangible assets	1,002,606	1,502	-	-	-	-	-	-	1,502	0.1%
Shareholdings	3,795,629	3,793,552	2,077	-	-	-	-	-	3,795,629	100.0%
Other non-current financial assets	1,148,552	1,147,559	-	-	-	-	139	-	1,147,698	99.9%
Current assets	2,036,276	670,945	1,718	4,076	3	318	-	-	677,060	33.2%
Trade receivables	655,906	229,387	1,468	4,076	3	318	-	-	235,252	35.9%
Other current assets	477,000	55,511	-	-	-	-	-	-	55,511	11.6%
Current financial assets	386,297	386,047	250	-	-	-	-	-	386,297	100.0%
TOTAL LIABILITIES OF WHICH:	5,301,566	547,326	22,119	56	62	-	-	112	569,675	10.7%
Non-current liabilities	3,431,340	1,121	1,000	-	-	-	-	-	2,121	0.1%
Non-current financial liabilities	3,169,166	1,121	-	-	-	-	-	-	1,121	0.0%
Provisions for risks, charges and liabilities for landfills	110,363	-	1,000	-	-	-	-	-	1,000	0.9%
Current liabilities	1,870,226	546,205	21,119	56	62	-	-	112	567,554	30.3%
Trade payables	772,767	87,213	13,952	56	62	-	-	-	101,283	13.1%
Other current liabilities	507,606	25,859	7,167	-	-	-	-	112	33,138	6.5%
Current financial liabilities	589,827	433,133	-	-	-	-	-	-	433,133	73.4%

Income statement	Total 12 31 2019	Of which with related parties								
		Subsidiary companies	Associated 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
thousands of euro										
REVENUES	4,489,116	1,548,250	69,335	2,382	-	87	-	-	1,620,054	36.1%
Revenues from the sale of goods and services	4,383,572	1,541,661	6,358	2,382	-	87	-	-	1,550,488	35.4%
Other operating income	105,544	6,589	62,977	-	-	-	-	-	69,566	65.9%
OPERATING EXPENSES	4,127,459	386,103	73	-	328	-	3	290	386,797	9.4%
Expenses for raw materials and services	3,852,241	197,266	73	-	328	-	3	290	197,960	5.1%
Other operating expenses	275,218	188,837	-	-	-	-	-	-	188,837	68.6%
LABOUR COSTS	148,148	-	-	-	-	-	-	1,645	1,645	1.1%
AMORTIZATION, DEPRECIATION, PROVISIONS AND WRITE-DOWNS	96,355	338	-	-	-	-	-	-	338	0.4%
FINANCIAL BALANCE	352,988	451,088	433	-	-	-	-	-	451,521	n.s.
Financial income	452,353	451,141	437	-	-	-	-	-	451,578	99.8%
Financial expenses	99,365	53	4	-	-	-	-	-	57	0.1%

Section 2 of this file provides complete schedules as required under 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 – 2020” available on the website www.a2a.eu.

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

General information on A2A S.p.A.

Financial statements

Basis of preparation

Changes in international accounting standards

Accounting standards and policies

Notes to the balance sheet

Net debt

Notes to the income statement

Note on related party transactions

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

Guarantees and commitments with third parties

Other information

4 Attachments

5 Independent Auditors' Report

6 Report of the Board of Auditors

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

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

The year in question has seen the following non-recurring transactions:

- the transfer of the “International Business Unit” to the subsidiary A2Abroad S.p.A. with effect from July 1, 2019;
- the acquisition of the “STAFF HR Business Unit” from the subsidiary AMSA S.p.A. with effect from August 1, 2019.

Below is the table with the effects of the non-recurring transactions described above.

Detail of non-recurring transactions amounts in euro	NOTE	A2A S.p.A. transfer of International Business Unit to A2Abroad S.p.A. 07 01 2019	A2A S.p.A. acquisition of STAFF HR Business Unit from AMSA S.p.A. 08 01 2019	EFFECT NON-RECURRING TRANSACTIONS
ASSETS				
NON-CURRENT ASSETS				
Tangible assets	1			
Intangible assets	2		954,238	954,238
Shareholdings	3	286,404		286,404
Other non-current financial assets	3			
Deferred tax assets	4	(1,555)		(1,555)
Other non-current assets	5			
TOTAL NON-CURRENT ASSETS		284,849	954,238	1,239,087
CURRENT ASSETS				
Inventories	6			
Trade receivables	7			
Other current assets	8			
Current financial assets	9	(421,134)	(40,000)	(461,134)
Current tax assets	10			
Cash and cash equivalents	11			
TOTAL CURRENT ASSETS		(421,134)	(40,000)	(461,134)
NON-CURRENT ASSETS HELD FOR SALE	12			-
TOTAL ASSETS		(136,285)	914,238	777,953
EQUITY AND LIABILITIES				
EQUITY				
Share capital	13			-
(Treasury shares)	14			-
Reserves	15			-
Result of the year	16			-
EQUITY		-	-	-
LIABILITIES				
NON-CURRENT LIABILITIES				
Non-current financial liabilities	17			
Employee benefits	18	(26,457)	752,730	726,273
Provisions for risks, charges and liabilities for landfills	19			
Other non-current liabilities	20			
TOTAL NON-CURRENT LIABILITIES		(26,457)	752,730	726,273
CURRENT LIABILITIES				
Trade payables	21			
Other current liabilities	21	(109,828)	161,508	51,680
Current financial liabilities	22			
Tax payables	23			
TOTAL CURRENT LIABILITIES		(109,828)	161,508	51,680
TOTAL LIABILITIES		(136,285)	914,238	777,953
LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE				-
TOTAL EQUITY AND LIABILITIES		(136,285)	914,238	777,953

Overview of
performance,
financial
conditions
and net debt

1 Financial
statements

2 Financial
statements
pursuant to
Consob
Resolution no.
17221 of March
12, 2010

3 Notes

General
information on
A2A S.p.A.

Financial
statements

Basis of
preparation

Changes in
international
accounting
standards

Accounting
standards and
policies

Notes to the
balance sheet

Net debt

Notes to the
income statement

Note on
related party
transactions

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

Guarantees and
commitments
with third parties
Other information

4 Attachments

5 Independent
Auditors' Report

6 Report of the
Board of Auditors

Guarantees and commitments with third parties

<i>thousands of euro</i>	2019	2018
Guarantees received	314,669	233,772
Guarantees provided	169,543	187,099

Guarantees received

Guarantees received amounted to 314,669 thousand euro (233,772 thousand euro at December 31, 2018) and include 85,655 thousand euro for sureties and security deposits issued by subcontractors to guarantee the proper execution of the work assigned and 229,014 thousand euro for sureties and security deposits received from customers to guarantee the regularity of payments.

Guarantees provided and commitments with third parties

Guarantees provided amounted to 169,543 thousand euro (187,099 thousand euro at December 31, 2018), of which for obligations undertaken in the loan agreements of 2,600 thousand euro. Said guarantees include bank sureties for 134,458 thousand euro, insurance for 65 thousand euro and parent company guarantees related to associated companies for 35,020 thousand euro.

Other information

1) Significant events after December 31, 2019

Reference should be made to the specific section of this Report on Operations for a description of subsequent events.

2) Information on treasury shares

At December 31, 2019, A2A S.p.A. held 23,721,421 treasury shares, unchanged compared to December 31, 2018, equal to 0.757% of the share capital consisting of 3,132,905,277 shares.

At December 31, 2019, no treasury shares were held through subsidiaries, finance companies or nominees.

3) Information on non-current assets held for sale and discontinued operations (IFRS 5)

The item “Non-current assets held for sale” at December 31, 2019 shows a zero balance while at December 31, 2018, it amounted to 108,960 thousand euro and referred to the fair value of the shareholding in EPCG, 18.70% held by A2A S.p.A.. The decrease compared to December 31, 2018 is due to the collections made during the reporting year under the agreements entered into by the parties, which brought the residual value existing at December 31, 2018 to zero, thus completing the redemption process begun in 2017 following management’s decision to exercise the put option on the entire share package.

4) Rules on public funding (Compliance with art. 1, paragraphs 125 et seq. of Law 124/17)

Pursuant to art. 1, paragraphs 125 and following Law 124/17, as reformulated by art. 35 of Decree Law 34/19, even when the standard was first applied, and considering that A2A S.p.A. have not received “subsidies, grants, advantages, contributions or aid, whether in cash or in kind, not general and with no consideration, remuneration or compensation”, this note is negative.

It is understood that other information is (also in line with the principle set out in art. 18 of Law 241/1990) available elsewhere, including the State Aid Register, also under the criterion set out in paragraph 127 of the same art. 1 of Law 124/17, which prescribes to “avoid the accumulation of irrelevant information”.

It should also be noted that the companies of the A2A Group operate (for the most part) in regulated sectors. Therefore, some sums are recognized by public bodies, but not as subsidies/contributions, but as recognition of the activities they provide or as forms of compensation for costs incurred to meet specific regulatory obligations and in any case by virtue of a general regime. Also all these forms of payment have not been indicated: also in compliance with both the literal aspect of the regulations and with the interpretation criteria that the company has identified (see above).

5) IFRS 16 “Leases”

As already specified in the paragraph “Changes in international accounting standards”, the Company decided to apply the new IFRS 16 standard retroactively without restating the comparative data and accounting for the cumulative effect of the initial application of the standard from January 1, 2019, recognising, within the Statement of Financial Position, the assets consisting of the right to use leased assets and the lease liabilities at the present value of the remaining payments due.

It should be noted that the discount rate used to determine the present values of assets and liabilities deriving from operating lease contracts is that corresponding to the Group’s average financing rate up to thirty years.

It should be noted that, as a practical expedient, the company 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.

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

General information on A2A S.p.A.

Financial statements

Basis of preparation

Changes in international accounting standards

Accounting standards and policies

Notes to the balance sheet

Net debt

Notes to the income statement

Note on related party transactions

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

Guarantees and commitments with third parties

Other information

4 Attachments

5 Independent Auditors’ Report

6 Report of the Board of Auditors

It should also be noted, in accordance with paragraph 48 of the principle, that the company does not have assets for rights of use that meet the definition of property investment.

From the analysis carried out, the Company identified operating leases, the underlying assets of which had not previously been recorded in the financial statements as Assets for rights of use and Financial payables for rights of use, relating to the rental of land, buildings, and the rental of vehicles and other assets.

The application of IFRS 16 from January 1, 2019 with the modified retrospective method resulted in the recognition of new Assets for rights of use and Financial payables for rights of use for an amount of 11,102 thousand euro. There were no significant impacts on the Company's shareholders' equity.

Below is a breakdown of the impact on the Company's Statement of financial position at December 31, 2019 with reference to assets for rights of use deriving from operating and financial leases:

Assets consisting of rights of use <i>thousands of euro</i>	Balance at 12 31 2018	Changes during the year			Balance at 12 31 2019
		Other changes	Amortization	Total changes	
Land	-	150	(53)	97	97
Buildings	-	6,380	(1,947)	4,433	4,433
Other assets	-	-	-	-	-
Vehicles	-	7,167	(2,076)	5,091	5,091
Total	-	13,697	(4,076)	9,621	9,621

The table below provides a breakdown of the impact on the Company's Statement of financial position at December 31, 2019 with reference to financial payables for rights of use relating to operating and financial lease contracts:

<i>thousands of euro</i>	Balance at 12 31 2018	Changes during the year				Balance at 12 31 2019
		Interest of the year	Cash outflows	Other changes	Total changes	
Financial payables for rights of use	-	61	(4,111)	13,616	9,566	9,566
Totale	-	61	(4,111)	13,616	9,566	9,566

Below is a breakdown of the impact on the Income Statement resulting from the application of IFRS 16 in 2019:

<i>thousands of euro</i>	2019
Other operating expenses	4,111
Amortization	(4,076)
Operating income	35
Financial expenses	(61)
Pre-tax	(26)
Current taxes	6
Net result for the year	20

6) Financial risk management

The parent company, A2A S.p.A., provides centralized risk management for Group companies.

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 A2A S.p.A. is exposed are provided below.

a. Commodity risk

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

A2A S.p.A. is exposed to price risk, including the related exchange rate risk, on all of the energy commodities that it handles, namely electricity, natural gas, heat, coal, fuel oil, and environmental certificates; the financial performance of production, purchasing and sales activities is affected by the related price fluctuations. 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 Euroelectric. 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.

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

General information on A2A S.p.A.

Financial statements

Basis of preparation

Changes in international accounting standards

Accounting standards and policies

Notes to the balance sheet

Net debt

Notes to the income statement

Note on related party transactions

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

Guarantees and commitments with third parties

Other information

4 Attachments

5 Independent Auditors’ Report

6 Report of the Board of Auditors

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 of coal and 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), A2A S.p.A. 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 December 31, 2019 was -17,381 thousand euro (10,164 thousand euro at December 31, 2018).

Derivatives of the industrial portfolio not considered hedges

Again with a view to optimising the Industrial Portfolio, A2A S.p.A. entered into Future contracts 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 December 31, 2019 was 4 thousand euro (16 thousand euro at December 31, 2018).

Derivatives of the Trading Portfolio

As part of its trading activity, A2A S.p.A. has taken out Future contracts on major European energy stock exchanges (EEX, ICE) and forward contracts on the price of electricity with delivery in Italy and neighboring countries such as France, Germany and Switzerland. A2A S.p.A. has also stipulated Future, Forward and Option 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).

The fair value at December 31, 2019 was 8,765 thousand euro (2,679 thousand euro at December 31, 2018).

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 A2A S.p.A. 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 change in financial derivatives outstanding at December 31, 2019 was 99,389 thousand euro (75,530 thousand euro at December 31, 2018).

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

thousands of euro	12 31 2019		12 31 2018	
	Worst case	Best case	Worst case	Best case
Profit at Risk (PaR)				
Confidence level 99%	(99,389)	119,873	(75,530)	89,251

This means that with a 99% probability, A2A S.p.A. expects not to have changes in fair value exceeding 99,389 thousand euro in the fair value of its entire portfolio of financial instruments at December 31, 2019 due to commodity price fluctuations in the 12 months following. 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 (Value at Risk)⁽²⁾ is used to assess the impact that fluctuations in the market price of the underlying have on the financial derivatives taken out by A2A S.p.A. 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.

Under 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 159 thousand euro at December 31, 2019 (251 thousand euro at December 31, 2018).

In order to ensure closer monitoring of activities, VaR and Stop Loss limits are also set, understood as the sum of VaR, P&L Realized and P&L Unrealized.

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.

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

General information on A2A S.p.A.

Financial statements

Basis of preparation

Changes in international accounting standards

Accounting standards and policies

Notes to the balance sheet

Net debt

Notes to the income statement

Note on related party transactions

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

Guarantees and commitments with third parties

Other information

4 Attachments

5 Independent Auditors' Report

6 Report of the Board of Auditors

The following are the results of the assessments:

<i>thousands of euro</i>	12 31 2019		12 31 2018	
	<i>VaR</i>	<i>Stop loss</i>	<i>VaR</i>	<i>Stop loss</i>
Value at Risk (VaR)				
Confidence level 99%, holding period 3 days	(159)	(159)	(251)	(251)

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 floating rate loans and the use of derivatives that limit the effects of fluctuations in interest rates.

The book value of bank borrowings and other financing may be analyzed as follows at December 31, 2019:

<i>millions of euro</i>	12 31 2019			12 31 2018		
	Without derivatives	With derivatives	% with derivatives	Without derivatives	With derivatives	% with derivatives
Fixed rate	2,529	2,721	82%	2,643	2,852	83%
Floating rate	788	596	18%	807	598	17%
Total	3,317	3,317	100%	3,450	3,450	100%

At December 31, 2019, the following are the hedging instruments for interest rate risk:

<i>millions of euro</i>	HEDGING INSTRUMENT	HEDGED ASSET	12 31 2019		12 31 2018	
			Fair value	Notional	Fair value	Notional
	Collar	Floating rate loan	(5.6)	76.2	(8.0)	95.2
	Total		(5.6)	76.2	(8.0)	95.2

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

<i>millions of euro</i>	ACCOUNTING TREATMENT	TYPE OF DERIVATIVES	FINANCIAL ASSETS				FINANCIAL LIABILITIES			
			NOTIONAL		FAIR VALUE		NOTIONAL		FAIR VALUE	
			12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018
	Cash flow hedge	Collar	-	-	-	-	76.2	95.2	(5.6)	(8.0)
	Total		-	-	-	-	76.2	95.2	(5.6)	(8.0)

The table below illustrates the underlying of outstanding derivatives at December 31, 2019:

Loan	Derivative	Accounting
A2A S.p.A. loan with BEI: expiring in November 2023, residual balance at December 31, 2019 amounting to 76.2 million euro, at floating rate interest.	Collar to fully cover the loan and the same maturity, with a floor on Euribor rate 2.99% and 4.65% cap. At December 31, 2019, the fair value was negative for 5.6 million euro.	The loan is measured at amortized cost. The collar is a cash flow hedge, with 100% recognized in a specific equity reserve.

In order to allow a broader understanding of the risks of changes in the interest rates to which the company is subject, a sensitivity analysis of financial expenses was conducted as interest rates varied, applying to financial indebtedness and derivative financial contracts in place a retrospective variation upwards and downwards of 50 basis points of the reference Euribor interest rates. The following table shows the results of this analysis:

millions of euro	YEAR 2019	
	-50 bps	+50 bps
Increase (decrease) in net financial expenses	(1.4)	1.4

A sensitivity analysis is provided relating to possible changes in the fair value of derivatives (excluding cross currency swaps) on shifting the forward rate curve by +50 bps and -50 bps:

millions of euro	12 31 2019 (base case: -5.6)		12 31 2018 (base case: -8.0)	
	-50 bps	+50 bps	-50 bps	+50 bps
Change in fair value of derivatives	(0.8)	0.8	(1.2)	1.2
(of which cash flow hedges)	(0.8)	0.8	(1.2)	1.2
(of which fair value hedges)	-	-	-	-

This sensitivity analysis is calculated to determine the effect of the change of the forward interest rate curve of the fair value of derivatives ignoring any impact of the adjustment due to counterparty risk – “Bilateral Credit Value Adjustment” (bcVA) – introduced in the calculation of fair value in accordance with international accounting standard IFRS13.

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 December 31, 2019 is as follows:

HEDGING INSTRUMENT	HEDGED ASSET	12 31 2019		12 31 2018	
		Fair value	Notional (*)	Fair value	Notional (*)
Cross Currency IRS	Fixed rate loan in foreign currency	2.4	114.8	7.7	111.2
Total		2.4	114.8	7.7	111.2

(*) the notional of the CCS is valued at the year-end ECB exchange rate.

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

General information on A2A S.p.A.

Financial statements

Basis of preparation

Changes in international accounting standards

Accounting standards and policies

Notes to the balance sheet

Net debt

Notes to the income statement

Note on related party transactions

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

Guarantees and commitments with third parties

Other information

4 Attachments

5 Independent Auditors' Report

6 Report of the Board of Auditors

The accounting treatment of the derivatives indicated above is as follows:

millions of euro

ACCOUNTING TREATMENT	TYPE OF DERIVATIVES	FINANCIAL ASSETS				FINANCIAL LIABILITIES			
		NOTIONAL		FAIR VALUE		NOTIONAL		FAIR VALUE	
		12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Cash flow hedge	CCIRS	114.8	111.2	2.4	7.7	-	-	-	-
Total		114.8	111.2	2.4	7.7	-	-	-	-

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 December 31, 2019, the fair value of the hedge was positive for 2.4 million euro. This fair value would improve by 23.4 million euro in the event of a 10% decline in the forward curve of the euro/yen exchange rate (appreciation of the yen) and would worsen by 19.1 million euro in the event of a 10% rise in the forward curve of the euro/yen exchange rate (depreciation of the yen). This 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 company, despite being solvent, 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 gross debt maturities of A2A is as follows:

thousands of euro	Accounting balance 12 31 2019	Portions maturing within 12 months	Portions maturing after 12 months	Portions maturing by				
				12 31 2021	12 31 2022	12 31 2023	12 31 2024	After
Bonds	2,595,413	45,602	2,549,811	350,740	498,714	299,385	299,395	1,101,577
Bank loans	721,215	107,726	613,489	78,913	78,922	78,970	62,981	313,703
TOTAL	3,316,628	153,328	3,163,300	429,653	577,636	378,355	362,376	1,415,280

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 December 31, 2019, the company had a total of 1,050 million euro, as follows: (i) revolving committed credit lines for 540 million euro, of which 140 maturing in 2021 and 400 in 2023, unused; (ii) unused long-term financing for a total of 150 million euro; (iii) cash and cash equivalents totalling 360 million euro.

A2A also maintains a Bond Issue Program (Euro Medium Term Note Programme) of 4 billion euro, of which 1,549 million euro still available.

The following table analyses the worst case for financial liabilities (including trade payables) in which all of the flows shown are undiscounted future nominal cash flows determined on the basis of residual contractual maturities for both principal and interest; they also include the undiscounted nominal flows of derivative contracts on interest rates.

12 31 2019 <i>millions of euro</i>	1-3 MONTHS	4-12 MONTHS	AFTER 12 MONTHS
Bonds	44	23	2,807
Payables and other financial liabilities	1	110	632
Total financial flows	45	133	3,439
Payables to suppliers	162	3	-
Total trade payables	162	3	-

12 31 2018 <i>millions of euro</i>	1-3 MONTHS	4-12 MONTHS	AFTER 12 MONTHS
Bonds	45	553	2,475
Payables and other financial liabilities	2	55	731
Total financial flows	47	608	3,206
Payables to suppliers	204	1	-
Total trade payables	204	1	-

e. Credit risk

Credit risk relates to the possibility that a counterparty 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. 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 recognized on the balance sheet net of any write-downs. It is felt that the amount shown provides and accurate representation of the fair value of the trade receivables portfolio.

For the aging of trade receivables, reference is made to note 7) Trade receivables.

f. Equity risk

A2A S.p.A. was not exposed to equity risk at December 31, 2019.

At December 31, 2019, A2A S.p.A. held 23,721,421 treasury shares, representing 0.757% of the share capital consisting of 3,132,905,277 shares.

As prescribed by IAS/IFRS, treasury shares do not constitute an equity risk as their purchase cost is deducted from equity, and even if they are sold any gain or loss on the purchase cost does not have any effect on income statement.

g. Covenants non-compliance risk

Bonds (book value at December 31, 2019 equal to 2,595 million euro), bank loans (book value at December 31, 2019 equal to 721 million euro) and revolving committed 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 A2A S.p.A. 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 direct subsidiaries.

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

General information on A2A S.p.A.

Financial statements

Basis of preparation

Changes in international accounting standards

Accounting standards and policies

Notes to the balance sheet

Net debt

Notes to the income statement

Note on related party transactions

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

Guarantees and commitments with third parties

Other information

4 Attachments

5 Independent Auditors' Report

6 Report of the Board of Auditors

Bonds include (i) 2,451 million euro nominal (book value at December 31, 2019 2,479 million euro) 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 at December 31, 2019 116 million euro) 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 book value of 669 million euro contain a Credit Rating clause (if rating below BBB- or equivalent level to sub-investment grade), and a change of control clause of A2A S.p.A., with the right for the bank to invoke, upon notice to the company containing indication of the reasons, the early repayment of the loan.

With reference to the bank lines revolving committed available, the line for 400 million euro with maturity August 2023 and the bilateral line for 100 million euro with maturity February 2021, include a Change of Control clause which in the event of a change of control of the company causing a Material Adverse Effect allows the banks to request the facility to be extinguished and early repayment of any amounts drawn.

At December 31, 2019, there was no situation of non-compliance with the covenants of A2A S.p.A..

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.

A2A S.p.A. 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 S.p.A. 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.

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 a counterparty defaults and, at the same time, A2A S.p.A. has a claim against the counterparty;
- the DVA is a positive component and contemplates the probability that A2A S.p.A. defaults and, at the same time, a counterparty has a claim against A2A S.p.A..

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.

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

General information on A2A S.p.A.

Financial statements

Basis of preparation

Changes in international accounting standards

Accounting standards and policies

Notes to the balance sheet

Net debt

Notes to the income statement

Note on related party transactions

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

Guarantees and commitments with third parties

Other information

4 Attachments

5 Independent Auditors' Report

6 Report of the Board of Auditors

Instruments outstanding at December 31, 2019

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.

thousands of euro	Notional value (a) expiring within 1 year		Notional value (a) expiring within 1 and 5 years		Notional value (a) expiring over 5 years	Balance sheet value (b)	Progressive effect to income statement at 12 31 2019 (c)
	to be received	to be paid	to be received	to be paid			
Interest rate risk management							
- cash flow hedges as per IFRS 9		19,048		57,143		(5,637)	
- not considered hedges as per IFRS 9		-		-		-	
Total derivatives on interest rates	-	19,048	-	57,143	-	(5,637)	-
Exchange rate risk management							
- considered hedges as per IFRS 9 on commercial transactions on financial transactions					114,811	2,381	
- not considered hedges as per IFRS 9 on commercial transactions on financial transactions							
Total exchange rate derivatives	-	-	-	-	114,811	2,381	-

- (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 progressively over time in the income statement from the stipulation of the contract to the present day.

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			Thousands of euro		
A. Cash flow hedges as per IFRS 9, including:						(17,381.3)	-
- Electricity	TWh	12.6	0.8		298,378.2	(13,500.1)	
- Oil	Bbl						
- Coal	Tons	58,600			3,149.0	(326.6)	
- Natural Gas	TWh	1.8	0.1		31,154.8	(1,867.1)	
- Natural Gas	Millions of cubic metres	7.9			2,197.0	(90.3)	
- Natural Gas	Degrees day	4,370			3,500.0		
- Exchange rate	Millions of dollars						
- CO ₂ Emission rights	Tons	2,292,000			58,048.1	(1,597.2)	
B. Considered fair value hedges as per IFRS 9						-	-
C. Not considered hedges as per IFRS 9 of which						8,769.8	11,433.0
C.1 Hedge margin						4.4	(11.8)
- Electricity	TWh						
- Oil	Bbl						
- Natural Gas	TWh						
- Natural Gas	Milioni di metri cubi						
- CO ₂ Emission rights	Tons	10,000			250.8	4.4	(11.8)
- Exchange rate	Millions of dollars						
C.2 Trading transactions						8,765.4	11,444.8
- Electricity	TWh	29.7	1.4	0.6	1,862,825.3	4,255.2	9,688.0
- Natural Gas	TWh	104.8	13.8	2.0	2,266,333.6	4,991.5	1,908.5
- CO ₂ Emission rights	Tons	364,000			8,060.0	(481.3)	(151.7)
- Environmental Certificates	MWh						
- Environmental Certificates	Tep						
Total						(8,611.5)	11,433.0

(*) 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 progressively over time in the Income Statement from stipulation of the contract until the current date.

Overview of performance, financial conditions and net debt
1 Financial statements
2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010
3 Notes
General information on A2A S.p.A.
Financial statements
Basis of preparation
Changes in international accounting standards
Accounting standards and policies
Notes to the balance sheet
Net debt
Notes to the income statement
Note on related party transactions
Consob Communication no. DEM/6064293 of July 28, 2006
Guarantees and commitments with third parties
Other information
4 Attachments
5 Independent Auditors' Report
6 Report of the Board of Auditors

C) On investments

At December 31, 2019, there are no derivatives on shareholdings like in the previous year.

Financial and operating effects for derivative transactions in 2019

Effects on the balance sheet

The following table shows the balance sheet figures at December 31, 2019, for derivative transactions.

<i>thousands of euro</i>	NOTE	TOTAL
ASSETS		
NON-CURRENT ASSETS		2,381
Other non-current assets - Derivatives	5	2,381
CURRENT ASSETS		371,479
Other current assets - Derivatives	8	371,479
TOTAL ASSETS		373,860
LIABILITIES		
NON-CURRENT LIABILITIES		5,637
Other non-current liabilities - Derivatives	20	5,637
CURRENT LIABILITIES		380,090
Trade payables and other current liabilities - Derivatives	21	380,090
TOTAL LIABILITIES		385,727

Effect on the income statement

The following table sets out the income statement figures at December 31, 2019 arising from the management of derivatives.

thousands of euro	Note	Realised during the year	Change in fair value during the year	Amounts recognized in the income statement
REVENUES	25			
Revenues from the sale of goods				
Energy product price risk management and exchange rate risk management on commodities				
- considered hedges as per IFRS 9		13,699	-	13,699
- not considered hedges as per IFRS 9		25,213	404,723	429,936
Total revenues from the sale of goods		38,912	404,723	443,635
OPERATING EXPENSES	26			
Expenses for raw materials and services				
Energy product price risk management and exchange rate risk management on commodities				
- considered hedges as per IFRS 9		(50,286)	-	(50,286)
- not considered hedges as per IFRS 9		(101,551)	(393,290)	(494,841)
Total costs for raw materials and services		(151,837)	(393,290)	(545,127)
Total recognized in Gross operating income (*)		(112,925)	11,433	(101,492)
FINANCIAL BALANCE	32			
Financial income				
Interest rate risk management and equity risk management				
Expenses 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		(2,961)	-	(2,961)
- not considered hedges as per IFRS 9		-	-	-
Total		(2,961)	-	(2,961)
Total financial expenses		(2,961)	-	(2,961)
TOTAL RECOGNIZED IN FINANCIAL BALANCE		(2,961)	-	(2,961)

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

Overview of performance, financial conditions and net debt
1 Financial statements
2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010
3 Notes
General information on A2A S.p.A.
Financial statements
Basis of preparation
Changes in international accounting standards
Accounting standards and policies
Notes to the balance sheet
Net debt
Notes to the income statement
Note on related party transactions
Consob Communication no. DEM/6064293 of July 28, 2006
Guarantees and commitments with third parties
Other information
4 Attachments
5 Independent Auditors' Report
6 Report of the Board of Auditors

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 December 31, 2019, where applicable.

thousands of euro

Criteria to measure the reported amount of financial instruments

	Note	Financial instruments measured at fair value with changes recognized in:			Financial instruments measured at amortized cost	Book value at 12 31 2019	Fair value at 12 31 2019 (*)
		Income statement	Balance sheet				
		(1)	(2)	(3)	(4)		
ASSETS							
Other non-current financial assets							
Financial assets measured at fair value of which:							
- unlisted		897				897	n.a.
- listed						-	-
Financial assets held to maturity					96	96	96
Other non-current financial assets					1,147,559	1,147,559	1,147,559
Total other non-current financial assets	3					1,148,552	
Other non-current assets	5		2,381		12,966	15,347	15,347
Trade receivables	7				655,906	655,906	655,906
Other current assets	8	370,895	584		105,521	477,000	477,000
Current financial assets	9				386,297	386,297	386,297
Cash and cash equivalents	11				360,078	360,078	360,078
Assets held for sale	12				-	-	-
LIABILITIES							
Financial liabilities							
Non-current bonds	17		114,433		2,435,378	2,549,811	2,549,811
Current bonds (**)	22				45,602	45,602	45,602
Other non-current and current financial liabilities	17 and 22				1,163,580	1,163,580	1,163,580
Other non-current liabilities	20		5,927		5,637	11,564	11,564
Trade payables	21				772,767	772,767	772,767
Other current liabilities	21	362,125	17,965		127,516	507,606	507,606

- (*) 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.
- (**) Including accrued interest.
- (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.

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.

thousands of euro	NOTE	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Available-for-sale assets measured at fair value	3		897		897
Other non-current assets	5		2,381		2,381
Other current assets	8	370,948		531	371,479
TOTAL ASSETS		370,948	3,278	531	374,757
Non-current financial liabilities	17	114,433			114,433
Other non-current liabilities	20		5,637		5,637
Other current liabilities	21	379,548	537	5	380,090
TOTAL LIABILITIES		493,981	6,174	5	500,160

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

General information on A2A S.p.A.

Financial statements

Basis of preparation

Changes in international accounting standards

Accounting standards and policies

Notes to the balance sheet

Net debt

Notes to the income statement

Note on related party transactions

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

Guarantees and commitments with third parties

Other information

4 Attachments

5 Independent Auditors' Report

6 Report of the Board of Auditors

7) Main regulatory provisions regarding concessions and agreements in the sectors of activity in which the company operates

Large hydroelectric derivation concessions (> 3 MW)

The national regulations governing hydroelectric concessions were originally dictated by the Royal Decree December 11, 1933, no. 1775, which was based on the granting of concessions by the State in a long-term logic, also in order to allow the concessionaires to amortize the significant investments necessary for the construction of the plants. With a view to transferring the concessions and the ownership of the relative works to the State, Article 25 of the R.D. 1775/1933 cit. provided that:

- all the collection, regulation and forced duct works and the discharge channels (wet works) passed free of charge on state property;
- any other building, machinery, plant for the use, transformation and distribution of the concession (dry works) could be acquired by the State by means of payment of a price equal to the estimated value of the work material, calculated at the time of entry into possession, abstracting from any assessment of the income that can be derived.

This regulatory framework was subsequently superseded first by electricity sector nationalization Law no. 1643/1962, which resulted in Enel taking over the majority⁽³⁾ of hydroelectric concessions with the relative recognition of an unlimited duration, and then by the liberalisation of the electricity market as a result of Legislative Decree no. 79/1999 (implementing Directive 96/92/EC), which introduced with art. 12 (and subsequent amendments) the principles of:

- the temporariness of the concessions, establishing a validity period (2029) for concessions without expiration because they are owned by Enel and assigning the term of December 31, 2010 for concessions that have already expired or are expiring by that date;
- contestability of concessions in the event of expiration, forfeiture or renunciation, providing, no later than 5 years before the expiration, the call for tenders by the competent administration (i.e. the Region) for the allocation of the same for consideration.

These regulations were subsequently amended by art. 37, paragraphs 4 and following, of Decree Law 83/2012 converted into Law 134/2012⁽⁴⁾, which partially amended Legislative Decree no. 79/1999. The requirements, parameters and deadlines for carrying out the competitive procedure should have been set out in a specific ministerial decree (Tender MD) that was never issued. The time limit for the invitation to tender for the reallocation of the concession was set at 5 years before the concession expired.

Pending the reallocation of concessions, Legislative Decree 79/1999 (article 12, paragraph 8bis) provides that the outgoing concession holder is to continue to operate the concession under the same conditions as those laid down in the regulations and specifications in force. In this stalemate, some Regions have enacted laws aimed at regulating the “temporary continuation of operations” for expired concessions, also providing for the imposition of an additional fee.

Conversion Law no. 12/2019 of Decree Law December 14, 2018, no. 135 (Simplification Law), art. 11-quater attributed to the Regions the power to regulate, by means of their own laws, to be adopted by March 31, 2020, the procedures and criteria for the allocation of concessions, the process for which must be completed by 2023 with the entrustment of economic operators through tenders or public/private companies or through forms of partnership. The duration of the new concessions will be between 20 and 40 years, with the possibility of extending the maximum period by a further 10 years depending on the complexity of the project proposal and the amount of investment.

With specific regional measure (after consultation with ARERA), the following will be defined:

- a State fee to be paid on a six-monthly basis to the Regions, comprising a fixed component linked to the average nominal power of the concession and a variable calculated as a percentage of normalized revenues;

³ With the exception of derivations in the ownership of self-producers, municipal companies and local authorities.

⁴ On September 26, 2013, as part of infringement procedure no. 2011/2026, the European Commission sent Italy a letter of formal notice contesting the non-compatibility of part of article 37 of Law 134/2012 with EU legislation. The procedure is still in progress.

- the possible obligation for the concessionaires to supply annually and free of charge 220 kWh per kW of concession power for at least 50% destined to public services of the provincial territories involved in the derivation.

For concessions expired or expiring on December 31, 2023, which are temporarily continued, an additional fee is also charged.

In terms of compensation to outgoing operators, the rule prescribes:

- for wet works, the transfer without compensation of ownership of the Regions, and in the case of investments - provided they are defined in the deed of concession or authorized by the granting body - an amount equal to the value of the part of the asset not depreciated;
- for dry works, the recognition of a residual value derived from accounting records or certified appraisal. In the event of non-use in the concession project, movable and immovable property will be treated differently.

In view of this new regulatory framework, on March 7, 2019, the European Commission sent a second letter of formal notice⁵ to Italy, in which it complained that the Italian authorities had:

- proceeded with continuous extensions of expired concessions, failing to establish transparent and impartial selection procedures for the award;
- imposed on the successor concessionaire, in particular, for “dry” works, the obligation to pay compensation higher than the non-depreciated value of the assets, in asymmetry of treatment with as provided for in the case of the Regions taking over ownership of such assets, in addition to the cost of removal and disposal of movable assets not included in the concession project.

On May 10, with reference to the criticisms raised by the European Commission, the Italian Government sent a specific letter of reply.

ARERA, pursuant to art. 12, paragraph 1-quinquies, of Law no. 12/2019, with Resolution no. 490/2019/I/eel approved the preparatory Guidelines for the issue of a non-binding opinion on the regional legal schemes regarding state property fees, which must be issued within 20 days from the date of receipt of said scheme (in the event that ARERA's instructions have been complied with) and within 40 days in other cases. The Authority has expressed the following position:

- i. the variable part⁶ of the state fee should be equal to a percentage, however defined by the Regions, of the sum of the products between the hourly quantity of electricity fed into the grid and the corresponding hourly zonal price recorded on the Day Before Market (MGP);
- ii. with reference to the free transfer of energy, its monetization should be preferred instead of its physical supply, based on the hourly zonal price recognized to the plant, to be determined as final balance, as the average of the hourly zonal prices formed on the MGP, weighted on the quantity of energy fed into the grid on an hourly basis.

In compliance with the provisions of the legislative framework in force and in line with the provisions of the aforementioned ARERA Resolution, the Lombardy Region, with art. 31 of Regional Law 23/2019 Budget Reconciliation 2020-22, has defined, starting from 2020, the obligation to supply free energy to the Region by all holders of concessions of large derivation, whether they are exercised before or after expiry, providing both the physical delivery and its monetization (even in full) to be calculated on the basis of an average hourly zonal price weighted on the quantity of electricity fed into the grid by the plant.

The large-scale derivation hydroelectric concessions held by A2A S.p.A. located in Valtellina (with a nominal concession capacity of approximately 200 MW) have for the most part expired: the Lombardy Region with Regional Council Resolution (D.G.R.) no. X/7693 of January 12, 2018 allowed the temporary continuation of the year until December 31, 2020, establishing the payment of an additional fee and the non-application of the partial exemption from the state fee on the Premadio 1 and Grosio plants, both forecasts challenged by the company⁷, except for a shorter term due to the

⁵ Again on March 7, the Commission also issued formal notice to Austria, France, Germany, Poland, Portugal, the United Kingdom and Sweden to “ensure that public contracts in the hydroelectric energy sector are awarded and renewed in accordance with EU law”.

⁶ The fixed component of the fee should derive from environmental and/or water-related assessments that are outside the Authority's remit.

⁷ For further information, reference should be made to the section entitled “Update of the main legal and tax disputes still pending”.

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

General information on A2A S.p.A.

Financial statements

Basis of preparation

Changes in international accounting standards

Accounting standards and policies

Notes to the balance sheet

Net debt

Notes to the income statement

Note on related party transactions

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

Guarantees and commitments with third parties

Other information

4 Attachments

5 Independent Auditors' Report

6 Report of the Board of Auditors

reallocation. Other A2A S.p.A. concessions (plants in Mese, Udine and Calabria with a total nominal concession capacity of 345 MW), originally owned by Enel, expire in 2029.

8) 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 company assessed the corresponding risk as possible without appropriating provisions in the financial statements.

Civil litigation

Consorzio Eurosviluppo S.c.a.r.l./Ergosud S.p.A. + A2A S.p.A. - Civil Court of Rome

On May 27, 2011, Consorzio Eurosviluppo Industriale S.c.a.r.l. served a writ on Ergosud S.p.A. and A2A S.p.A. with the following claims: (i) compensation for damages, of both a contractual and extra-contractual nature, jointly, or alternatively exclusively and separately, in the amount of 35,411,997 euro (of which 1,065,529 euro as the residual portion of their share of the expenses); (ii) compensation for damages for the stoppage at the worksite and the failure to return the areas of pertinence to the Consortium.

In the filing of appearance Ergosud S.p.A. and A2A S.p.A. called for the request to be rejected in full because it is unfounded in its merit and in its substance, and pointed out: (i) the lack of the right of the Consortium to institute proceedings as it is in a state of bankruptcy, (ii) the lack of the right of the Consortium to institute proceedings for the damages allegedly suffered by Fin Podella at the item "anticipation of program contract" for 6,153,437 euro and the damages allegedly suffered by Conservificio Laratta S.r.l. for 359,000 euro.

S.F.C. S.A. filed a notice of joinder on November 8, 2011 pursuant to article 105 of the Civil Procedure Code (which allows a third party to make a new, different request to the original judge, extending the argument) and called that Ergosud S.p.A. alone should be ordered to pay damages, in part similar to those claimed by the Consortium, quantified in 27,467,031 euro.

The judge found the bankruptcy of S.F.C. S. A. was legitimate and therefore set the end of the proceedings and the hearing for December 19, 2012, declaring the need to execute an expert opinion, setting May 23, 2013 as the date for the hearing to appoint the court's expert witness. At that hearing the judge, changed in the meantime, confirmed the questions already formulated on December 19, 2012 and appointed the court experts Messrs. Pompili and Caroli, setting a term for the parties to appoint their own consultants. A2A S.p.A. and Ergosud S.p.A. appointed as their experts Mr. Massardo and Mr. Gioffrè, persons who over the years have already drawn up reports on the matters to which the questions refer. After adjournments requested by the experts, on July 31, 2014, the CTU was filed with the Court. The hearing for the expert's examination was held after adjournment on April 1, 2015 and the hearing for clarification of conclusions has been scheduled for November 30, 2016. At this hearing, filing of the award issued by the Arbitration Court of Milan was admitted in March 2016, and the terms were set for the final statements and replication before arriving to the sentence. The hearing to clarify conclusions was then fixed again and postponed several times and was finally held October 31, 2018. The parties have lodged their pleadings within the time allowed and the judgment is therefore pending. The Group has not allocated any provisions as it does not deem as probable the risk related to this lawsuit.

ASM Novara S.p.A. dispute

In March 2013, Pessina Costruzioni initiated arbitration proceedings against A2A to declare the failure to comply with the shareholder agreements of Asm Novara and to sue A2A for damages. On June 30, 2015, the Arbitration Board, with the dissenting opinion of the arbitrator appointed by A2A filed its award that deems A2A responsible for violation of the shareholders' agreement signed on August 04, 2007 and, consequently, the order to pay damages of 37,968,938.95 euro plus legal fees and arbitration expenses. The company challenged the Award pursuant to art. 829 CPC before the Milan Court of Appeal.

On November 23, 2016, the Court of Appeals of Milan filed the Sentence 4337/16 declaring the grounds for appeal of the award filed inadmissible and unfounded, with the consequent absorption of incidental claims.

In the terms, A2A appealed to the Cassation appealing against the chapter of the sentence that rejected the first plea for invalidity of the award and the chapter that individually rejected chapters 5, 6 and 7 relating to the liquidation of the damage equitably. Pessina Costruzioni appeared in court rejecting all the grounds and requesting confirmation of the sentence.

Effectiveness and execution of the award

On May 11, 2016, following invalidity of the effectiveness suspension of the award ordered by the Court of Appeal and the outcome of enforcement actions, A2A paid to Pessina Costruzioni 38,524,290.56 euro.

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 them (specifying that it 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.

Overview of performance, financial conditions and net debt
1 Financial statements
2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010
3 Notes
General information on A2A S.p.A.
Financial statements
Basis of preparation
Changes in international accounting standards
Accounting standards and policies
Notes to the balance sheet
Net debt
Notes to the income statement
Note on related party transactions
Consob Communication no. DEM/6064293 of July 28, 2006
Guarantees and commitments with third parties
Other information
4 Attachments
5 Independent Auditors' Report
6 Report of the Board of Auditors

Criminal litigation

Investigation Monfalcone Plant (RGNR 578/11-RG Court of Gorizia 131/2015)

This investigation was initiated with a report filed in March 2011 by the management of the A2A Group against A2A employees and third party businessmen suspected of being responsible for fraud carried out to the harm of the company itself, who - for the payment of conspicuous sums of money - were responsible for illegal trafficking, the falsification of forms identifying the waste and certificates of analysis, in relation to the supply of biomasses and the certification of their calorific value. More specifically, biomass quantities were recorded on entry at figures higher than the real ones, with the relative calorific values also being increased.

This implies damage to the A2A Group and in particular to A2A Trading S.r.l. (now A2A S.p.A.). The current risk considered possible is for the higher costs incurred for undelivered biomass and higher costs incurred for counterfeiting (others) of the calorific capacity of the biomass delivered and not delivered. This is in addition to the increased use of coal instead of biomasses could have as a consequence an increase in the environmental costs relating to the second half of 2009 and the whole of 2010, as well as the need to reimburse the additional income or Green Certificates recognized with respect to the real income. The company could have submitted, without fault and with reference to the years 2009 and 2010, generating statements of environmental rights greater than those actually produced.

On February 10, 2020, at the conclusion of the investigation, the GSE communicated the number of Green Certificates that can actually be withdrawn for the years 2009, 2010 and 2011 inviting the company to make the relevant requests.

In criminal proceedings, some sentencing measures have been adopted in the context of alternative rites to some of the defendants, with recognition of minimum compensation and recasts of expenses in favour of A2A.

The proceeding passed, for local jurisdiction, before the Court of Gorizia.

On April 5, 2019, the Court, after withdrawing from the Chamber of Council, read out the ruling at the hearing: it acquitted all the defendants on grounds of merit or for prescription, with the exception of the legal representative of Friul Pellet S.r.l., who was sentenced, for failure to supply and for supplies of biomass with a calorific value lower than that contractually envisaged, to 2 years and 8 months' imprisonment and to pay compensation for the damage caused to A2A (to be paid separately). The reasons for the decision were filed in July 2019.

In the meantime, the legal representative of Friul Pellet filed an appeal before the Court of Appeal of Trieste and is awaiting the setting of the hearing.

It should be noted that A2A was found to be an injured and damaged party. The Court, on the other hand, ruled that it had not been established that the conditions for the recognition of the damage to the GSE and the Ministry of the Environment had been met, as this could not be considered as automatically proven as the effect of the fraud ordered against A2A. In this latter regard, it is recalled that the Group had not allocated any provision as it had considered being the aggrieved party in the proceedings and that the economic effects at the end of the proceedings would be neutral.

Administrative Litigation

Dispute over public water derivation fees

Derivations of public water for the production of hydroelectricity in Lombardy

With Regional Law no. 22/2011, Lombardy essentially doubled the fee for hydroelectric use of public water, thereby infringing the principles of gradualism and reasonableness in the determination of fees, already recognized by the case law, and also violating the principle of equal competition between operators in the national territory.

Faced with the payment requests made by the Region for the years 2012 and 2013, Edipower S.p.A. (now A2A S.p.A.) therefore paid the fee considering solely the increase arising from the planned inflation rate as compared to the previous year. As a consequence, for 2012 and 2013 the Region issued injunctions for the payment of the amount not paid by the company; Edipower S.p.A. (now A2A S.p.A.) appealed against these injunctions before the Regional Court of Public Waters ("TRAP") of Milan, proposing the exception of unconstitutionality of the regional provision.

The same conduct was adopted by Edipower S.p.A. (now A2A S.p.A.) for the annuities of the 2014, 2015 and 2016 fees.

However, given the consolidation of unfavourable law and contrary to the thesis of Edipower S.p.A. (now A2A S.p.A.) (ref. sent. TSAP no. 138/2016 and sent. Const. Court no. 158/2016), there was the extinction of almost all the appeals established by Edipower S.p.A. (now A2A S.p.A.) and payment the amount originally ordered pursuant to art. 309 Code of Civil Procedure, in order to avoid the increase of legal interest and the risk of condemnation to significant legal fees, as happened to other operators, while keeping intact its right to recover any amounts overpaid. Against this background, the injunctions for payment of October 2016 relating to the years 2014-2015 have not been opposed by Edipower S.p.A. (now A2A S.p.A.), which undertook to pay, with reserve of repetition in the event of a favourable judicial outcome, the quantum state fee not yet paid. The only judgment (“pilot”) still pending before TRAP Milan concerning the 2013 State fee for the Liro Auction was last settled by Ruling no. 3247 of July 19, 2019 in which TRAP Milan rejected A2A's appeal.

The same issue also concerns the large-scale derivations in Lombardy of A2A, which, since the outset, in view of its specific circumstances, fully pays, but with reservation of repetition, the fee demanded by the Region and then sues for excess repetition. In December 2016, the only case pending for A2A before the TRAP Milan on the “doubling” of the state fee was also concluded, with partial loss of A2A in this respect.

In addition, the 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, subject to the request for settlement at the outcome of the assessments underway by the regional offices regarding the profitability of expired concessions. It is noted that said additional fee is imposed retroactively from the original expiry of each concession, and therefore for Grosotto, Lovero and Stazzona from January 1, 2011, for Premadio 1 from July 29, 2013 and for Grosio from November 15, 2016.

A2A, which has always challenged even in court the legitimacy - in the first place constitutional - of the aforementioned paragraph 5, challenged, like other operators, the D.G.R. 5130-2016 before the Superior Court of Public Waters, the related and consequent provisions as well as the D.G.R. 7693-2018 and consequent provisions, which reiterated the forecast of the application of an additional fee up to 2020 and, where envisaged, the revocation of the exemption of part of the state fee.

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 recently 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 as well and with this appeal, 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.

For disputes relating to public water derivation fees, at today's date, the Company set aside risk provisions for the total amount of 52,335 thousand euro equal to the entire claim of the counterparties from the expiry of the single concessions until 2019.

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

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 7, 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. The risks

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

General information on A2A S.p.A.

Financial statements

Basis of preparation

Changes in international accounting standards

Accounting standards and policies

Notes to the balance sheet

Net debt

Notes to the income statement

Note on related party transactions

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

Guarantees and commitments with third parties

Other information

4 Attachments

5 Independent Auditors' Report

6 Report of the Board of Auditors

provision recognized for 1.4 million euro was fully used for the payment of the amounts requested with the liquidation notice.

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 2011, 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 in Cassation. 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.

9) Contingent assets arising from environmental certificates

At December 31, 2019, A2A S.p.A. had a surplus of environmental certificates.

10) Auditors' fees

In accordance with Article 2427, paragraph 16-bis, of the Italian civil code, it is hereby reported that the company paid EY S.p.A. total fees for the legally required auditing of the annual accounts and for other services provided during the year in the amount of 290 thousand euro.

11) Registered office

The registered office of the company is in Brescia in Via Lamarmora 230.

12) Investigation related to EPCG service contracts

A2A S.p.A. acquired the shareholding in EPCG by means of the international tender held in 2009, and under the so-called "EPCG Agreement" dated September 3, 2009, it acquired the right to manage the company, appointing - until June 30, 2017 - the Executive Director (CEO) and Executive Manager.

As part of the management of EPCG by A2A S.p.A., also in order to meet the specific indicators provided by the EPCG Agreement, with effect from 2010, A2A S.p.A. and, as of 2011, Unareti S.p.A. (formerly A2A Reti Elettriche S.p.A.), have provided in favour of EPCG services designed to improve the organization and performance of EPCG. Within the broader set of services provided, consulting services were also included provided for the benefit of EPCG by specialized companies outside the A2A Group, the costs of which were first invoiced to A2A S.p.A. as part of more complex and organic

consulting services provided in favour of the entire A2A Group and subsequently by A2A S.p.A. charged to EPCG for the activities carried out in favour of the same.

In view of the synergistic importance of intra-group services requested by EPCG to A2A, EPCG applied for and obtained, by the State Commission for the Control of Public Procurement Procedures, a formal exemption - dated September 6, 2010 - by which the non-necessity is enshrined for EPCG to apply the procedures provided by law on Public Procurement in order to purchase services from A2A S.p.A., A2A Reti Elettriche and certain other (identified by name) companies controlled by A2A S.p.A..

From a different perspective, service contracts between EPCG and A2A S.p.A. - which, while benefiting from the aforementioned exemption, would have needed the approval of the EPCG Board of Directors - were not explicitly approved by the Board, which nonetheless approved the budget of each annuity that includes the aforementioned costs. Therefore, the service contracts related to the years 2010, 2011 and 2012 were signed by the CEO pro tempore of EPCG. Pursuant to said contracts, A2A S.p.A. invoiced with regard to the aforementioned annuities a total of 7.75 million euro to EPCG, which has only paid a portion of 4.34 million euro.

For the years 2013, 2014, 2015, 2016 and for the first half of 2017, in the absence of a specific agreement between the shareholders regarding the formalization of a specific service contract, A2A did not proceed with invoicing, although a broad set of services was indeed provided to EPCG also in said years, and A2A incurred the related charges.

Also, certain consulting services were disputed, related to the period 2011 and 2012 and amounting to about 2 million euro, acquired by EPCG directly from external consulting firms of the A2A Group.

At the beginning of 2014, the local “Party of People with Disabilities and Pensioners” proposed a parliamentary interpellation and filed a complaint to the Special Attorney in relation to service contracts entered into by EPCG with A2A and external consulting firms of the A2A Group. Subsequently, in November 2014, the Montenegrin police sent EPCG a request for documents and data that was fully acknowledged by the management of EPCG in the following month. Two further requests for additional information and documentation were then subjected to EPCG directly by the Special Attorney in August 2015 and February 2016, and in both cases the management of EPCG responded comprehensively to the requests of the investigators.

Until said moment, therefore, EPCG had registered only requests for documentation to which it promptly replied, and EPCG as well as A2A had therefore not - until April 15, 2016 - deemed that said requests could result in actions such to configure a risk if not remote - personal or capital - at the expense of its employees and/or the companies.

On April 15, 2016, the former Italian CFO appointed by A2A in EPCG, who resigned from said office only a few days before for reasons completely unrelated to the issue under consideration, was arrested by the Montenegrin police on order of the Special Attorney. The accusation concerns a hypothesis of abuse of office in the management of service contracts stipulated by the same EPCG, and also concerns two other Italian managers seconded by A2A in EPCG in the period 2010-2012, as well as the former pro-tempore Co-General Manager of A2A, who signed the service contracts. On May 6, 2016, the former CFO was released on payment of a bail deposit and withdrawal of the passport. On December 7, 2016, the passport was returned and the CFO returned to Italy. Given the fact that in Montenegro there is a law on liability of legal persons for offences committed by their managers in their own interest, the company also monitored the possibility of extension of the investigation to A2A S.p.A.. At June 30, 2017, this event did not occur, but in the following weeks it emerged from press reports in Montenegro, and lastly with the notification in Podgorica on July 25, 2017, in the hands of the defendant appointed for this purpose by A2A, that the shares held by A2A in EPCG have been the subject of a precautionary measure of seizure. This precautionary measure was judicially challenged by A2A S.p.A., obtaining complete revocation on September 29, 2017. From the precautionary measure, there was also evidence that the proceedings in question were extended to A2A on July 3, 2017. Subsequently, following a civil/commercial agreement signed by A2A on October 23, 2017 with EPCG, and the resolution adopted by the latter on November 17, 2017 to not constitute as injured party in the criminal proceedings, as there was no damage, the Special State Prosecutor ordered the withdrawal of the accusations on December 28, 2017 and therefore the filing of the proceedings against A2A S.p.A. as well as against the three Montenegro officials, originally investigated like the Italian managers.

Pending the transition to the debating phase of the proceedings against the individuals remaining under investigation, the Court of Podgorica notified them, on December 13, 2019, of the authorization

Overview of performance, financial conditions and net debt
1 Financial statements
2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010
3 Notes
General information on A2A S.p.A.
Financial statements
Basis of preparation
Changes in international accounting standards
Accounting standards and policies
Notes to the balance sheet
Net debt
Notes to the income statement
Note on related party transactions
Consob Communication no. DEM/6064293 of July 28, 2006
Guarantees and commitments with third parties
Other information
4 Attachments
5 Independent Auditors' Report
6 Report of the Board of Auditors

to transfer the proceedings to Italian jurisdiction. Therefore, we are now waiting for the case to be taken up by the competent Italian bodies, at which time the procedure will be definitively terminated in Montenegro.

Based on the assessments made, the foregoing and the information available to date, A2A believes that the risk of potential penalties applicable and/or claims for compensation or indemnity actions, can be assessed as remote. Considering the state of the proceedings and for the same reasons outlined herewith, it is also impossible to quantify in certain terms the amount of said indemnities or penalties, direct or indirect.

In view of the above, the company - in accordance with IAS 37 - considered it correct to handle the case in question providing adequate information and not allocating specific risks provision.

The background of the slide is a blue-tinted photograph of a modern building's exterior, featuring a grid of windows and architectural details. A large, semi-transparent white number '4' is centered on the page.

4

Attachments

1 - Statement of changes in tangible assets

Tangible assets thousands of euro	BALANCE AT 12 31 2018				
	GROSS VALUE	ACCUMULATED DEPRECIATION	PROVISION WRITE- DOWN	RESIDUAL VALUE	
Land	41,903	(2,594)	(6,635)	32,674	
Buildings	471,509	(215,762)	(30,759)	224,988	
Plant and machinery	2,201,615	(1,132,088)	(315,095)	754,432	
Industrial and commercial equipment	18,983	(17,497)		1,486	
Other assets	46,990	(35,345)		11,645	
Construction in progress and advances	13,712			13,712	
Leasehold improvements	316	(306)		10	
Assets for rights of use				-	
Total tangible assets	2,795,028	(1,403,592)	(352,489)	1,038,947	

Tangible assets thousands of euro	BALANCE AT 12 31 2017				EFFECT NON-RECURRING TRANSACTIONS				
	GROSS VALUE	ACCUMULATED DEPRECIATION	PROVISION WRITE- DOWN	RESIDUAL VALUE	GROSS VALUE	ACCUMULATED DEPRECIATION	PROVISION WRITE- DOWN	RESIDUAL VALUE	
Land	42,784	(2,594)	(6,950)	33,240	(1,067)		315	(752)	
Buildings	475,678	(203,511)	(31,385)	240,782	(2,942)	984	626	(1,332)	
Plant and machinery	2,233,952	(1,093,849)	(327,638)	812,465	(51,243)	17,016	12,543	(21,684)	
Industrial and commercial equipment	18,574	(17,176)		1,398					
Other assets	47,056	(33,819)		13,237	(1,915)	1,209		(706)	
Construction in progress and advances	17,500			17,500	(19)			(19)	
Leasehold improvements	626	(613)		13					
Total tangible assets	2,836,170	(1,351,562)	(365,973)	1,118,635	(57,186)	19,209	13,484	(24,493)	

	CHANGES DURING THE YEAR							BALANCE AT 12 31 2019					
	ACQUISITIONS	CHANGES IN CATEGORY	RECLASSIFICATIONS/ OTHER CHANGES		DISPOSALS		WRITE- DOWNS	DEPRECIA- TION	TOTAL CHANGES FOR THE YEAR	GROSS VALUE	ACCUMULATED DEPRECIATION	PROVISION WRITE- DOWN	RESIDUAL VALUE
			ASSET VALUE	ACCUMULATED DEPRECIATION	ASSET VALUE	ACCUMULATED DEPRECIATION							
	29	1			(369)				(339)	41,564	(2,594)	(6,635)	32,335
	1,363	1,464			(7,995)	7,223		(12,059)	(10,004)	466,341	(220,598)	(30,759)	214,984
	3,378	9,747	3,965		(7,818)	7,384		(54,916)	(38,260)	2,210,887	(1,179,620)	(315,095)	716,172
	875	58			(99)	99		(323)	610	19,817	(17,721)	-	2,096
	4,647	182	(31)		(286)	286		(4,667)	131	51,502	(39,726)	-	11,776
	13,309	(11,452)	(9)						1,848	15,560	-	-	15,560
	58							(6)	52	374	(312)	-	62
			13,667	30				(4,076)	9,621	13,667	(4,046)	-	9,621
	23,659	-	17,592	30	(16,567)	14,992	-	(76,047)	(36,341)	2,819,712	(1,464,617)	(352,489)	1,002,606

	CHANGES DURING THE YEAR									BALANCE AT 12 31 2018				
	ACQUISITIONS	CHANGES IN CATEGORY	RECLASSIFICATIONS		OTHER CHANGES	DISPOSALS		WRITE- DOWNS	DEPRECIA- TION	TOTAL CHANGES FOR THE YEAR	GROSS VALUE	ACCUMULATED DEPRECIATION	PROVISION WRITE- DOWN	RESIDUAL VALUE
			ASSET VALUE	ACCUMULATED DEPRECIATION		ASSET VALUE	ACCUMULATED DEPRECIATION							
	12	232				(58)				186	41,903	(2,594)	(6,635)	32,674
	1,145	1,515	310	(310)	(1)			(4,196)	(12,925)	(14,462)	471,509	(215,762)	(30,759)	224,988
	3,854	15,428				(376)	312		(55,567)	(36,349)	2,201,615	(1,132,088)	(315,095)	754,432
	409								(321)	88	18,983	(17,497)	-	1,486
	3,150	17				(1,318)	1,318		(4,053)	(886)	46,990	(35,345)	-	11,645
	13,452	(16,998)			(223)					(3,769)	13,712	-	-	13,712
			(310)	310					(3)	(3)	316	(306)	-	10
	22,022	194	-	-	(224)	(1,752)	1,630	(4,196)	(72,869)	(55,195)	2,795,028	(1,403,592)	(352,489)	1,038,947

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

4 Attachments

1. Statement of changes in tangible assets

2. Statement of changes in intangible assets

3/a. Statement of changes in investments in subsidiaries

3/b. Statement of changes in investments in affiliates

3/c. Statement of changes in investments in other companies

4/a. List of investments in subsidiaries

4/b. List of investments in affiliates

Key data of the financial statements of the main subsidiaries and affiliates prepared according to IAS/ IFRS (pursuant to art. 2429.4 of the Italian Civil Code)

Key data of the financial statements of the main subsidiaries and affiliates prepared according to ITALIAN GAAP (pursuant to art. 2429.4 of the Italian Civil Code)

Certification of the financial statements pursuant to article 154-bis, paragraph 5 of Legislative Decree no. 58/98

5 Independent Auditors' Report

6 Report of the Board of Auditors

2 - Statement of changes in intangible assets

Intangible assets <i>thousands of euro</i>	BALANCE AT 12 31 2018			EFFECT NON-RECURRING TRANSACTIONS	
	GROSS VALUE	ACCUMULATED DEPRECIATION	RESIDUAL VALUE	GROSS VALUE	
Industrial patent and intellectual property rights	117,101	(109,527)	7,574		
Concessions, licences, trademarks and similar rights	56,066	(39,041)	17,025		
Goodwill	38,687		38,687	954	
Assets in progress	14,126		14,126		
Other intangible assets	4,063	(1,225)	2,838		
Total intangible assets	230,043	(149,793)	80,250	954	

Intangible assets <i>thousands of euro</i>	BALANCE AT 12 31 2017			
	GROSS VALUE	ACCUMULATED DEPRECIATION	RESIDUAL VALUE	
Industrial patent and intellectual property rights	111,945	(105,065)	6,880	
Concessions, licences, trademarks and similar rights	40,866	(33,094)	7,772	
Goodwill	38,687		38,687	
Assets in progress	12,426		12,426	
Other intangible assets	30,649	(1,214)	29,435	
Total intangible assets	234,573	(139,373)	95,200	

	CHANGES DURING THE YEAR						BALANCE AT 12 31 2019		
	ACQUISITIONS	CHANGES IN CATEGORY	OTHER CHANGES	WRITE- DOWNS	DEPRECIATION	TOTAL CHANGES FOR THE YEAR	GROSS VALUE	ACCUMULATED DEPRECIATION	RESIDUAL VALUE
	3,714	9,818	(38)		(4,842)	8,652	130,595	(114,369)	16,226
	5,673	7,777	(6)		(9,179)	4,265	69,510	(48,220)	21,290
				(4,000)		(4,000)	35,641	-	35,641
	12,549	(17,595)				(5,046)	9,080	-	9,080
			2,054		(11)	2,043	6,117	(1,236)	4,881
	21,936	-	2,010	(4,000)	(14,032)	5,914	250,943	(163,825)	87,118

	CHANGES DURING THE YEAR					BALANCE AT 12 31 2018		
	ACQUISITIONS	CHANGES IN CATEGORY	OTHER CHANGES	DEPRECIATION	TOTAL CHANGES FOR THE YEAR	GROSS VALUE	ACCUMULATED DEPRECIATION	RESIDUAL VALUE
	3,036	2,407	(287)	(4,462)	694	117,101	(109,527)	7,574
	4,741	10,474	(15)	(5,947)	9,253	56,066	(39,041)	17,025
					-	38,687	-	38,687
	14,775	(13,075)			1,700	14,126	-	14,126
			(26,586)	(11)	(26,597)	4,063	(1,225)	2,838
	22,552	(194)	(26,888)	(10,420)	(14,950)	230,043	(149,793)	80,250

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

4 Attachments

1. Statement of changes in tangible assets

2. Statement of changes in intangible assets

3/a. Statement of changes in investments in subsidiaries

3/b. Statement of changes in investments in affiliates

3/c. Statement of changes in investments in other companies

4/a. List of investments in subsidiaries

4/b. List of investments in affiliates

Key data of the financial statements of the main subsidiaries and affiliates prepared according to IAS/IFRS (pursuant to art. 2429.4 of the Italian Civil Code)

Key data of the financial statements of the main subsidiaries and affiliates prepared according to ITALIAN GAAP (pursuant to art. 2429.4 of the Italian Civil Code)

Certification of the financial statements pursuant to article 154-bis, paragraph 5 of Legislative Decree no. 58/98

5 Independent Auditors' Report

6 Report of the Board of Auditors

3/a - Statement of changes in investments in subsidiaries

Shareholdings <i>thousands of euro</i>	BALANCE AT FINANCIAL STATEMENTS 12 31 2018	CHANGES IN 2019				
		INCREASES	DECREASES	EFFECT NON-RECURRING TRANSACTIONS	REVERSALS OF IMPAIRMENT LOSS WRITE-DOWNS	
FINANCIAL ASSETS						
Subsidiaries:						
Unareti S.p.A.	1,381,881					
A2A Ambiente S.p.A.	634,894					
A2A Calore & Servizi S.r.l.	330,627					
A2A Ciclo Idrico S.p.A.	167,000					
A2A gencogas S.p.A.	510,317				96,500	
A2A Energiefuture S.p.A.	189,730					
A2A Energia S.p.A.	97,039					
Retragas S.r.l.	30,105					
A2A Smart City S.p.A.	9,222					
Proaris S.r.l.	3,557					
Camuna Energia S.r.l.	740					
Ecofert S.r.l. in liquidation	-					
Plurigas S.p.A. in liquidation	560					
SEASM S.r.l.	469					
Linea Group Holding S.p.A.	109,379		(2,994)			
A2A Illuminazione Pubblica S.r.l.	28,600		(9,600)			
A2A Montenegro d.o.o.	102					
Azienda Servizi Valtrompia S.p.A.	10,758					
A2A Security S.c.p.a.	23					
A2A Energy Solution S.r.l.	4,575					
A2A Rinnovabili S.p.A.	50					
A2A Alfa S.r.l.	-					
A2Abroad S.p.A.	300	4,000		286		
ACSM-AGAM S.p.A.	190,579					
YADA ENERGIA S.r.l.	-	5,010				
Total subsidiaries	3,700,507	9,010	(12,594)	286	96,500	
Equity investments held for sale						
Elektroprivreda Cnre Gore AD (EPCG)	108,960		(108,960)			

CHANGES IN 2019				BALANCE AT FINANCIAL STATEMENTS 12 31 2019	SHARE OF EQUITY		
	VALUATIONS FROM EXCHANGE/ LOSSES	OTHERS CHANGES	RECLASSIFICATIONS		% HELD	EQUITY AT 12 31 2019	PRO RATA AMOUNT
				1,381,881	100.00%	1,499,462	1,499,462
				634,894	100.00%	546,736	546,736
				330,627	100.00%	366,220	366,220
				167,000	100.00%	220,865	220,865
				606,817	100.00%	644,926	644,926
				189,730	100.00%	206,986	206,986
				97,039	87.20%	215,353	187,788
				30,105	87.27%	40,358	35,220
				9,222	87.00%	16,634	14,472
				3,557	60.00%	6,014	3,608
				740	74.50%	1,090	812
				-			
				560	70.00%	2,680	1,876
				469	67.00%	932	624
				106,385	51.00%	363,674	185,474
				19,000	100.00%	39,979	39,979
				102	100.00%	167	167
				10,758	74.55%	21,558	16,071
				23	47.60%	254	121
				4,575	100.00%	7,171	7,171
				50	100.00%	3,140	3,140
				-	70.00%		
				4,586	100.00%	3,866	3,866
		(157)		190,422	41.34%	442,366	182,874
				5,010	100.00%	4,759	4,759
	-	(157)	-	3,793,552		4,655,189	4,173,217
				-			

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

4 Attachments

1. Statement of changes in tangible assets

2. Statement of changes in intangible assets

3/a. Statement of changes in investments in subsidiaries

3/b. Statement of changes in investments in affiliates

3/c. Statement of changes in investments in other companies

4/a. List of investments in subsidiaries

4/b. List of investments in affiliates

Key data of the financial statements of the main subsidiaries and affiliates prepared according to IAS/IFRS (pursuant to art. 2429.4 of the Italian Civil Code)

Key data of the financial statements of the main subsidiaries and affiliates prepared according to ITALIAN GAAP (pursuant to art. 2429.4 of the Italian Civil Code)

Certification of the financial statements pursuant to article 154-bis, paragraph 5 of Legislative Decree no. 58/98

5 Independent Auditors' Report

6 Report of the Board of Auditors

3/b - Statement of changes in investments in affiliates

Shareholdings <i>thousands of euro</i>	BALANCE AT FINANCIAL STATEMENTS 12 31 2018	CHANGES IN 2019			
		INCREASES	DECREASES	EFFECT NON-RECURRING TRANSACTIONS	
FINANCIAL ASSETS					
Affiliates:					
Sviluppo Turistico Lago d'Iseo S.p.A. (*)	735				
SET S.p.A. (*)	466				
Serio Energia S.r.l. (*)	400				
Ge.S.I. S.r.l. (*)	466				
Visano Società Trattamento Reflui S.c.a.r.l. (*)	10				
Ergon Energia S.r.l. in liquidation	-				
Total affiliates	2,077	-	-	-	

(*) Figures in the financial statements at December 31, 2018

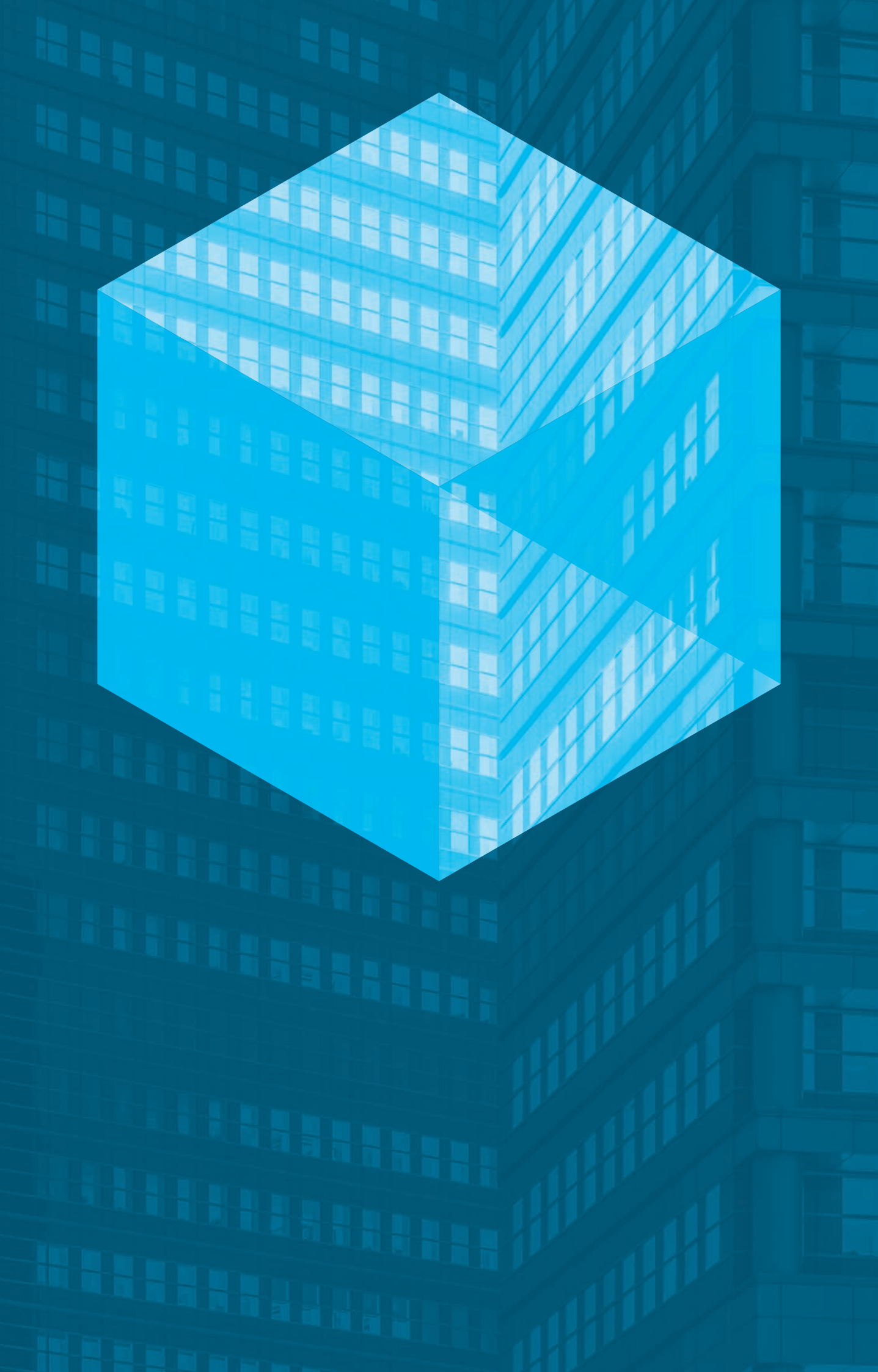
CHANGES IN 2019			BALANCE AT FINANCIAL STATEMENTS 12 31 2019	SHARE OF EQUITY		
	REVALUATIONS WRITE-DOWNS	OTHERS CHANGES		% HELD	EQUITY AT 12 31 2019	PRO RATA AMOUNT
			735	24.29%	3,079	748
			466	49.00%	1,919	941
			400	40.00%	1,864	746
			466	47.00%	5,160	2,425
			10	40.00%	26	10
			-	50.00%	(219)	(110)
	-	-	2,077		11,829	4,760

Overview of performance, financial conditions and net debt
1 Financial statements
2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010
3 Notes
4 Attachments
1. Statement of changes in tangible assets
2. Statement of changes in intangible assets
3/a. Statement of changes in investments in subsidiaries
3/b. Statement of changes in investments in affiliates
3/c. Statement of changes in investments in other companies
4/a. List of investments in subsidiaries
4/b. List of investments in affiliates
Key data of the financial statements of the main subsidiaries and affiliates prepared according to IAS/IFRS (pursuant to art. 2429.4 of the Italian Civil Code)
Key data of the financial statements of the main subsidiaries and affiliates prepared according to ITALIAN GAAP (pursuant to art. 2429.4 of the Italian Civil Code)
Certification of the financial statements pursuant to article 154-bis, paragraph 5 of Legislative Decree no. 58/98
5 Independent Auditors' Report
6 Report of the Board of Auditors

3/c - Statement of changes in investments in other companies

Company Name <i>thousands of euro</i>	SHAREHOLDING %	SHAREHOLDER	CARRYING AMOUNT AT 12 31 2019
Available-for-sale financial assets			
Immobiliare-Fiera di Brescia S.p.A.	0.90%	A2A S.p.A.	280
Others:			
AQM S.r.l.	7.52%	A2A S.p.A.	
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.	
L.E.A.P. S.c.a.r.l.	8.57%	A2A S.p.A.	
Consorzio Milano Sistema in liquidation	10.00%	A2A S.p.A.	
E.M.I.T. S.r.l. in liquidation	10.00%	A2A S.p.A.	
Isfor 2000 S.c.p.a.	4.94%	A2A S.p.A.	
Stradivaria S.p.A.	n.s.	A2A S.p.A.	
DI.T.N.E. S.c.a.r.l.	1.82%	A2A S.p.A.	
Total other financial assets			617
Total available-for-sale financial assets			897

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.



4/a - List of investments in subsidiaries

Company Name <i>thousands of euro</i>	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL AT 12 31 2019	
Imprese controllate :				
Unareti S.p.A.	Brescia	Euro	965,250	
A2A Ambiente S.p.A.	Brescia	Euro	220,000	
A2A Calore & Servizi S.r.l.	Brescia	Euro	150,000	
A2A Ciclo Idrico S.p.A.	Brescia	Euro	70,000	
A2A gencogas S.p.A.	Gissi (Ch)	Euro	450,000	
A2A Energia S.p.A.	Milan	Euro	3,000	
Retragas S.r.l.	Brescia	Euro	34,495	
A2A Smart City S.p.A.	Brescia	Euro	3,448	
Proaris S.r.l.	Milan	Euro	1,875	
Camuna Energia S.r.l.	Cedegolo (Bs)	Euro	900	
SEASM S.r.l.	Brescia	Euro	700	
Plurigas S.p.A. in liquidation	Milan	Euro	800	
A2A Montenegro d.o.o.	Podgorica (Montenegro)	Euro	100	
A2A Energiefuture S.p.A.	Milan	Euro	50,000	
Linea Group Holding S.p.A.	Brescia	Euro	189,494	
A2A Illuminazione Pubblica S.r.l.	Brescia	Euro	19,000	
Azienda Servizi Valtrompia S.p.A.	Gardone Val Trompia (Bs)	Euro	8,939	
A2A Security S.c.p.a.	Milan	Euro	50	
A2A Energy Solution S.r.l.	Milan	Euro	4,000	
A2A Rinnovabili S.p.A.	Trento	Euro	50	
ACSM-AGAM S.p.A.	Monza	Euro	197,344	
A2A Alfa S.r.l.	Milan	Euro	100	
A2Abroad S.p.A.	Milan	Euro	500	
YADA ENERGIA S.r.l.	Milan	Euro	1,000	

	EQUITY AT 12 31 2019	RESULT AT 12 31 2019	% HELD	PRO RATA AMOUNT (A)	BALANCE AT FINANCIAL STATEMENTS (B)	DELTA (A-B)
	1,499,462	118,322	100.00%	1,499,462	1,381,881	117,581
	546,736	130,708	100.00%	546,736	634,894	(88,158)
	366,220	33,019	100.00%	366,220	330,627	35,593
	220,865	23,535	100.00%	220,865	167,000	53,865
	644,926	97,576	100.00%	644,926	606,817	38,109
	215,353	93,345	87.20%	187,788	97,039	90,749
	40,358	1,311	87.27%	35,220	30,105	5,115
	16,634	1,877	87.00%	14,472	9,222	5,250
	6,014	104	60.00%	3,608	3,557	51
	1,090	207	74.50%	812	740	72
	932	79	67.00%	624	469	155
	2,680	533	70.00%	1,876	560	1,316
	167	3	100.00%	167	102	65
	206,986	13,420	100.00%	206,986	189,730	17,256
	363,674	166,405	51.00%	185,474	106,385	79,089
	39,979	11,463	100.00%	39,979	19,000	20,979
	21,558	838	74.55%	16,071	10,758	5,313
	254	89	47.60%	121	23	98
	7,171	1,438	100.00%	7,171	4,575	2,596
	3,140	1,644	100.00%	3,140	50	3,090
	442,366	15,449	41.34%	182,874	190,422	(7,548)
	-	(11)	70.00%	-	-	-
	3,866	(721)	100.00%	3,866	4,586	(720)
	4,759	(249)	100.00%	4,759	5,010	(251)

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

4 Attachments

1. Statement of changes in tangible assets

2. Statement of changes in intangible assets

3/a. Statement of changes in investments in subsidiaries

3/b. Statement of changes in investments in affiliates

3/c. Statement of changes in investments in other companies

4/a. List of investments in subsidiaries

4/b. List of investments in affiliates

Key data of the financial statements of the main subsidiaries and affiliates prepared according to IAS/IFRS (pursuant to art. 2429.4 of the Italian Civil Code)

Key data of the financial statements of the main subsidiaries and affiliates prepared according to ITALIAN GAAP (pursuant to art. 2429.4 of the Italian Civil Code)

Certification of the financial statements pursuant to article 154-bis, paragraph 5 of Legislative Decree no. 58/98

5 Independent Auditors' Report

6 Report of the Board of Auditors

4/b - List of investments in affiliates

Company Name <i>thousands of euro</i>	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL AT 12 31 2019	
Sviluppo Turistico Lago d'Iseo S.p.A. (*)	Iseo (Bs)	Euro	1,616	
SET S.p.A. (*)	Toscolano Maderno (Bs)	Euro	104	
Serio Energia S.r.l. (*)	Concordia sulla Secchia (Mo)	Euro	1,000	
Ge.S.I. S.r.l. (*)	Brescia	Euro	1,000	
Visano Società Trattamento Reflui S.c.a.r.l. (*)	Brescia	Euro	25	
Ergon Energia S.r.l. in liquidation	Milan	Euro	600	

(*) Figures in the financial statements at December 31, 2018

	EQUITY AT 12 31 2019	RESULT AT 12 31 2019	% HELD	PRO RATA AMOUNT (A)	BALANCE AT FINANCIAL STATEMENTS (B)	DELTA (A-B)
	3,079	(12)	24.29%	748	735	13
	1,919	312	49.00%	941	466	475
	1,864	269	40.00%	746	400	346
	5,160	299	47.00%	2,425	466	1,959
	26	-	40.00%	10	10	-
	(219)	(58)	50.00%	(110)	-	(110)

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

4 Attachments

1. Statement of changes in tangible assets

2. Statement of changes in intangible assets

3/a. Statement of changes in investments in subsidiaries

3/b. Statement of changes in investments in affiliates

3/c. Statement of changes in investments in other companies

4/a. List of investments in subsidiaries

4/b. List of investments in affiliates

Key data of the financial statements of the main subsidiaries and affiliates prepared according to IAS/IFRS (pursuant to art. 2429.4 of the Italian Civil Code)

Key data of the financial statements of the main subsidiaries and affiliates prepared according to ITALIAN GAAP (pursuant to art. 2429.4 of the Italian Civil Code)

Certification of the financial statements pursuant to article 154-bis, paragraph 5 of Legislative Decree no. 58/98

5 Independent Auditors' Report

6 Report of the Board of Auditors

Key data of the financial statements
of the main subsidiaries and affiliates
prepared according to IAS/IFRS
(pursuant to art. 2429.4 of the Italian Civil Code)

SUBSIDIARIES	A2A gencogas S.p.A.		A2A Energiefuture S.p.A.		A2A Ambiente S.p.A.		A2A Smart City S.p.A.		Retragas S.r.l.		SEASM S.r.l.	
Share capital:	Euro	450,000,000	Euro	50,000,000	Euro	220,000,000	Euro	3,448,276	Euro	34,494,650	Euro	700,000
% held:	A2A S.p.A.	100.00%	A2A S.p.A.	100.00%	A2A S.p.A.	100.00%	A2A S.p.A. Linea Group Holding S.p.A. 13.00%	87.00%	A2A S.p.A. Unareti S.p.A. 4.33%	87.27%	A2A S.p.A.	67.00%
Description thousands of euro	12 31 19	12 31 18	12 31 19	12 31 18	12 31 19	12 31 18	12 31 19	12 31 18	12 31 19	12 31 18	12 31 19	12 31 18
Revenues	151,967	152,048	193,347	196,150	460,411	429,353	62,845	53,241	7,336	8,300	357	357
Gross operating income	69,188	70,175	34,472	40,464	190,776	174,026	10,838	10,639	4,250	4,943	296	295
Net operating income	146,778	19,895	18,111	(109,072)	141,492	123,082	3,955	5,908	1,915	2,594	128	129
Result before taxes	141,108	13,162	17,846	(109,606)	170,404	122,953	3,005	5,650	1,915	2,594	110	95
Result of the year	97,576	4,789	13,420	(79,878)	130,708	82,628	1,877	3,835	1,311	1,804	79	67
Assets	1,076,189	970,895	374,777	337,759	917,663	892,836	128,998	73,439	43,945	44,140	1,502	1,589
Liabilities	431,263	423,499	167,791	144,037	370,928	397,960	112,363	54,924	3,587	3,391	570	736
Equity	644,926	547,396	206,986	193,722	546,736	494,876	16,634	18,515	40,358	40,749	932	853
Net financial position	(249,118)	(260,997)	115,596	80,056	261,188	308,745	(70,171)	(24,045)	9,717	14,002	(537)	(706)

AFFILIATES	Ergon Energia S.r.l. in liquidation	
Share capital:	Euro	600,000
% held:	A2A S.p.A.	50.00%
Description thousands of euro	12 31 19	12 31 18
Revenues	14	87
Gross operating income	(79)	35
Net operating income	(50)	30
Result before taxes	(58)	24
Result of the year	(58)	23
Assets	1,231	6,963
Liabilities	1,450	7,124
Equity	(219)	(161)
Net financial position	(343)	(810)

Linea Group Holding S.p.A.		A2A Illuminazione Pubblica S.r.l.		Azienda Servizi Valtrompia S.p.A.		A2A Security S.c.p.a.		A2A Rinnovabili S.p.A.		A2A Energy Solution S.r.l.		ACSM-AGAM S.p.A.	
Euro	189,494,116	Euro	19,000,000	Euro	8,938,941	Euro	50,000	Euro	50,000	Euro	4,000,000	Euro	197,343,794
A2A S.p.A.	51.00%	A2A S.p.A.	100.00%	A2A S.p.A. 74.55% Unareti S.p.A. 0.25%		A2A S.p.A. 47.60% Unareti S.p.A. 19.10% A2A Ciclo Idrico S.p.A. 10.90% Amsa S.p.A. 9.50% A2A gencogas S.p.A. 4.10% A2A Ambiente S.p.A. 4.10% A2A Calore & Servizi S.r.l. 2.70% A2A Energiefuture S.p.A. 2.00%		A2A S.p.A.	100.00%	A2A S.p.A.	100.00%	A2A S.p.A.	41.34%
12 31 19	12 31 18	12 31 19	12 31 18	12 31 19	12 31 18	12 31 19	12 31 18	12 31 19	12 31 18	12 31 19	12 31 18	12 31 19	12 31 18
20,568	24,263	51,231	40,328	13,249	12,519	1,191	1,590	6,975	55	51,016	94,198	27,452	33,664
(7,804)	(3,653)	15,463	13,090	3,779	2,790	375	161	4,773	(174)	2,293	27,933	1,093	(3,228)
(9,026)	(4,832)	12,729	10,525	1,271	1,449	135	123	714	(174)	1,232	27,615	(5,199)	(16,767)
164,188	10,082	16,120	13,626	1,181	1,410	115	115	1,943	226	1,880	30,748	14,915	1,784
166,405	13,120	11,463	9,967	838	980	89	83	1,644	172	1,438	23,206	15,449	5,527
759,929	602,386	58,482	58,999	41,144	31,531	1,310	1,317	89,426	91,050	42,162	59,750	633,823	606,900
396,256	393,036	18,503	11,443	19,586	10,767	1,056	1,167	86,286	90,622	34,990	31,992	191,457	166,077
363,674	209,350	39,979	47,556	21,558	20,764	254	150	3,140	428	7,171	27,758	442,366	440,823
(170,573)	(175,747)	10,152	15,600	(8,513)	(4,913)	(734)	51	(25,519)	3,993	(26,818)	(18,044)	(81,910)	(66,071)

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

4 Attachments

1. Statement of changes in tangible assets

2. Statement of changes in intangible assets

3/a. Statement of changes in investments in subsidiaries

3/b. Statement of changes in investments in affiliates

3/c. Statement of changes in investments in other companies

4/a. List of investments in subsidiaries

4/b. List of investments in affiliates

Key data of the financial statements of the main subsidiaries and affiliates prepared according to IAS/IFRS (pursuant to art. 2429.4 of the Italian Civil Code)

Key data of the financial statements of the main subsidiaries and affiliates prepared according to ITALIAN GAAP (pursuant to art. 2429.4 of the Italian Civil Code)

Certification of the financial statements pursuant to article 154-bis, paragraph 5 of Legislative Decree no. 58/98

5 Independent Auditors' Report

6 Report of the Board of Auditors

Key data of the financial statements
of the main subsidiaries and affiliates
prepared according to ITALIAN GAAP
(pursuant to art. 2429.4 of the Italian Civil Code)

SUBSIDIARIES	Unareti S.p.A.		A2A Calore & Servizi S.r.l.		A2Abroad S.p.A.	
Share capital:	Euro	965,250,000	Euro	150,000,000	Euro	500,000
% held:	A2A S.p.A.	100.00%	A2A S.p.A.	100.00%	A2A S.p.A.	100.00%
Description thousands of euro	12 31 19	12 31 18	12 31 19	12 31 18	12 31 19	12 31 18
Revenues	505,684	566,409	239,121	240,239	124	-
Gross operating Income	257,973	234,689	78,557	73,806	(963)	(5)
Net operating income	170,714	144,327	45,181	36,435	(963)	(5)
Result before taxes	168,911	144,710	46,657	34,955	(964)	(5)
Result of the year	118,322	103,137	33,019	24,944	(721)	(5)
Assets	2,245,410	2,114,341	696,805	696,065	4,552	300
Liabilities	745,949	635,648	330,585	339,283	686	5
Equity	1,499,462	1,478,693	366,220	356,782	3,866	295
Net financial position	(237,123)	(108,981)	(212,552)	(218,583)	3,635	300

AFFILIATES	Ge.S.I. S.r.l.	
Share capital:	Euro	1,000,000
% held:	A2A S.p.A.	47.00%
Description thousands of euro	12 31 18	12 31 17
Revenues	6,148	6,893
Gross operating Income	711	1,080
Net operating income	410	763
Result before taxes	413	783
Result of the year	299	586
Assets	7,298	7,604
Liabilities	2,138	2,743
Equity	5,160	4,860
Net financial position	2,361	863

	A2A Energia S.p.A.		A2A Ciclo Idrico S.p.A.		Proaris S.r.l.		Camuna Energia S.r.l.		Plurigas S.p.A. in liquidation	
	Euro	3,000,000	Euro	70,000,000	Euro	1,875,000	Euro	900,000	Euro	800,000
	A2A S.p.A. Linea Group Holding S.p.A.	87.20% 12.80%	A2A S.p.A.	100.00%	A2A S.p.A.	60.00%	A2A S.p.A.	74.50%	A2A S.p.A.	70.00%
	12 31 19	12 31 18	12 31 19	12 31 18	12 31 19	12 31 18	12 31 19	12 31 18	12 31 19	12 31 18
	2,263,121	1,618,253	104,778	91,295	3,099	2,898	683	326	540	-
	178,182	136,678	52,313	41,748	365	322	355	(185)	(526)	(9)
	136,326	118,088	34,306	26,511	190	147	302	(235)	(526)	(9)
	137,174	119,243	33,443	25,966	191	149	294	(236)	(526)	(10)
	93,345	85,348	23,535	18,299	104	102	207	(181)	533	9
	833,543	608,474	410,315	383,083	6,540	6,880	1,903	1,703	4,620	4,160
	618,190	410,829	189,451	185,753	526	874	813	820	1,939	1,947
	215,353	197,645	220,865	197,330	6,014	6,006	1,090	883	2,680	2,213
	(57,201)	(31,816)	(125,825)	(122,340)	3,278	2,933	(487)	(103)	2,812	2,359

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

4 Attachments

1. Statement of changes in tangible assets

2. Statement of changes in intangible assets

3/a. Statement of changes in investments in subsidiaries

3/b. Statement of changes in investments in affiliates

3/c. Statement of changes in investments in other companies

4/a. List of investments in subsidiaries

4/b. List of investments in affiliates

Key data of the financial statements of the main subsidiaries and affiliates prepared according to IAS/IFRS (pursuant to art. 2429.4 of the Italian Civil Code)

Key data of the financial statements of the main subsidiaries and affiliates prepared according to ITALIAN GAAP (pursuant to art. 2429.4 of the Italian Civil Code)

Certification of the financial statements pursuant to article 154-bis, paragraph 5 of Legislative Decree no. 58/98

5 Independent Auditors' Report

6 Report of the Board of Auditors

Certification of the financial statements pursuant to article 154-bis, paragraph 5 of Legislative Decree no. 58/98

1. The undersigned Luca Camerano, in the name and on behalf of the entire Board of Directors of A2A S.p.A., and Andrea Crenna, as manager in charge of preparing the corporate accounting documents of A2A S.p.A., certify, also taking into account the contents of article 154-bis, paragraphs 3 and 4, of Legislative Decree 58 February 24, 1998:
 - the adequacy in relation to the characteristics of the company and
 - the effective applicationof administrative and accounting procedures for the preparation of financial statements in the year 2019.
2. It is also certified that:
 - 2.1 the 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;
 - 2.2 the report on operations includes a reliable analysis of the results of operations, as well as the situation of the issuer, together with a description of the principal risks and uncertainties to which they are exposed.

Milan, March 19, 2020

Luca Camerano
(for the Board of Directors)

Andrea Crenna
(Manager in charge of
preparing the corporate
accounting documents)



5

Independent
Auditors' Report

Independent Auditors' Report



EY S.p.A.
Via Meravigli, 12
20123 Milano

Tel: +39 02 722121
Fax: +39 02 722122037
ey.com

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
A2A S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of A2A S.p.A. (the Company), which comprise the balance sheet as at 31 December 2019, and the income statement, the statement of comprehensive income, statement of changes in equity and the cash flows statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

EY S.p.A.
Sede Legale: Via Lombardia, 31 - 00187 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n. 10831 del 16/7/1997

A member firm of Ernst & Young Global Limited



We identified the following key audit matters:

Key Audit Matter	Audit response
<p>Valuation of Shareholdings in subsidiaries</p> <p>At December 31, 2019, the Shareholdings in subsidiaries balance amount to 3.794 million euro.</p> <p>The management assesses at least annually the existence of impairment indicators of each investment, in compliance with its strategy of managing legal entities within the group and, in case of occurrence, these assets are subject to impairment test.</p> <p>The processes and methodologies for assessing and determining the recoverable amount of each shareholdings in subsidiaries are based on complex assumptions, that by their nature imply the use of the management's judgment, in particular with reference to the identification of impairment indicators, to forecast of future cash flows relating to the period covered by the Group's strategic plan, the normalized cash flows assumed as a basis for the terminal value, as well as the long-term growth rates and discount rates applied to such cash flows forecasts.</p> <p>In consideration of the judgment required and of the complexity of the assumptions used in the estimate of the recoverable amount of investments, we have considered that this area represents a key audit matter.</p> <p>The disclosures related to the recoverability of the investment in subsidiaries are included in the paragraph "Use of estimates" and in note n.3 "Shareholdings and other non-current financial assets" of the notes to the financial statements.</p>	<p>Our audit procedures related to this key audit matters included, among others:</p> <ul style="list-style-type: none">• assessment of the processes and key controls implemented by the Company related to the identification of any loss and to the valuation of Shareholdings in subsidiaries;• assessment of the report produced by the management's third party specialists, as well as the assessment of their competence, capability and objectivity;• assessment of the forecasted future cash flows;• assessment of the consistency between the future cash flows assumed in the Group A2A's strategic plan for the period 2020-2024;• assessment of the accuracy of actual results against previous forecasts;• assessment of the long-term growth rates and discount rates. <p>In performing our procedures, we leveraged the used of EY valuation specialists who performed an independent calculation and sensitivity analysis on key assumptions, in order to determine any changes that could significantly impact the valuation of recoverable amount.</p> <p>Lastly, we reviewed the adequacy of the disclosures included in the notes to the financial statements.</p>

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

4 Attachments

5 Independent Auditors' Report

6 Report of the Board of Auditors



Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;



- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of A2A S.p.A., in the general meeting held on 11 June 2015, engaged us to perform the audits of the financial statements for each of the years ending 31 December 2016 to 31 December 2024.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

4 Attachments

5 Independent Auditors' Report

6 Report of the Board of Auditors



Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of A2A S.p.A. are responsible for the preparation of the Report on Operation and of the Report on Corporate Governance and Ownership Structure of A2A S.p.A. as at 31 December 2019, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the financial statements of A2A S.p.A. as at 31 December 2019 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operation and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of A2A S.p.A. as at 31 December 2019 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Milan, April 3, 2020

EY S.p.A.
Signed by: Paolo Zocchi, Auditor

This report has been translated into the English language solely for the convenience of international readers.



6

Report of the Board of Auditors

Report of the Board of Auditors



**LEGISLATIVE DECREE 58/1998 AND ARTICLE 2429 PARAGRAPH 3, CIVIL CODE TO THE
SHAREHOLDERS' MEETING OF A2A S.P.A. OF MAY 13, 2020 (SECOND CALL, IF
APPLICABLE, MAY 14, 2020)**

Shareholders,

The Board of Statutory Auditors in office was appointed by the Shareholders' Meeting of A2A S.p.A. (hereinafter referred to as the **Company**) of May 15, 2017 and will end its term of office with the Shareholders' Meeting convened to approve the financial statements at December 31, 2019.

Pursuant to article 153, paragraph 1, of Legislative Decree no. 58 of February 24, 1998 (hereinafter **Consolidated Law on Finance**), the Board of Statutory Auditors informs that, during the year ended December 31, 2019, it carried out the supervisory and control activities required by current legislation, with particular regard to the provisions of the Italian Civil Code, articles 148 et seq. of the Consolidated Law on Finance, Legislative Decree no. 39 of January 27, 2010 as amended by Legislative Decree no. 135 of 2016 and Legislative Decree no. 254 of 2016, also taking into account the indications contained in CONSOB communications concerning corporate controls and the activities of the Board of Statutory Auditors, the indications contained in the Corporate Governance Code for listed companies as well as the

Accounting Experts.

This Report is given to the Shareholders of the Company in view of the Shareholders' Meeting called, on first call, on May 13, 2020 and, if necessary, on second call, on May 14, 2020 for the approval of the Financial Statements at December 31, 2019.

That said, the activities carried out by the Board of Statutory Auditors during 2019 and up to the date of today's report are set out below, also with reference to the requirements of CONSOB Communication no. DEM/1025564 of April 6, 2001 and subsequent amendments.

1. Most significant transactions with regard to the company's financial position, results of operations and cash flows.

The most significant economic, financial and equity transactions and events that took place in 2019 were as follows:

- issue and placement of the first 400 million euro green bond with a term of 10 years, as part of the Green Financing Framework, for institutional investors, under the Euro Medium Term Notes program;
- subscription with AGSM Verona S.p.A. and AIM Vicenza S.p.A. of a termsheet for an exclusive agreement, which will be concluded by June 30, 2020, aimed at studying a possible strategic partnership with the aim of creating a reference player in the Triveneto area;
- definition of a feasibility study path for the realization of the territorial partnership project with Ambiente Energia Brianza S.p.A. (AEB), which lays the foundations for the creation of a new industrial entity following the model of the Multi-utility of the Territories.

Details of all transactions having a significant impact on the Company's profitability, assets and liabilities or financial position are provided in the "Significant events during the year" section of the Report on Operations.

The Board of Statutory Auditors received from the Directors, with due periodicity, information on the activities carried out and transactions of major economic, financial and equity importance carried out by the Company and its subsidiaries. The Directors have reported on these transactions in their Report on Operations, to which reference is made, also with regard to the characteristics of the transactions and their economic effects.

The Board of Statutory Auditors has acquired adequate information, which have allowed it to reasonably believe that the above transactions complied with the law, By-laws and the principles of correct administration and were not imprudent, risky or in conflict with the resolutions passed by the shareholders' meeting or in any case such as to compromise the integrity of the company's assets.

Transactions with related parties have been subject to the transparency procedures provided for by current legislation.

2. Atypical and/or unusual transactions, carried out with third parties, intragroup or related parties.

The Board of Statutory Auditors has not found or received any indications from the Board of Directors, the Independent Auditors or the Head of Internal Audit regarding the existence of atypical and/or unusual transactions, as defined by Consob communication DEM/6064293 of July 28, 2006, carried out with third parties, related parties or intragroup.

In the notes to the financial statements, the Directors reported on ordinary transactions carried out during the year with Group companies and related parties, to which reference should be made, also with regard to the characteristics of the transactions and their economic

effects.

Their examination did not reveal any critical issues with regard to their suitability, congruity or correspondence to the interests of the Company.

The Board of Statutory Auditors verified the actual implementation and functioning of the Procedure for Transactions with Related Parties adopted by the Company, including periodic information from the Board of Directors in the event of such transactions being carried out.

3. Observations and proposals on the remarks and requests for information contained in the independent auditors' report.

On April 3, 2020, the independent auditors EY S.p.A. issued their report pursuant to article 14 of Legislative Decree no. 39 of January 27, 2010, and article 10 of Regulation (EU) no. 537 of April 16, 2014, in which the independent auditors certify that in their opinion:

- the annual and consolidated financial statements of A2A S.p.A. provide a true and fair view of the financial position and results of operations of the Company and the A2A Group at December 31, 2019, of the economic results and cash flows for the year ended on said date, in accordance with the International Financial Reporting Standards adopted by the European Union, as well as the measures issued in implementation of article 9 of Legislative Decree no. 38 of February 28, 2005;
- the report on operations and some specific information contained in the report on corporate governance and ownership structure indicated in article 123-bis, paragraph 4, of Legislative Decree no. 58 of February 24, 1998 are consistent with the annual and consolidated financial statements of the Company and the A2A Group at December 31, 2019 and have been prepared in accordance with the law;
- there is nothing to report with reference to the statement referred to in article 14, paragraph 2, letter e) of Legislative Decree no. 39 of January 27, 2010, issued on the basis

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

4 Attachments

5 Independent Auditors' Report

6 Report of the Board of Auditors

of the knowledge and understanding of the company and the relative context acquired during the audit.

On April 3, 2020, the independent auditors EY S.p.A. also issued their additional report pursuant to article 11 of Regulation (EU) 537/2014, which, among other things, confirms that, during the audit of the Company's annual financial statements and the Group's consolidated financial statements for the year ended December 31, 2019, no significant deficiencies were identified in the internal control system for financial information and/or in the accounting system.

The auditor's reports highlight the key aspects of the audit, to which reference should be made.

4. Complaints pursuant to article 2408 of the Civil Code and filing of petitions. Initiatives undertaken by the Board of Statutory Auditors and related outcomes.

In 2019, no complaints were received pursuant to article 2408 of the Civil Code nor petitions of any kind by third parties.

In this regard, it should be recalled that the Company has adopted a whistleblowing procedure that provides for the establishment of suitable information channels to ensure the reception, analysis and processing of reports, related internal control issues, corporate information, administrative liability of the Company, fraud or other matters, sent by employees, members of corporate bodies or third parties, including in confidential or anonymous form.

5. Appointment of the independent auditors and related costs.

The annual financial statements of A2A S.p.A. and its subsidiaries have been subject to a full audit by EY S.p.A. on the basis of the appointment conferred by the shareholders' meeting for financial years 2016 to 2024.

The following table provides a summary of the fees paid for audit work performed within the Group during 2019.

Description <i>thousands of euro</i>	Leading Auditor	Other auditors
A2A S.p.A.		
Audit of annual financial statements	145.0	
Audit of consolidated financial statements	42.0	
Periodic tests of accounting	21.0	
Review of half-yearly report	67.0	
Audit of the separate annual accounts for ARERA	15.0	
Total	290.0	-
Subsidiaries		
Audit of annual financial statements	800.0	
Periodic tests of accounting	196.0	
Review of half-yearly report	187.0	
Audit of the separate annual accounts for ARERA	48.0	
LGH Group	256.0	
ACSM-AGAM Group	355.0	
Total	1,842.0	-
Associates and joint ventures		
Audit of the information sent to shareholders for the consolidation	34.0	
Total	34.0	-
TOTAL A2A GROUP	2,166.0	-

The Board of Statutory Auditors has been informed by the Company that the following additional fees paid to companies or professional firms connected to the international network of EY S.p.A. in relation to the offices specified below have been recorded (amounts in euro):

Company	Purpose	Amount
Acsm-Agam S.p.A.	Limited examination of the 2018 Non-Financial Declaration required under Legislative Decree 254/2016 of the Acsm-Agam Group	15,000.00

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

4 Attachments

5 Independent Auditors' Report

6 Report of the Board of Auditors

Retragas S.r.l.	Certification of revenues and investments and disposals relating to 2018. Resolution 114/2019/R/GAS of March 29, 2019	1,000.00
Unareti S.p.A.	Carrying out the procedures required by the company to allow Unareti to participate in the mechanism for mitigating the process of efficiency of commercial losses in accordance with the procedures indicated in Resolution 377/2015/R/EEL	10,000.00
A2A Energiefuture S.p.A.	Request for reinstatement of 2018 costs San Filippo del Mela - Essential plants resolution ARERA 111/06	1,000.00
A2A S.p.A.	Comfort letter in connection with the issuance of a 400 million euro public Green bond with a maturity of up to 10 years under the Euro Medium Term Notes Program	25,000.00
Total		52,000.00

The conferral of the above appointments was approved in advance by the Board of Statutory Auditors.

Pursuant to the provisions of article 6, paragraph 2, letter a) of Regulation (EU) no. 537/2014, the Board of Statutory Auditors has received from EY S.p.A. a statement that it has maintained its position of independence and objectivity with respect to the Company and its Group throughout the 2019 financial year, taking into account the activities carried out.

6. Main opinions issued by the Board of Statutory Auditors in accordance with current legislation.

In 2019, the Board of Statutory Auditors, in particular:

- examined and positively assessed the approval of the 2019 Audit Plan prepared by the Head of the Internal Audit function and approved by the Board of Directors;

- examined and positively assessed the Remuneration Policy for 2019 as well as the text of the Remuneration Report approved by the Board of Directors at its meeting of April 3, 2019, verifying that it contained the information required by article 123 ter of the Consolidated Law on Finance and article 84 quater of Consob Regulation 11971/1999;
- examined and positively assessed the text of the Report on Corporate Governance and Ownership Structure approved by the Board of Directors at its meeting of April 3, 2019, verifying that it contains the information required by article 123 bis of the Consolidated Law on Finance and complies with the provisions of the scheme prepared by Borsa Italiana S.p.A.;
- issued a favourable opinion, pursuant to article 19, first paragraph, letter e) of Legislative Decree no. 39 of January 27, 2010 and article 5 of European Community Regulation no. 537 of April 16, 2014, in relation to the assignment of "non audit services" to the independent auditors.

After the end of the financial year and up to the date of this report, the Board of Statutory Auditors has also:

- examined and positively assessed the approval of the 2020 Audit Plan prepared by the Head of the Internal Audit function and approved by the Board of Directors;
- examined and positively assessed the Remuneration Policy for 2020 as well as the text of the Remuneration Report approved by the Board of Directors at its meeting of March 19, 2020, ascertaining that it contains the information required by article 123 ter of the Consolidated Law on Finance, as amended following Legislative Decree no. 49 of May 10, 2019 and article 84 quater of Consob Regulation 11971/1999;
- examined and positively assessed the text of the Report on Corporate Governance and Ownership Structure approved by the Board of Directors at its meeting of March 19,

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

4 Attachments

5 Independent Auditors' Report

6 Report of the Board of Auditors

2020, verifying that it contains the information required by article 123 bis of the Consolidated Law on Finance and complies with the provisions of the scheme prepared by Borsa Italiana S.p.A..

7. Attendance at meetings of corporate bodies.

In 2019, the Board attended all the meetings of the Board of Directors, for a total of 15 sessions, during which it was informed about the activities carried out and the most significant transactions made by the Company and its subsidiaries. In this context, the Board received from the Chairman and CEO the information regarding the exercise of the respective proxies. Moreover, the Board held 22 meetings in 2019, during which information was also exchanged with the independent auditors in order to ensure that no transactions were carried that were imprudent, risky, in potential conflict of interest, in contrast with the law, By-laws or the resolutions of the shareholders' meeting or such to affect the integrity of the Company's assets.

The Board of Statutory Auditors also attended 15 meetings of the Control and Risk Committee, 12 meetings of the Remuneration and Appointments Committee, and 5 meetings of the Committee for Transactions with Related Parties, gaining knowledge of the work they performed during the year.

The Control Body also participated in the Shareholders' Meeting of May 13, 2019.

In 2020, to date, the Board of Statutory Auditors has attended 10 meetings of the Board of Directors, 5 meetings of the Control and Risk Committee, 5 meetings of the Remuneration and Appointments Committee, 1 meeting of the Committee for Transactions with Related Parties and has held 8 meetings of the Board of Statutory Auditors.

8. Observations on compliance with the principles of correct administration.

The Board of Statutory Auditors, following its supervisory activity, has no observations to make

regarding compliance with the principles of correct administration and has verified that the Directors are aware of the riskiness and effects of the operations carried out.

In particular, the Board of Statutory Auditors verified that the management decisions were taken in the interest of the Company, compatible with the Company's resources and assets and adequately supported by information, analysis and verification processes, also with recourse, when deemed necessary, to the advisory activities of the Committees and external professionals.

9. Observations on the adequacy of the organizational structure.

The Board of Statutory Auditors constantly collected information on the organizational structure of the Company and changes thereto, also meeting with the related managers of the Company. In light of what has been verified, the Board of Statutory Auditors believes that the organizational structure of the Company, the procedures, expertise and responsibilities are adequate in relation to the size of the Company and the type of activity performed.

The Board of Statutory Auditors also verified the adequacy of the organizational structure of subsidiaries with strategic importance of A2A S.p.A., with particular reference to the internal control and risk management system.

10. Adequacy of the Internal Control and Risk Management System.

The Board of Statutory Auditors monitored the adequacy of the Internal Control and Risk Management System of A2A S.p.A. and its strategically important subsidiaries, by means of:

- a) the regular collection of information, including at meetings of the Control and Risk Committee and by means of meetings with the Head of the Internal Audit function, the Head of the Compliance function, the Group Risk Officer and the Heads of other functions concerned from time to time, on the activities carried out, the mapping of risks relating to ongoing activities, the verification programs and the projects for implementing the internal

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

4 Attachments

5 Independent Auditors' Report

6 Report of the Board of Auditors

- control system, with the acquisition of the related documentation;
- b) regular participation in the work of the Control and Risk Committee set up pursuant to the Corporate Governance Code for listed companies;
 - c) examination of the periodic reports of the Control and Risk Committee;
 - d) examination of the reports of the Head of the Internal Audit Function, concerning the checks in the various company areas, both at peripheral and corporate level, on the functioning of the Group's Internal Control and Risk Management System and the monitoring of the implementation of the corrective actions identified as a result of the audit activity;
 - e) the examination of the periodic reports prepared every six months by the Head of Internal Audit function, which contain information on the activities carried out by the latter during the reference period, the risk management procedures within the Company, respect for plans defined for their reduction, strategic goals for reduction and efficiency, as well as the positive assessment of the same Head of the Internal Audit function on the suitability of the internal control and risk management system of the Company and its subsidiaries with strategic importance, with respect to the characteristics of the Company and the profile of risk undertaken. In particular, the Board of Statutory Auditors expressed a favourable opinion on the organizational, administrative and accounting structure and the internal control and risk management system of A2A S.p.A. and its strategically important subsidiaries;
 - f) the examination of reports on the prevention, monitoring and management of the risk of legislative non-compliance and anti-corruption risk.

The Board of Statutory Auditors has also:

- verified that the Company has an Organizational, Management and Control Model consistent with the principles contained in Legislative Decree 231/01 and the guidelines drawn up by the Trade Associations, most recently updated by the Board of Directors on October 24, 2019, to take account of the entry into force of Legislative Decree 107/2018 laying down "Rules for the adaptation of national legislation to Regulation (EU) no. 596/2014" (Market Abuse Regulation or MAR); the introduction of the crime of trafficking in illicit influences (Law 3/2019); fraud in sports competitions and the abusive exercise of gambling or betting activities introduced by Law 39/2019 and the amendment to article 416-ter of the Criminal Code regarding political-Mafia voting (Law 43/2019);
- verified that the Company has an Anti-Corruption Policy, most recently approved in the version updated by the Board of Directors on July 11, 2019;
- examined the periodic reports (at June 30, 2019 and December 31, 2019) of the Supervisory Board provided for by Legislative Decree 231/2001 summarizing the activities carried out during the year and met its members;
- met with representatives of the Board of Statutory Auditors of the subsidiaries A2A Ciclo Idrico S.p.A., Linea Green S.p.A., A2A Ambiente S.p.A. and A2A Rinnovabili S.p.A. for the purposes of exchanging information on, among other things, the functioning of corporate activities and compliance with the directives issued by the parent company, the characteristics of the internal control system, the corporate organization of subsidiaries, the composition and activities of the Supervisory Bodies, Committees and the Internal Audit function.

Therefore, in the course of carrying out the above activities, the Board of Statutory Auditors:

- a) did not identify any critical situations or facts that might suggest, in relation to 2019, that A2A S.p.A.'s Internal Control and Risk Management System is inadequate;

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

4 Attachments

5 Independent Auditors' Report

6 Report of the Board of Auditors

- b) considering the information provided by the Chairman of the Supervisory Board and the reports mentioned above, which show that, in 2019, no censurable facts or violations of the Model emerged, the Board of Statutory Auditors, to the extent of its competence, considers that said Model is suitable for preventing offences under the regulations in question and is correctly adopted;
- c) noted the positive assessment expressed by the Board of Directors in relation to the adequacy and effective functioning of the Internal Control and Risk Management System for 2019.

The Board of Statutory Auditors has examined in detail what happened during the year and in particular:

- 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.

At present, Linea Ambiente S.r.l. has not been notified of any measure in relation to a possible liability under Legislative Decree no. 231/01;
- on May 7, 2019, the Carabinieri investigative unit of Monza showed up at Amsa S.p.A.'s 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 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.

In addition, the Board of Statutory Auditors has constantly monitored ongoing civil and criminal litigation involving the Company and the Group, for which reference is made to as detailed in the 2019 Consolidated Annual Report, section 3) Other Information, section 9) Update on the main legal and tax disputes currently pending.

11. Adequacy of the administrative-accounting system and its reliability.

The Board of Statutory Auditors, to the extent of its competence, monitored the adequacy of the administrative-accounting system and its reliability in correctly representing operating events as well as the activities carried out, under the coordination of the Head of Financial Reporting, for the purposes of compliance with Law 262/05 *"Provisions for the protection of savings and the regulation of financial markets"* and subsequent amendments and additions, by means of:

- a) the acquisition of information from the Head of Financial Reporting as well as from the Heads of other company departments, also in the context of participation in the work of the Control and Risk Committee;
- b) the acquisition of information on the procedures adopted and instructions issued by A2A S.p.A. for the preparation of the Annual Report of the Group at December 31, 2019 and the Half-Year Report of the Group at June 30, 2019;
- c) examination of the periodic reports of the Head of Financial Reporting, as well as the reports of the Internal Audit Function on the actual application of the administrative and accounting procedures pursuant to Law 262/05 and on the outcome of the related tests

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

4 Attachments

5 Independent Auditors' Report

6 Report of the Board of Auditors

carried out, drawn up in execution of the mandate entrusted by the Head of Financial Reporting;

- d) meetings with the Independent Auditors and analysis of the results of their work;
- e) examination of company documents.

The Board of Statutory Auditors also noted that, following the favourable opinion issued by the Control and Risks Committee, in accordance with the recommendations made by the European Securities and Markets Authority (“ESMA”) on January 21, 2013, the joint document Bank of Italy/Consob/ISVAP no. 4 of March 3, 2010 and Consob Communication no. 3907 of January 19, 2015, on March 19, 2020, the Board of Directors autonomously and prior to the approval of the annual financial statements, approved the impairment test procedures applied by the Company in preparing the financial statements at December 31, 2019 and the impairment test procedures to be applied to the annual financial statements of the companies of the A2A Group.

In the course of carrying out the activity described above, the Board of Statutory Auditors did not identify any critical situations or facts that might lead to the conclusion, in relation to 2019, that the administrative-accounting system of A2A S.p.A. is inadequate and/or unreliable.

12. Adequacy of the instructions given to subsidiaries.

It should be noted that the Company regulates, by means of specific procedures, the flow of information to it from its subsidiaries, particularly with regard to major transactions.

The Board of Statutory Auditors considers the instructions given by the Company to its subsidiaries pursuant to article 114, paragraph 2 of the Consolidated Law on Finance to be adequate, in order to comply with the communication obligations provided for by law.

13. Any relevant aspects relating to meetings with auditors.

The Board of Statutory Auditors met with the independent auditors in relation to the Annual

Report at December 31, 2019:

- a) to exchange information on the verifications carried out by the latter pursuant to Legislative Decree 39/2010 and article 150, paragraph 3 of the Consolidated Law on Finance, on the regular accounting and correct reporting of events in the accounting records. During these meetings, there were no reports of problems or abnormalities;
- b) for the examination and evaluation of the preparation process, including the evaluation of the correct application of accounting standards and homogeneity of the same, the Half-Year Report of the Group at June 30, 2019 and the Annual Report of the Group at December 31, 2019, as well as the outcomes of the audit and evaluation of these documents.

In particular, the Board of Statutory Auditors: - analyzed the activity carried out by the independent auditors, and in particular, the methodological structure, the audit approach used for the various significant areas of the financial statements and the planning of the audit work; - shared with the independent auditors the problems relating to corporate risks, thus being able to appreciate the adequacy of the response planned by the independent auditors with the structural and risk profiles of the Company and the Group.

The Board of Statutory Auditors, in addition to as already stated in paragraph 3, also:

- a) received, pursuant to article 11 of Regulation (EU) no. 537/2014, the supplementary report of the independent auditors, also illustrating the key issues arising from the statutory audit and any significant deficiencies in the internal control system for financial reporting and/or in the accounting system, from which no significant deficiencies were identified;
- b) took note of the statement on the independence of EY S.p.A. pursuant to article 6 of Regulation (EU) no. 537/2014, annexed to the supplementary report, from which no situations emerge that could compromise its independence;

c) discussed, pursuant to article 6, paragraph 2, letter b) of Regulation (EU) no. 537/2014, with the independent auditors the risks relating to the independence of the same and the measures adopted by the independent auditors to mitigate said risks.

14. Adhesion to the Corporate Governance Code of the Governance Committee of listed companies.

The Board of Statutory Auditors verified that the Company complies with the Corporate Governance Code for listed companies approved in March 2006 and last amended in July 2018 (hereinafter **Code**).

It therefore supervised, pursuant to article 149, paragraph 1, letter c-bis) of the Consolidated Law on Finance, the procedures for the concrete implementation of the rules of corporate governance provided for by the Code, with particular regard to:

- the correct application of the ascertainment criteria and procedures adopted by the Board of Directors to assess the independence of its members;
- the manner in which the self-assessment activities of the Board of Directors and its Internal Committees were carried out, including that relating to the requirements for independent directors;
- the Company's Corporate Governance structure.

The Board of Statutory Auditors also acknowledges that the Board of Directors, at its meeting of February 25, 2020, examined the recommendations of the Corporate Governance Committee contained in the letter of December 19, 2019 addressed by the Chair of the Committee to the Chairpersons of the Boards of Directors of Italian listed companies and, for information, to the relative Chief Executive Officers and Chairpersons of the control bodies, in order to make the necessary decisions in this regard.

The Board of Statutory Auditors monitored the activities carried out by the Control and Risk Committee, the Remuneration and Appointments Committee and the Related Parties Committee, also through participation in their meetings.

In addition to the above, the Board of Statutory Auditors:

- assessed the compliance of its composition with the provisions of the law on gender portions, as well as its adequacy in terms of policies on diversity of age and diversity of educational and professional experience;
- confirmed the correctness and effectiveness of its functioning, also taking into account the requirements of professionalism, competence and experience of its members, compliance with the regulatory provisions on the accumulation of offices of the Statutory Auditors, the availability of time in the performance of their duties, as well as the functionality and quality of information flows with the Board of Directors, the Control and Risk Committee, the independent auditors and other control functions;
- successfully carried out the periodic verification regarding compliance with the criteria of independence with regard to each of its members, as required by the Code. The outcome of said audits is outlined in the Annual Report on Corporate Governance and Ownership Structures prepared for the year 2019;
- drafted the summary sheets of the control activities carried out by the Board of Statutory Auditors in 2019 according to as provided in CONSOB Communication no. 1025564 of April 6, 2001.

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

4 Attachments

5 Independent Auditors' Report

6 Report of the Board of Auditors

**Final evaluations of the supervisory activity carried out and proposal
to the Shareholders' Meeting.**

Having regard to the foregoing, and having, in the year under consideration:

- monitored compliance with the law and By-laws, principles of proper administration, and in particular the adequacy of the administrative and accounting organization structure adopted by the Company and proper functioning thereof;
- monitored observance of information obligations regarding privileged information;
- monitored the functioning and effectiveness of the internal control system and the administrative-accounting system, in order to assess their suitability to company requirements, as well as their reliability for the representation of management events;
- monitored compliance with the provisions of law relating to the process of preparing, controlling, approving and publishing the Company's statutory financial statements and the process of preparing, controlling and publishing the Group's consolidated financial statements and reports on operations for the year 2019, including through direct checks and information obtained from the independent auditors, and also ascertained the adequacy, from the point of view of the method, of the impairment test process;
- verified that, in accordance with Regulation (EC) no. 1606/2002 and Legislative Decree no. 38/2005, the financial statements of A2A S.p.A. and the consolidated financial statements of the Group at December 31, 2019 are prepared in accordance with IAS/IFRS international accounting standards approved by the European Commission, supplemented by the related interpretations issued by the International Accounting Standards Board (IASB);
- monitored compliance with the procedure for the preparation and presentation of the annual financial statements to the Shareholders' Meeting;
- monitored, pursuant to article 19, paragraph 1 of Legislative Decree 39/2010, the financial

- reporting process and effectiveness of internal control, internal audit and risk management systems and informed the Board of Directors on the outcome of the statutory audit;
- monitored compliance with the provisions established by Legislative Decree 254/2016 and Consob Regulation no. 20267/2018, examining, among other things, the consolidated non-financial statement and also verifying compliance with the provisions governing its preparation pursuant to the aforementioned decree and therefore its preparation in compliance with these rules. The Board of Statutory Auditors verified the approval by the Board of Directors on March 19, 2020 of the aforementioned Statement and the issue on April 3, 2020, by the independent auditors, of the attestation of conformity of the information provided in said document with the requirements of articles 3 and 4 of Legislative Decree 254/2016 and the "Global Reporting Initiative Sustainability Reporting Standards", identified as the reporting standard by the Directors of A2A S.p.A..

The Board of Statutory Auditors also noted that, as required by the ESMA Statement of March 11, 2020, the Directors clarified in their Report - in the section "Significant events after year-end" of the Annual Report - the activities carried out and the considerations made in relation to the possible implications of the crisis caused by the pandemic spread of the Covid-19 virus. With reference to the recent emergence of the Coronavirus emergency, which is likely to have repercussions on more than one type of risk, A2A has put in place crisis management measures, also adopting suitable procedures to protect human resources and contain material and immaterial damage and to guarantee the correct management of communication flows. The Group closely monitors the evolution of the situation by updating the sensitivity analyses on the effects of the epidemic, and has identified the first measures to contain possible negative economic/financial effects during the current year.

Overview of performance, financial conditions and net debt

1 Financial statements

2 Financial statements pursuant to Consob Resolution no. 17221 of March 12, 2010

3 Notes

4 Attachments

5 Independent Auditors' Report

6 Report of the Board of Auditors

Providing the foregoing, the Board of Statutory Auditors states that, during the supervision activities described above, no reprehensible facts, omissions, or irregularities arose that require reporting to the competent bodies.

In view of the above, the Board of Statutory Auditors kindly requests that you approve the financial statements at December 31, 2019 presented by the Board of Directors along with the report on operations and the proposed distribution of a dividend.

* * *

Shareholders,

with the approval of the financial statements at December 31, 2019, is expiry of the mandate of the Board of Statutory Auditors appointed by the Shareholders' Meeting on May 15, 2017. You are therefore required to appoint the new Board of Statutory Auditors for the next three years, in accordance with the law and the by-laws .

We wish to take this opportunity to thank you for your trust during these years of mandate.

Milan, April 20, 2020

THE BOARD OF STATUTORY AUDITORS

- | | | |
|-------------------------------------|---|-------------------|
| (Signed Giacinto Sarubbi) | - | Chairman |
| (Signed Maurizio Leonardo Lombardi) | - | Statutory Auditor |
| (Signed Chiara Segala) | - | Statutory Auditor |