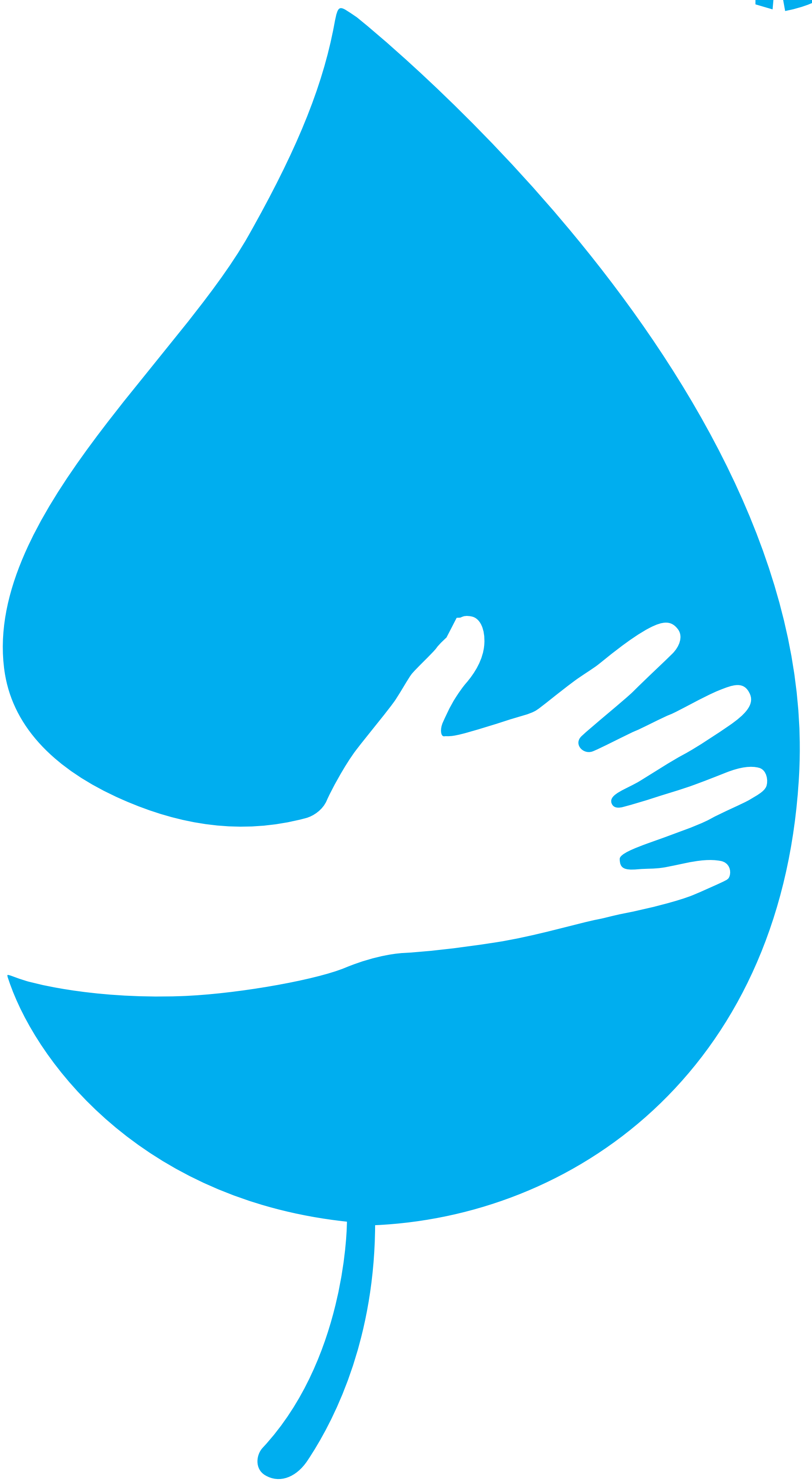
a2a
LIFE COMPANY



2020
Separate Financial Statements

Separate financial statements

2020

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

Contents

This is a translation of the Italian original "Bilancio separato 2020" 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 and the unit in Mese, as well as the hydroelectric plants of the unit in Udine.

Results

millions of euro	01 01 2020 12 31 2020	01 01 2019 12 31 2019	Changes
Revenues			
Revenues from the sale of goods and services	3,943.3	4,383.6	(440.3)
Other operating income	45.4	105.5	(60.1)
Total revenues	**3,988.7**	**4,489.1**	**(500.4)**
Operating expenses	(3,736.1)	(4,127.5)	391.4
Labour costs	(150.9)	(148.1)	(2.8)
Gross operating income - EBITDA	**101.7**	**213.5**	**(111.8)**
Depreciation, amortization and write-downs	(100.8)	(94.1)	(6.7)
Provisions	(8.3)	(2.3)	(6.0)
Net operating income - EBIT	**(7.4)**	**117.1**	**(124.5)**
Result from non-recurring transactions	**-**	**-**	**-**
Financial balance	499.6	353.0	146.6
Result before taxes	**492.2**	**470.1**	**22.1**
Income taxes	55.4	(20.2)	75.6
Result after taxes from operating activities	**547.6**	**449.9**	**97.7**
Net result from discontinued operations	**(1,9)**	**0.7**	**(2.6)**
Net result of the year	**545,7**	**450.6**	**95.1**

In the year in question A2A S.p.A. shows revenues for a total of 3,988.7 million euro (4,489.1 million euro in the previous year). Sales revenues (3,741.9 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 (201.4 million euro) mainly refer to services to subsidiaries of an administrative, fiscal, legal, managerial and technical nature. The decrease in sales revenues is mainly due to the sharp drop in prices on the wholesale markets for both electricity and gas and to the decline in demand, which was affected by the emergency situation that hit the energy sector; this decrease was partly offset by the higher revenues from the sale of environmental certificates recorded in the year under review. Other revenues (45.4 million euro) refer to incentives on net production from renewable sources, rents from subsidiaries, contingent assets recognized as a result of both the difference in allocations from previous years and the release of a provision for risks relating to electricity imbalances following the conclusion of the lawsuit in progress, as well as reimbursements for damages and penalties received from customers, insurance companies and private individuals. In the previous year, other revenues included the release of the provision relating to the excessive costs of the tolling contract with Ergosud.
Operating costs amounted to 3,736.1 million euro (4,127.5 million euro at December 31, 2019) and refer to costs for raw materials (3,025.4 million euro) related primarily to purchases of energy and fuels, both for electricity production and for resale, purchases of materials and environmental certificates,

the reduction of which derives mainly from the reduction in unit procurement prices due to the decline in the reference scenario; service costs (287.8 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 costs (422.9 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 150.9 million euro (148.1 million euro at December 31, 2019); the increase is attributable to the increase in the company's workforce, contract renewals, partially offset by lower mobility charges.
Due to the dynamics mentioned above the EBITDA amounted to 101.7 million euro (213.5 million euro at December 31, 2019).

"Amortization and depreciation, provisions and write-downs" of the year amounted to 109.1 million euro (96.4 million euro at December 31, 2019) and include amortisation, depreciation and write-downs of the tangible and intangible assets for 100.8 million euro (94.1 million euro at December 31, 2019) and provisions for 8.3 million euro (2.3 million euro at December 31, 2019), mainly related to provisions for risks.

The "EBIT" was negative by 7.4 million euro (positive by 117.1 million euro at December 31, 2019).

Financial operations reported a positive balance of 499.6 million euro (positive for 353.0 million euro at December 31, 2019). This item includes dividends from investee companies for 413.7 million euro (333.3 million euro at December 31, 2019), the exchange value of the investment in AEB S.p.A. for 139.6 million euro, deriving from the valuation made by an independent external expert that determined a higher value than the carrying amount, as well as financial expense for 53.7 million euro (76.8 million euro at December 31, 2019).

The "Result before taxes" was positive for 492.2 million euro (positive for 470.1 million euro at December 31, 2019).

"Income taxes" amounted to 55.4 million euro (expenses for taxes for 20.2 million euro at December 31, 2019). Taxation is mainly due to the booking of: i) income deriving from the recognition of the deduction of the loss on the sale of the shareholding in the company EPCG; ii) current tax calculated on taxable income for IRES; iii) reduction in deferred tax assets 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 negative and equal to 1.9 million euro (positive for 0.7 million euro at December 31, 2019) and refers to the sale of the shares, accounting for 4.16%, of the company Ascopiave S.p.A. for which A2A S.p.A. exercised the right of withdrawal, net of dividends collected during the year. In 2019, this item included both dividends received and the income from discounting the shareholding in EPCG to fair value.

The "Net result of the year" was positive for 545.7 million euro (450.6 million euro at December 31, 2019).

* * *

Net year capex amounted to 84.2 million euro and in particular involved interventions on the hydroelectric plants, IT equipment of the "New Data Center", fixed assets in progress, capex in the Group's information systems and software and net investments in equity.

Balance sheet and financial position

millions of euro	12 31 2020	12 31 2019	Changes
CAPITAL EMPLOYED			
Net fixed capital	**4,883.1**	**4,702.4**	**180.7**
- Tangible assets	1,000.4	1,002.6	(2.2)
- Intangible assets	100.8	87.1	13.7
- Shareholdings and other non-current financial assets (*)	3,961.5	3,796.5	165.0
- Other non-current assets/liabilities (*)	6.3	7.0	(0.7)
- Prepaid/deferred tax assets/liabilities	41.6	59.7	(18.1)
- Provisions for risks, charges and liabilities for landfills	(104.6)	(110.3)	5.7
- Employee benefits	(122.9)	(140.2)	17.3
of which with counter-entry to equity	*(23.5)*	*(21.2)*	
Net Working Capital and Other current assets/liabilities	**133.6**	**9.5**	**124.1**
Net Working Capital	**86.3**	**(10.0)**	**96.3**
- Inventories	64.3	106.9	(42.6)
- Trade receivables	872.1	655.9	216.2
- Trade payables	(850.1)	(772.8)	(77.3)
Other current assets/liabilities	**47.3**	**19.5**	**27.8**
- Other current assets/liabilities (*)	(15.3)	(30.6)	15.3
- Current tax assets/payables	62.6	50.1	12.5
of which with counter-entry to equity	*23.9*	*(17.5)*	
Assets/liabilities held for sale (*)	**0.4**	**-**	**0.4**
of which with counter-entry to equity	-	-	-
TOTAL CAPITAL EMPLOYED	**5,017.1**	**4.711.9**	**305.2**
SOURCES OF FUNDS			
Equity	**3,176.6**	**2,843.7**	**332.9**
Total financial position beyond one year	2,320.7	2,024.7	296.0
Total financial position within one year	(480.2)	(156.5)	(323.7)
Total net financial position	**1,840.5**	**1,868.2**	**(27.7)**
of which with counter-entry to equity	*(30.9)*	*(20.1)*	
TOTAL SOURCES	**5,017.1**	**4,711.9**	**305.2**

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

"Capital employed" totalled 5,017.1 million euro at December 31, 2020, partly covered by "Equity" in the amount of 3,176.6 million euro and net debt of 1,840.5 million euro; provided below are the main items that make up the Capital Employed.
The "Net fixed capital" amounted to 4,883.1 million euro, up 180.7 million euro compared to December 31, 2019.
Changes are detailed below:
- Tangible assets decreased by 2.2 million euro due to:
  - investments made during the year for a total of 21.1 million euro;
  - other increases of 58.4 million euro due to new contracts for rights of use signed during the year under review for 55.2 million euro, and the recognition of the decommissioning provision for the Calabria area for 3.2 million euro;
  - disposal of assets, net of accumulated depreciation, for 1.8 million euro;
  - decrease of 79.9 million euro for the depreciation charge for the year;
- Intangible assets increased by 13.7 million euro on December 31, 2019, due to:
  - investments made during the year for a total of 38.1 million euro;
  - other decreases of 3.3 million euro related to changes in environmental certificates and industrial CO_2 quotas of 2.7 million euro and reclassifications to other items the financial statements for 0.6 million euro;
  - decrease of 0.3 million euro for disposals following the sale of route optimization software to Amsa S.p.A.;
  - decrease of 20.8 million euro for the depreciation charge for the year;

- Shareholdings and Other non-current financial assets amounted to 3,961.5 million euro, up 165 million euro compared to December 31, 2019, attributable to:
  - net effect of the industrial partnership transaction with AEB S.p.A. of 139.6 million euro;
  - capital contribution subscribed in the investee company Yada Energia S.r.l. for 15 million euro;
  - acquisition of Suncity Energy S.r.l. for 4.3 million euro;
  - increase of 6.6 million euro following investments in innovative start-ups through Corporate Venture Capital projects;
  - reduction following the reclassification to "Assets held for sale" of the shareholding in Ge.S.I. for 0.5 million euro;
- other non-current assets and liabilities decreased by 0.7 million euro as a result of the partial repayment of security deposits paid to Terna in the previous year for participation in auctions on the capacity market, partly offset by a reduction in payables to minority shareholders of Linea Group Holding S.p.A. following a revision of the value of earn-out clauses;
- Deferred tax assets amounted to 41.6 million euro (59.7 million euro at December 31, 2019) and showed a decrease of 18.1 million euro attributable to the uses of the year, net of the relevant taxes;
- Provisions for risks, charges and liabilities for landfills evidenced a decrease of 5.7 million euro. Changes in the year were due to uses for 11.5 million euro relating to provisions for public water derivation fees, to the mobility provision for charges arising from the corporate restructuring plan and to other disputes with third parties and local authorities. In addition, there was an increase resulting from net accruals for the year of 8.1 million euro, related to public water derivation fees and ongoing litigation with third parties, and other decreases of 2.3 million euro due to the opposite effect of the decrease in the mobility provision and the provision for imbalances with Terna, partially offset by the increase in the decommissioning provision of the hydroelectric plants in Calabria, as well as provisions related to litigation with employees;
- Employee benefits decreased by 17.3 million euro, due to disbursements during the year and payments to pension funds and actuarial valuations, net of allocations during the year.

Net Working Capital and Other current assets/liabilities

The "Net Working Capital", defined as the algebraic sum of trade receivables, closing inventories and trade payables, amounted to 86.3 million euro, up 96.3 million euro compared to December 31, 2019. Comments on the main items are given below:

- "Inventories" amounted to 64.3 million euro (106.9 million euro at December 31, 2019), net of the related obsolescence provision for 0.7 million euro (0.6 million euro at December 31, 2019). The decrease is due to the reduction of 31.9 million euro in the stock of fuels and gas and of coal stocks held by third parties for 10.7 million euro;
- "Trade receivables" amounted to 872.1 million euro (655.9 million euro at December 31, 2019), with an increase of 216.2 million euro.
- The "Bad debts provision", calculated in compliance with IFRS 9, amounted to 6.1 million euro and showed a net decrease of 0.1 million euro compared to December 31, 2019;
- "Trade payables" amounted to 850.1 million euro, an increase of 77.3 million euro.
- "Other current assets/liabilities" evidenced a net increase of 27.8 million euro, due to:
  - net increase of 39.9 million euro in tax receivables for VAT, excise duties and other indirect taxes;
  - net increase in derivative assets for 31.5 million euro;
  - net increase in current tax assets for 12.5 million euro;
  - net decrease in receivables for prepayments of electricity futures contracts of 38.7 million euro;
  - decrease in advances to suppliers and current deferred assets for 12 million euro;
  - net increase in payables for tax consolidation for 5.9 million euro;
  - other increases in other current assets for 0.5 million euro.

"Assets/liabilities held for sale" were positive and equal to 0.4 million euro at December 31, 2020 and refer to the reclassification of the equity investment in Ge.S.I. S.r.l., equal to 47% of the share capital, the sale of which will be completed in the following year.

Equity

"Equity" amounted to 3,176.6 million euro and shows a positive change for a total of 332.9 million euro. The net profit for the year generated a positive effect of 545.7 million euro, offset by the distribution of 241 million euro in dividends. There was also a positive valuation of cash flow hedge derivatives and IAS 19 reserves for 28.2 million euro.

The "Net financial position" amounted to 1,840.5 million euro (1,868.2 million euro at December 31, 2019) and improved by 27.7 million euro. During the year, operations, including dividends paid to shareholders for 241 million euro, generated resources for 180.6 million euro, partially offset by resources absorbed by net investment in tangible and intangible assets and equity investments for 84.2 million euro. The effect of the application of IFRS 16 was negative and amounted to 54.7 million euro as a result of new contracts for rights of use stipulated during the year.

Overview of performance, financial conditions and net debt

millions of euro	12 31 2020	12 31 2019
NET FINANCIAL POSITION AT THE BEGINNING OF THE YEAR	**(1,868.2)**	**(2,082.0)**
EFFECT OF NON-RECURRING TRANSACTIONS	**-**	**(0.5)**
First-time application of IFRS 16	**-**	**(11.1)**
New contracts IFRS 16	**(54.7)**	**(4.4)**
Group net result of the year	545.7	450.6
Taxes for the year	(55.4)	20.3
Net interest of the year	53.7	76.9
Gains/losses for the year	1.2	(3.9)
Amortization	100.8	90.1
Write-downs/disposals of PPE and intangible assets	-	4,4
Net allocations for the year	8.3	2.3
Shareholdings write-up/down	-	(96.5)
Valuation of share exchange	(139.6)	-
Net interest paid	(50.6)	(73.3)
Net taxes paid/collected	52.2	(33.2)
Dividends paid	(241.0)	(217.6)
Change in receivables from customers	(216.4)	61.7
Change in payables to suppliers	77.4	(3.2)
Change in inventories	42.6	(12.2)
Other changes in net working capital	1.7	13.6
Cash flow from operating activities	**180.6**	**280.0**
Net cash used in investing activities	**(84.2)**	**(40.0)**
Other changes	(3.2)	(3.6)
Change in financial assets/liabilities with counter-entry to equity	(10.8)	(6.6)
NET FINANCIAL POSITION AT THE END OF THE YEAR	**(1,840.5)**	**(1,868.2)**

Below is a detail of the net debt:

millions of euro	12 31 2020	12 31 2019
Medium/long-term debt	3,789.5	3,174.8
Medium/long-term financial receivables	(1,468.8)	(1,150.0)
Total non-current net debt	**2,320.7**	**2,024.8**
Short-term debt	879.9	589.8
Short-term financial receivables	(412.8)	(386.3)
Cash and cash equivalents	(947.3)	(360.1)
Total current net debt	**(480.2)**	**(156.6)**
Net debt	**1,840.5**	**1,868.2**

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Financial statements

1.1 Balance sheet [(1)]
Assets

amounts in euro	Note	12 31 2020	12 31 2019
NON-CURRENT ASSETS			
Tangible assets	1	1,000,419,014	1,002,606,538
Intangible assets	2	100,819,490	87,118,089
Shareholdings	3	3,954,036,431	3,795,629,441
Other non-current financial assets	3	1,476,271,851	1,148,551,632
Deferred tax assets	4	41,585,738	59,687,881
Other non-current assets	5	11,917,684	15,346,408
Total non-current assets		**6,585,050,208**	**6,108,939,989**
CURRENT ASSETS			
Inventories	6	64,301,009	106,912,138
Trade receivables	7	872,115,857	655,905,922
Other current assets	8	505,533,864	476,999,925
Current financial assets	9	412,777,069	386,297,412
Current tax assets	10	62,592,398	50,082,993
Cash and cash equivalents	11	947,294,052	360,077,895
Total current assets		**2,864,614,249**	**2,036,276,285**
NON-CURRENT ASSETS HELD FOR SALE	12	**465,623**	**-**
TOTAL ASSETS		**9,450,130,080**	**8,145,216,274**

(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 35. Significant non-recurring events and transactions in the separate financial statements are provided in Note 36 pursuant to Consob Communication DEM/6064293 of July 28, 2006.

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Financial statements

Balance sheet

Income statement

Statement of comprehensive income

Cash-flow statement

Statement of changes in equity

Equity and liabilities

amounts in euro	Note	12 31 2020	12 31 2019
EQUITY			
Share capital	13	1,629,110,744	1,629,110,744
(Treasury shares)	14	(53,660,996)	(53,660,996)
Reserves	15	1,055,432,573	817,577,852
Net result of the year	16	545,729,183	450,622,909
Total equity		**3,176,611,504**	**2,843,650,509**
LIABILITIES			
Non-current liabilities			
Non-current financial liabilities	17	3,771,288,070	3,169,166,330
Employee benefits	18	122,952,128	140,247,448
Provisions for risks, charges and liabilities for landfills	19	104,592,610	110,362,650
Other non-current liabilities	20	23,815,726	11,563,404
Total non-current liabilities		**4,022,648,534**	**3,431,339,832**
Current liabilities			
Trade payables	21	850,137,382	772,766,564
Other current liabilities	21	520,846,017	507,605,803
Current financial liabilities	22	879,886,643	589,827,173
Tax liabilities	23	-	26,393
Total current liabilities		**2,250,870,042**	**1,870,225,933**
Total liabilities		**6,273,518,576**	**5,301,565,765**
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE		**-**	**-**
TOTAL EQUITY AND LIABILITIES		**9,450,130,080**	**8,145,216,274**

1.2 Income statement (1)

amounts in euro	Note	01 01 2020 12 31 2020	01 01 2019 12 31 2019
Revenues			
Revenues from the sale of goods and services		3,943,350,650	4,383,571,770
Other operating income		45,421,093	105,544,657
Total revenues	25	**3,988,771,743**	**4,489,116,427**
Operating expenses			
Expenses for raw materials and services		3,313,234,320	3,852,241,030
Other operating expenses		422,866,446	275,217,982
Total operating expenses	26	**3,736,100,766**	**4,127,459,012**
Labour costs	27	**150,968,919**	**148,148,105**
Gross operating income - EBITDA	28	**101,702,058**	**213,509,310**
Depreciation, amortization, provisions and write-downs	29	**109,076,423**	**96,355,123**
Net operating income - EBIT	30	**(7,374,365)**	**117,154,187**
Result from non-recurring transactions		**-**	**-**
Financial balance			
Financial income		581,056,815	452,352,639
Financial expenses		81,482,396	99,365,164
Result from disposal of other shareholdings		-	-
Total financial balance	31	**499,574,419**	**352,987,475**
Result before taxes		**492,200,054**	**470,141,662**
Income taxes	32	**(55,371,601)**	**20,264,675**
Result after taxes from operating activities		**547,571,655**	**449,876,987**
Net result from discontinued operations	33	**(1,842,472)**	**745,922**
NET RESULT OF THE YEAR	34	**545,729,183**	**450,622,909**

(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 35. Significant non-recurring events and transactions in the separate financial statements are provided in Note 36 pursuant to Consob Communication DEM/6064293 of July 28, 2006.

1.3 Statement of comprehensive income

amounts in euro	12 31 2020	12 31 2019
Net result of the year (A)	**545,729,183**	**450,622,909**
Actuarial gains/(losses) on Employee's Benefits booked in the Net equity	10,045,828	(2,092,788)
Tax effect of other actuarial gains/(losses)	(2,499,086)	570,079
Total actuarial gains/(losses) net of the tax effect (B)	**7,546,742**	**(1,522,709)**
Effective part of gains/(losses) on cash flow hedge	30,498,860	(34,102,536)
Tax effect of other gains/(losses)	(9,852,041)	9,917,548
Total other gains/(losses) net of the tax effect (C)	**20,646,819**	**(24,184,988)**
Gains/(losses) from recalculation of availiable 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)	**573,922,744**	**424,915,212**

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.

1.4 Cash-flow statement

amounts in euro	12 31 2020	12 31 2019 (**)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**360,077,895**	**509,947,205**
Operating activities		
Net Result	545,729,183	450,622,909
Net income taxes	(55,371,601)	20,264,675
Net financial interests	53,729,668	76,855,499
Capital gains/expenses	1,199,034	(3,859,910)
Tangible assets depreciation	79,980,239	76,047,018
Intangible assets amortization	20,810,652	14,032,393
Fixed assets write-downs/disposals	5,420	4,434,188
Net provisions	8,285,532	2,275,712
Shareholdings write-up/down	-	(96,500,000)
Shares exchange ratio	(139,588,612)	-
Net financial interests paid	(50,574,561)	(73,255,566)
Net taxes paid	52,152,837	(33,239,769)
Dividends paid	(240,961,749)	(217,642,870)
Change in trade receivables	(216,368,867)	61,690,361
Change in trade payable	77,370,818	(3,238,592)
Change in inventories	42,611,129	(12,175,302)
Other changes in net working capital	1,663,509	13,629,117
Cash flow from operating activities	**180,672,631**	**279,939,863**
Investment activities		
Investments in tangible assets	(21,120,302)	(23,659,060)
Investments in intangible assets	(38,154,919)	(21,935,972)
Investments in shareholdings and securities (*)	(67,837,415)	590,000
Disposal of fixed assets and shareholdings	42,880,567	5,001,100
Cash flow from investment activities	**(84,232,069)**	**(40,003,932)**
FREE CASH FLOW	**96,440,562**	**239,935,931**

(*) Cleared of balances in return of shareholders' equity and other balance sheet items.
(**) Values at December 31, 2019 have been reclassified according to the different presentation of the cash-flow statement adopted from December 31, 2020.

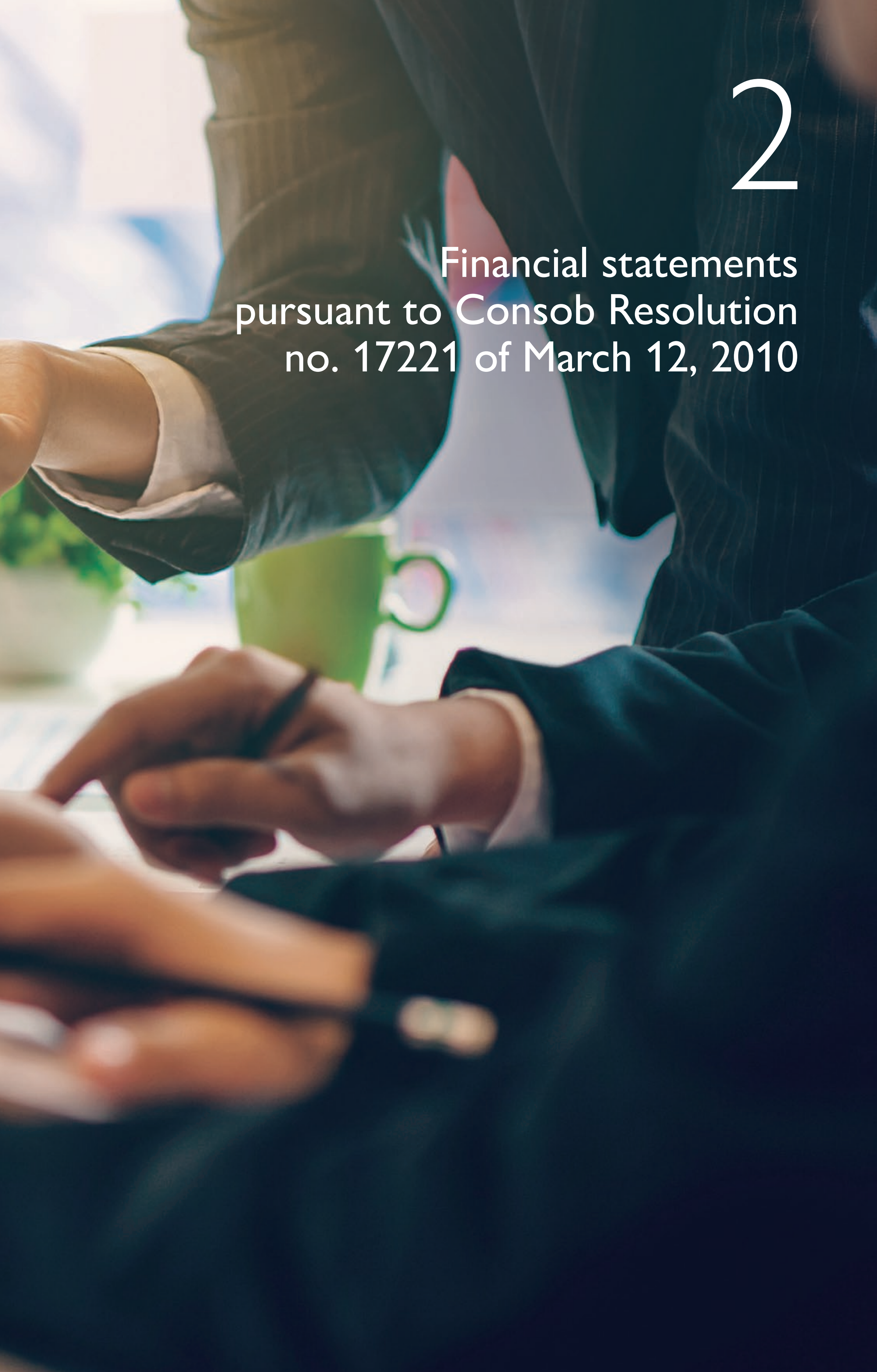
amounts in euro	12 31 2020	12 31 2019 (**)
Financing activities		
Changes in financial assets		
Change in intercompany currency accounts	(30,264,694)	227,652,435
Issuance of loans	(384,671,970)	(809,383,740)
Proceeds from loans	61,128,595	319,272,575
Other changes	6,135,914	(2,308,782)
Total changes in financial assets (*)	**(347,672,155)**	**(264,767,512)**
Changes in financial liabilities		
Change in intercompany currency accounts	(39,752,331)	21,369,164
Borrowings/bonds issued	1,000,000,000	440,000,000
Repayment of borrowings/bond	(107,685,761)	(573,216,034)
Other changes	(14,114,158)	(13,190,859)
Total changes in financial liabilities (*)	**838,447,750**	**(125,037,729)**
Cash flow from financing activities	**490,775,595**	**(389,805,241)**
CHANGE IN CASH AND CASH EQUIVALENTS	**587,216,157**	**(149,869,310)**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**947,294,052**	**360,077,895**

1.5 Statement of changes in equity

Description amounts in euro	**Share capital** **Note 13**	**Treasury shares** **Note 14**
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)**
Allocation of 2019 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, 2020	**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 740,440,409 (**)		
D: Reserves not avaliable		

(*) These form part of the statement of comprehensive income.
(**) Of which to fyscal moderate suspension equal to euro 124,783,022.

Reserves Note 15	Cash flow hedge Reserve Note 15	Available for sale Reserve Note 15	Net result of the year Note 16	Total equity
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**
450,622,909			(450,622,909)	-
(240,961,749)				(240,961,749)
	20,646,819			20,646,819
7,546,742				7,546,742
				-
			545,729,183	545,729,183
1,061,803,842	**(5,909,123)**	**(462,146)**	**545,729,183**	**3,176,611,504**
A-B-C	**D**			



2

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

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

amounts in euro	12 31 2020	of which Related Parties (note 35)	12 31 2019	of which Related Parties (note 35)
NON-CURRENT ASSETS				
Tangible assets	1,000,419,014	45,306,755	1,002,606,538	1,501,561
Intangible assets	100,819,490		87,118,089	
Shareholdings	3,954,036,431	3,954,036,431	3,795,629,441	3,795,629,441
Other non-current financial assets	1,476,271,851	1,468,890,342	1,148,551,632	1,147,697,845
Deferred tax assets	41,585,738		59,687,881	
Other non-current assets	11,917,684		15,346,408	
Total non-current assets	**6,585,050,208**		**6,108,939,989**	
CURRENT ASSETS				
Inventories	64,301,009		106,912,138	
Trade receivables	872,115,857	384,878,785	655,905,922	235,252,459
Other current assets	505,533,864	54,170,554	476,999,925	55,511,313
Current financial assets	412,777,069	412,777,069	386,297,412	386,297,412
Current tax assets	62,592,398		50,082,993	
Cash and cash equivalents	947,294,052		360,077,895	
Total current assets	**2,864,614,249**		**2,036,276,285**	
NON-CURRENT ASSETS HELD FOR SALE	**465,623**	**465,623**	**-**	**-**
TOTAL ASSETS	**9,450,130,080**		**8,145,216,274**	

Equity and liabilities

amounts in euro	12 31 2020	of which Related Parties (note 35)	12 31 2019	of which Related Parties (note 35)
EQUITY				
Share capital	1,629,110,744		1,629,110,744	
(Treasury shares)	(53,660,996)		(53,660,996)	
Reserves	1,055,432,573		817,577,852	
Net result of the year	545,729,183		450,622,909	
Total equity	**3,176,611,504**		**2,843,650,509**	
LIABILITIES				
Non-current liabilities				
Non-current financial liabilities	3,771,288,070	41,190,642	3,169,166,330	1,121,265
Employee benefits	122,952,128		140,247,448	
Provisions for risks, charges and liabilities for landfills	104,592,610	1,000,000	110,362,650	1,000,000
Other non-current liabilities	23,815,726		11,563,404	
Total non-current liabilities	**4,022,648,534**		**3,431,339,832**	
Current liabilities				
Trade payables	850,137,382	223,617,370	772,766,564	101,283,124
Other current liabilities	520,846,017	37,325,581	507,605,803	33,138,780
Current financial liabilities	879,886,643	398,682,192	589,827,173	433,133,625
Tax liabilities	-		26,393	
Total current liabilities	**2,250,870,042**		**1,870,225,933**	
Total liabilities	**6,273,518,576**		**5,301,565,765**	
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	**-**		**-**	
TOTAL EQUITY AND LIABILITIES	**9,450,130,080**		**8,145,216,274**	

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

amounts in euro	01 01 2020 12 31 2020	of which Related Parties (note 35)	01 01 2019 12 31 2019	of which Related Parties (note 35)
Revenues				
Revenues from the sale of goods and services	3,943,350,650	1,553,187,684	4,383,571,770	1,550,489,027
Other operating income	45,421,093	5,624,003	105,544,657	69,566,250
Total revenues	**3,988,771,743**		**4,489,116,427**	
Operating expenses				
Expenses for raw materials and services	3,313,234,320	173,763,299	3,852,241,030	197,960,662
Other operating expenses	422,866,446	328,220,557	275,217,982	188,837,065
Total operating expenses	**3,736,100,766**		**4,127,459,012**	
Labour costs	**150,968,919**	**1,282,005**	**148,148,105**	**1,644,913**
Gross operating income - EBITDA	**101,702,058**		**213,509,310**	
Depreciation, amortization, provisions and write-downs	**109,076,423**	**4,373,810**	**96,355,123**	**338,460**
Net operating income - EBIT	**(7,374,365)**		**117,154,187**	
Result from non-recurring transactions	**-**		**-**	
Financial balance				
Financial income	581,056,815	580,304,742	452,352,639	451,577,963
Financial expenses	81,482,396	414,968	99,365,164	56,746
Result from disposal of other shareholdings	-		-	
Total financial balance	**499,574,419**		**352,987,475**	
Result before taxes	**492,200,054**		**470,141,662**	
Income taxes	**(55,371,601)**		**20,264,675**	
Result after taxes from operating activities	**547,571,655**		**449,876,987**	
Net result from discontinued operations	**(1,842,472)**		**745,922**	
NET RESULT OF THE YEAR	**545,729,183**		**450,622,909**	

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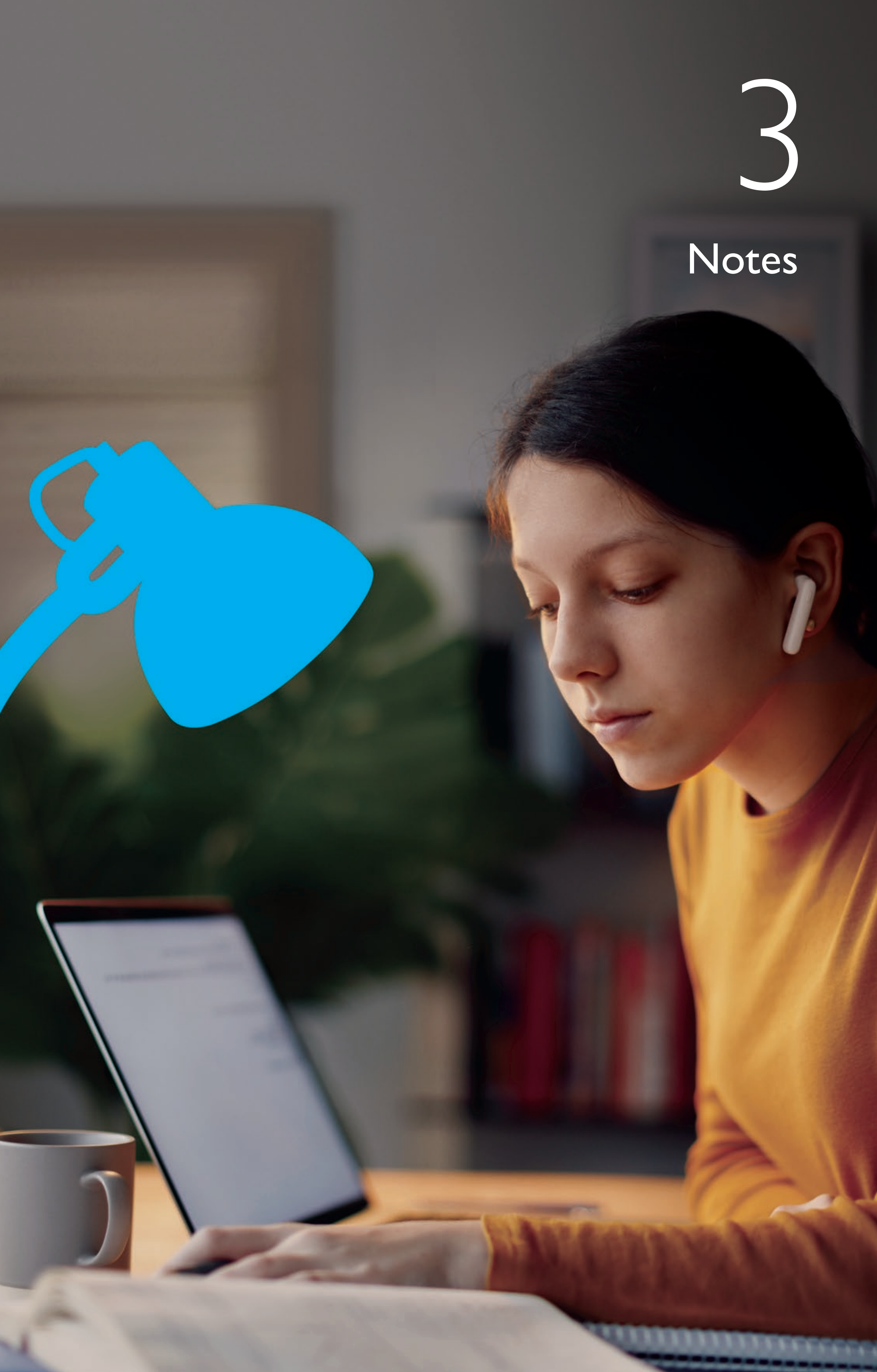
Notes



3.1 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, 2020, 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, 2020 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, 2019 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, 2020.

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, 2020, were approved on March 18, 2021, 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.

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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

3.2 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.

It should be noted that the financial statements presented are unchanged from those used in the preparation of the Separate Financial Statements for the year ended December 31, 2019, with the exception of the Statement of Cash Flows for which the amounts at December 31, 2019 have been reclassified from the published financial statements to conform to a new presentation of items adopted from December 31, 2020.

3.3 Basis of preparation

The separate financial statements as at December 31, 2020, 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, 2019, except as specified below regarding newly enacted standards.

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

Guarantees and commitments with third parties

Other information

3.4 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, 2020.
The following paragraph, "Accounting standards, amendments and interpretations approved by the European Union" instead detail the accounting standards and interpretations already issued, not yet approved by the European Union and therefore not applicable for the preparation of the financial statements at December 31, 2020, any impacts of which will then be transposed as of the financial statements of the following years.

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

As from January 1, 2020, applicable to the Group are the following additions to specific paragraphs of the international accounting standards already adopted by the Group companies in previous years:

- IAS 1 and IAS 8: approved on December 10, 2019 and in force from financial statements ending as of January 1, 2020, the integration provides a new definition of information relevance, also introducing the concept of concealing information. In particular, according to this integration, information is relevant if it is reasonable to assume that its omission, incorrect indication or concealment may influence the decisions that the main users of the financial statements prepared for general purposes take on the basis of the financial statements, which provide financial information about the specific entity that prepares the financial statements. This integration has had no effect on the information provided in the Financial Report or on the Group's economic and financial results;
- IFRS 9, IAS 39 and IFRS 7: approved on January 16, 2020 and effective as of January 1, 2020, the supplement to the standards in question provides scope of application to the reforming major interest rate benchmarks with which the European Council for financial stability issued recommendations aimed at strengthening existing reference indices and other potential reference rates based on interbank markets and developing alternative reference rates that are almost risk-free. This integration did not have any impact on the Group's economic and financial results;
- IFRS 3 "Business Combinations": approved on April 22, 2020 and effective from financial statements ended as of January 1, 2020, the integration aims to clarify the concept of Business, fundamental in the definition of a business combination. It is clarified that the key concepts of a business are: a) production factors, i.e. any economic resource that creates production or is capable of contributing to the creation of production when one or more processes are applied to it; b) process, i.e. any system, standard, protocol, convention or rule that, when applied to production factors, creates production or is capable of contributing to the creation of production; c) production, i.e. the result of production factors and processes applied to production factors that provide goods or services to customers, generate investment income (such as dividends or interest) or generate other income from ordinary operations. This integration did not have any impact on the Group's economic and financial results;
- IFRS 16 "Leases": approved on October 12, 2020 and applicable to all financial statements closed from June 1, 2020, the integration aims to neutralize the accounting effects resulting from changes in lease payments (cancellation or reduction of lease payments) arising from agreements between parties in consideration of the negative effects of Covid-19. In the absence of such action by the regulator, these amendments would have resulted in a restatement of the financial liability and the carrying amount of the asset consisting of the right of use, resulting in a significant administrative burden. This integration did not have any impact on the Group's economic and financial results since the payments related to contracts covered by IFRS 16 were not changed.

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, 2023. No impacts are expected on the Group's economic and financial situation;
- on January 23, 2020 and July 15, 2020, the IASB issued two additions to IAS 1 "Presentation of Financial Statements" that aim to better define the concept of liabilities and the related classification between short and medium/long-term. Specifically, emphasis is placed on the temporal concept of transferring money or other resources to the counterparty to settle the liability. The integration will be applicable to financial statements for the period beginning January 1, 2022 and is not expected to have an impact on the Group's economic and financial situation;
- on October 22, 2018, the IASB issued a supplement to IFRS 3 "Business Combinations", applicable from financial statements ending January 1, 2022 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 Group's economic and financial situation. On May 14, 2020, the IASB issued amendments to IAS 16 "Property, Plant and Equipment" and IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" both applicable to financial statements ending January 1, 2022. The amendment to IAS 16 clarifies the prohibition on deducting from the cost of the tangible asset any revenues deriving from the sale of materials used during the period of production and start-up of the asset. These revenues are recognized in the Income Statement when realised. The amendment to IAS 37 specifies the costs to be included when considering the obligation arising from the conclusion of an onerous contract. The amendment provides for the application of the directly related cost approach. Costs that relate directly to a contract for the provision of goods or services include both incremental costs and costs directly attributed to contractual activities. General and administrative expenses are not directly related to a contract and are excluded unless they are explicitly chargeable to the other party under the contract. No impacts are expected on the Group's economic and financial situation;

- on September 26, 2019, the IASB issued an amendment to IFRS 9, IAS 39 and IFRS 7, applicable from financial statements ending January 1, 2022, 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 Group's economic and financial situation;
- on June 24, 2020, the IASB issued, as part of the 2018-2020 improvement file, a supplement to IFRS 9 clarifying the fees that an entity includes in determining whether the terms of a new or amended financial liability are materially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender. The amendment will be effective for financial years beginning on January 1, 2022, and is not expected to have an impact on the Group's economic and financial situation.

3.5 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.

Tangible assets

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 % - 11.0 %
• production plants	0.2 % - 12.8 %
• distribution networks	1.4 % - 10.0 %
• miscellaneous equipment	10.0 % - 12.0 %
• mobile phones	100.0 %
• furniture and fittings	6.0 % - 16.7 %
• electric and electronic office machines	10.0 % - 25.0 %
• means of transport	10.0 %
• improvements to third-party assets - buildings	6.0 % - 20.0 %

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.

The following amortization rates are applied to intangible assets with a definite useful life:
- industrial patents and intellectual property rights ______ 33.0 % - 50.0 %
- concessions, licenses, trademarks and similar rights ______ 7.0 % - 33.3 %
- other tangible assets ______ 2.0 % - 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, and/or as a financial asset if the operator has the right to receive payment from the public sector entity.

Impairment/Reversal of tangible assets, intangible assets and equity investments

Tangible assets, intangible assets and investments 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 impairment with an estimate of the related recoverable amount.

The recoverable amount of an asset or investment 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 investment, the entity 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 or investment. If the recoverable amount of an asset or investment is lower than its carrying amount, a loss is recognized in the Income Statement. If a loss recognized for an asset other than goodwill no longer exists or is reduced, the carrying amount of the asset or cash-generating unit is increased to the new estimate of recoverable value, which may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset. 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.

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 in the Income Statement.

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.

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 in the Income Statement as a reclassification adjustment in the same period or periods during which the hedged cash flows impact profit or loss.

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.
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 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 assessing the recoverability of assets, 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 2021-2030 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.

Revenue recognition

Revenues for the year include income from the sale of electricity and gas, including through sales on the IPEX markets, from the sale of environmental certificates and from the provision of administrative, fiscal, legal, management and technical services, as well as incentives on net production from renewable sources and rental income. It should be noted that the processes and methods for evaluating and determining these types of revenue do not require the use of complex assumptions.

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 debts 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, estimated by independent experts, 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.

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.

3.6 Notes to the balance sheet

ASSETS

NON-CURRENT ASSETS

1) Tangible assets

thousands of euro	Balance at 12 31 2019	Changes during the year					Balance at 12 31 2020
		Invest.	Other changes	Disposals net of the provision	Amort.	Total changes	
Land	32,335		214	(52)		162	32,497
Buildings	214,984	538	254	(1,708)	(9,646)	(10,562)	204,422
Plant and machinery	716,172	1,661	9,943	(5)	(55,526)	(43,927)	672,245
Industrial and commercial equipment	2,096	722			(366)	356	2,452
Other assets	11,776	2,787	(31)		(5,211)	(2,455)	9,321
Construction in progress and advances	15,560	15,409	(7,115)			8,294	23,854
Leasehold improvements	62	3			(15)	(12)	50
Assets for rights of use	9,621		55,173		(9,216)	45,957	55,578
Total tangible assets	**1,002,606**	**21,120**	**58,438**	**(1,765)**	**(79,980)**	**(2,187)**	**1,000,419**
of which:							
Historical cost	2,819,712	21,120	57,426	(4,355)		74,191	2,893,903
Accumulated amortization	(1,464,617)		1,012	2,590	(79,980)	(76,378)	(1,540,995)
Write-downs	(352,489)						(352,489)

At December 31, 2020, “Tangible assets” amounted to 1,000,419 thousand euro (1,002,606 thousand euro in the previous year) and show a decrease of 2,187 thousand euro resulting from the following transactions:

- capex for 21,120 thousand euro;
- other positive changes of 58,438 thousand euro due to new contracts for rights of use stipulated during the reporting year, for 55,173 thousand euro, the recognition of the decommissioning provision mainly for the Calabria area, for 3,297 thousand euro and negative changes for reclassifications to other items in the financial statements for 32 thousand euro;
- disposal of assets, net of accumulated depreciation, for 1,765 thousand euro;
- amortization for the year for 79,980 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:

- “Buildings” for a total amount of 538 thousand euro.
- In detail, they refer: for 354 thousand euro to various interventions on the buildings in Via della Signora, Piazza Trento, Bovisa, Caracciolo, Gonin Warehouse, Orobia, Piazza Po, Canavese in Milan; for 71 thousand euro to investments in the office in via Lamarmora in Brescia; for 44 thousand euro to restructuring interventions of the guard house of the Arvo dam and for 69 thousand euro other interventions on buildings;
- “Plant and machinery” for 1,661 thousand euro.
- In particular, they refer to interventions for 223 thousand euro on the power plants of the Calabria Unit; for 619 thousand euro on the power plants of the Valtellina Unit; for 491 thousand euro on the power plants of the Mese and Udine Unit; for 328 thousand euro for telematic and telephone wiring;
- “Industrial and commercial equipment” for 722 thousand euro;
- “Other assets” amounted to 2,787 thousand euro; in detail, they refer for 2,321 thousand euro to IT equipment of the “New Data Center”, for 404 thousand euro to furniture and furnishings and for 62 thousand euro to assets of less than 516 euro;
- “Construction in progress and advances” for an amount of 15,409 thousand euro;
- “Leasehold improvements” for 3 thousand euro.

"Tangible assets" include "Construction in progress and advances" for 23,854 thousand euro (15,560 thousand euro at December 31, 2019), presenting an increase of 8,294 thousand euro resulting from the counter effects of the following items:

- the increase of 15,409 thousand euro is mainly attributable to: for 4,560 thousand euro to works on buildings (mainly on the areas of Piazza Trento and Southern Receiver in Milan, on the headquarters in via Lamarmora in Brescia and on the buildings in Grosio); for 10,849 thousand euro to interventions on plant and machinery, mainly on the hydroelectric plants of the Calabria Unit (4,527 thousand euro), on the hydroelectric plants of the Mese and Udine Unit (3,633 thousand euro), on the plants of the Valtellina Unit (2,589 thousands of euro), to interventions on the data, electricity and telephone networks in Valtellina (32 thousand euro) and to the improvement of other plants (68 thousand euro);
- the decrease due to the entry into operation amounted to 7,115 thousand euro and is attributable for 6,946 thousand euro to interventions on the production plants (of which 3,430 thousand euro on the Mese and Udine plants, 1,899 thousand euro for the hydroelectric plants of Calabria, 1,609 thousand euro on the plants in Valtellina as well as 8 thousand euro on other minor plants) and for 169 thousand euro on the conclusion of works relating mainly to the buildings of the Lamarmora headquarters.

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 Law Decree December 14, 2018, no. 135 Simplifications Law Decree), 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 section "Regulatory Changes and Impacts on the Business Units of the A2A Group - Generating and Trading Business Unit" in the Report on Operations. The Company is continuing to analyze the impact of regulatory amendments, also in light of the new regulations issued in 2020, and confirms, to date, that the amounts recognized in the financial statements for dry and wet works related to hydroelectric concessions are prudent and recoverable also in accordance with the new regulations.

Tangible assets include "Assets for rights of use" totalling 55,578 thousand euro (9,621 thousand euro at December 31, 2019), recognized in accordance with IFRS 16 and for which the outstanding payable to lessors at December 31, 2020 amounted to 57,120 thousand euro (9,565 million thousand at December 31, 2019). Below is a breakdown of Assets for rights of use deriving from operating and financial leases at December 31, 2020:

Assets consisting of rights of use thousands of euro	Balance at 12 31 2019	Changes during the year			Balance at 12 31 2020
		Other changes	Amort.	Total changes	
Land	97	23	(43)	(20)	77
Buildings	4,433	6,172	(2,731)	3,441	7,874
Other assets	-	48,027	(4,002)	44,025	44,025
Vehicles	5,091	951	(2,440)	(1,489)	3,602
Total	**9,621**	**55,173**	**(9,216)**	**45,957**	**55,578**

It is specified that 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.

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.

It should be noted that the amendment to IFRS 16, issued in June 2020, with the objective of neutralizing the effect of the restatement of the value of the right of use and the related financial liability as a result of suspension/reduction of lease/rental fees as a result of the COVID-19 pandemic, did not have an impact on the company as it was not necessary to reach agreements to this effect.

2) Intangible assets

thousands of euro	Balance at 12 31 2019	Changes during the year					Balance at 12 31 2020
		Invest.	Other changes	Disposals net of the provision	Amort.	Total changes	
Industrial patents and intellectual property rights	16,226	5,581	2,942		(8,254)	269	16,495
Concessions, licences, trademarks and similar rights	21,290	18,202	849		(12,531)	6,520	27,810
Goodwill	35,641						35,641
Assets in progress	9,080	14,276	(4,414)	(294)		9,568	18,648
Other intangible assets	4,881	96	(2,726)		(26)	(2,656)	2,225
Total intangible assets	**87,118**	**38,155**	**(3,349)**	**(294)**	**(20,811)**	**13,701**	**100,819**

At the reporting date, "Intangible assets" amounted to 100,819 thousand euro (87,118 thousand euro at December 31, 2019).

"Intangible assets" in 2020 increased by 13,701 thousand euro resulting from the following:
- capex for 38,155 thousand euro;
- decreases of 3,349 thousand euro related to changes in environmental certificates and industrial CO_2 quotas (2,741 thousand euro) and reclassifications to other items in the financial statements (608 thousand euro);
- decrease of 294 thousand euro for disposals following the sale of route optimization software to Amsa S.p.A.;
- amortization for 20,811 thousand euro accounted for in the year.

More specifically, capex during the year refer to the following:
- 5,581 thousand euro for industrial patents and intellectual property rights mainly concerning the implementation of information technology and computer systems;
- 18,202 thousand euro for concessions, licences, trademarks and similar rights related to the purchase of software;
- 14,276 thousand euro for intangible assets under construction;
- 96 thousand euro for other intangible assets.

Included in the total balance of "Intangible assets" are "Assets in progress" for 18,648 thousand euro (9,080 thousand euro as at December 31, 2019), resulting in an increase of 9,568 thousand euro due to the combined effect of the following items:
- the increase of 14,276 thousand euro mainly relating to the development of new IT projects;
- decrease of 4,414 thousand euro due to the transition to use of software and computer applications;
- decrease of 294 thousand euro following the sale of route optimization software to Amsa S.p.A..

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

Goodwill

thousands of euro	Balance at 12 31 2019	Changes during the year					Balance at 12 31 2020
		Invest.	Reclass./ Other changes	Disp./ Write-downs	Amort.	Totale changes	
Goodwill	35,641						35,641
Total goodwill	**35,641**	**-**	**-**	**-**	**-**	**-**	**35,641**

Goodwill equal to 35,641 thousand euro at December 31, 2020, unchanged compared to the end of the previous year, 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.

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 include the goodwill in question. For the year 2020, it did not produce any value adjustments.

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 2019	Changes during the year	Balance at 12 31 2020	*of which included in the NFP*	
				12 31 2019	*12 31 2020*
Shareholdings in subsidiaries	3,793,552	158,873	3,952,425		
Shareholdings in affiliates	2,077	(466)	1,611		
Other non-current financial assets	1,148,552	327,720	1,476,272	*1,147,655*	*1,468,848*
Total shareholdings and other non-current financial assets	**4,944,181**	**486,127**	**5,430,308**	***1,147,655***	***1,468,848***

Shareholdings in subsidiaries

"Shareholdings in subsidiaries" amounted to 3,952,425 thousand euro (3,793,552 thousand euro as at December 31, 2019).

The following table illustrates the changes during the year:

Shareholdings in subsidiaries thousands of euro	TOTAL
Balance at December 31, 2019	**3,793,552**
Changes during the year:	
- acquisitions and capital increases	57,335
- sales and decreases	(38,050)
- reversals	
- write-downs	
- exchange assessments	139,588
- reclassifications	
- other changes	
Total changes during the year	**158,873**
Balance at December 31, 2020	**3,952,425**

The value of shareholdings in subsidiaries presented an increase of 158,873 thousand euro with respect to the close of the previous fiscal year and is attributed to the following changes:

- increase of 15,000 thousand euro relating to the capital contribution subscribed in the investee company Yada Energia S.r.l.;
- increase of 4,275 thousand euro due to the acquisition of Suncity Energy S.r.l. from the subsidiary A2A Energy Solution S.r.l.;
- increase of 10 thousand euro due to the establishment of A2A Idrogen2 S.r.l.;
- increase of 139,588 thousand euro due to the overall effect of the industrial partnership transaction with Ambiente Energia Brianza S.p.A. (AEB S.p.A.), details of which can be found in the section "Significant events during the year" of the Report on Operations, which led to the following changes:
  - decrease of 19,050 thousand euro as a result of the contribution by A2A S.p.A. of the shareholding in A2A Illuminazione Pubblica S.r.l. to the subsidiary Unareti S.p.A., and the simultaneous partial

demerger of the gas distribution business relating to certain municipalities in the provinces of Bergamo and Milan, belonging to the subsidiary Unareti S.p.A., and of the shareholding in A2A Illuminazione Pubblica S.r.l. to AEB S.p.A., with effect from November 1, 2020;
- recognition in A2A S.p.A. of the shareholding of 33.52% of the share capital of AEB S.p.A., for 158,638 thousand euro, equal to the fair value of the net assets transferred and described above, based on the value determined by an independent external appraiser for the purposes of determining the exchange at the time of the issue of AEB S.p.A. shares to be assigned to A2A S.p.A..

Further information regarding movements involving shareholdings in subsidiary companies may be found within annexes 3/a and 4/a 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 1,611 thousand euro (2,077 thousand euro at December 31, 2019); the decrease of 466 thousand euro refers to the reclassification, in compliance with IFRS 5, to the item "Assets held for sale" of the shareholding in Ge.S.I. S.r.l., equal to 47% of the share capital, following the exercise of the put option subscribed on November 23, 2020 of the entire shareholding.

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

Impairment of shareholdings in subsidiaries, affiliates 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).

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.

During the reporting year, shareholdings did not require any write-downs/write-backs.

Other non-current financial assets

"Other non-current financial assets" amounted to 1,476,272 thousand euro (1,148,552 thousand euro as at December 31, 2019), of which:
- financial assets measured at amortized cost (HTC) for 1,468,848 thousand euro (1,147,655 thousand euro at December 31, 2019), which refer:
  - for 1,468,752 thousand euro (1,147,559 thousand euro at December 31, 2019) to financial assets with related parties. This item refers to loans to subsidiaries the significant increase of which 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;
- other financial assets of 6,527 thousand euro relating to shareholdings in innovative start-ups through corporate venture capital projects.

4)) Deferred tax assets

thousands of euro	Balance at 12 31 2019	Net changes during the year	Balance at 12 31 2020
Deferred tax assets	**59,688**	**(18,102)**	**41,586**

The item, equal to 41,586 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" recorded in the financial statements for IRES purposes is considered likely, as the future plans envisage IRES taxable income sufficient for the absorption of the temporary differences that will be reversed at tax consolidation level.

For the years of the plan between 2021 and 2025 in which IRAP taxable income is not expected to be sufficient to absorb the IRAP temporary differences, the relative IRAP deferred tax assets and liabilities have been reversed, with reference to the items in the financial statements for which the actual change can be estimated over the relevant time period.

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

At December 31, 2020, the amounts relative to deferred tax assets/deferred tax liabilities have been expressed as net ("offsetting") as per IAS 12.

This item is detailed within the table below:

thousands of euro	Balance at 12 31 2020	Balance at 12 31 2019
Value differences of tangible assets	110,515	131,810
Adoption of the finance lease standard (IFRS 16)	3,897	348
Measurement differences of intangible assets	2,557	2,522
Deferred capital gains	8	15
Other deferred tax liabilities	4,294	4,404
Deferred tax liabilities (A)	**121,271**	**139,099**
Taxed risk provisions	43,622	47,260
Amortization, depreciation and write-downs	54,810	71,528
Bad debts provision	2,550	2,565
Provisions and employee benefits	12,152	14,669
Goodwill	47,338	50,466
Other deferred tax assets	2,385	12,299
Deferred tax assets (B)	**162,857**	**198,787**
Net effect deferred tax assets (B-A)	**41,586**	**59,688**

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

5) Other non-current assets

thousands of euro	Balance at 12 31 2019	Changes during the year	Balance at 12 31 2020	*of which included in the NFP*	
				12 31 2019	*12 31 2020*
Non-current derivatives	2,381	(2,381)	-	*2,381*	-
Other non-current assets	12,966	(1,048)	11,918	-	-
Total other non-current assets	**15,347**	**(3,429)**	**11,918**	***2,381***	**-**

"Other non-current assets" amounted to 11,918 thousand euro (15,347 thousand euro at December 31, 2019) with a decrease compared to the previous year of 3,429 thousand euro and consisted of other non-current receivables referring to security deposits (12,966 thousand euro at December 31, 2019), the decrease of which is attributable to the partial repayment of security deposits paid to Terna during the previous year by way of participation in auctions on the capacity market. At December 31, 2019, this item included 2,381 thousand euro related to the fair value measurement of non-current derivative instruments that had a debit balance at the end of the reporting year.

CURRENT ASSETS

6) Inventories

thousands of euro	Balance at 12 31 2019	Changes during the year	Balance at 12 31 2020
- Materials	1,222	110	1,332
- Material obsolescence provision	(634)	(36)	(670)
Total material	**588**	**74**	**662**
- Fuel	95,555	(31,916)	63,639
Raw and ancillary materials and consumables	**96,143**	**(31,842)**	**64,301**
Third-party fuel	**10,769**	**(10,769)**	**-**
Total inventories	**106,912**	**(42,611)**	**64,301**

Inventories at December 31, 2020 amounted to 64,301 thousand euro (106,912 thousand euro at December 31, 2019); changes during the year were negative for 42,611 thousand euro and mainly refer to the decrease in natural gas inventories and the zeroing of fuel inventories held by third parties.
This item includes:
- inventories of materials amounting to 662 thousand euro, net of relative provisions for obsolescence for 670 thousand euro;
- inventories of fuels, for 63,639 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 from third parties at December 31, 2020 were equal to zero, while at December 31, 2019, they amounted to 10,769 thousand euro and referred to coal at the Capodistria warehouse not yet cleared of customs in Italy.

7) Trade receivables

thousands of euro	Balance at 12 31 2019	Changes during the year	Balance at 12 31 2020
Trade receivables - invoices issued	29,667	6,637	36,304
Trade receivables - invoices to be issued	632,433	209,501	841,934
Bad debt provision	(6,194)	72	(6,122)
Total trade receivables	**655,906**	**216,210**	**872,116**

At December 31, 2020, trade receivables amounted to 872,116 thousand euro (655,906 thousand euro at December 31, 2019) and increased by 216,210 thousand euro.
These receivables include:
- 487,237 thousand euro of receivables from customers;
- 384,879 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 6,122 thousand euro, a decrease of 72 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 2019	Provisions	Utilizations	Other changes	Balance at 12 31 2020
Bad debt provision	**6,194**	**159**	**(231)**	**-**	**6,122**

The following is the aging of trade receivables:

thousands of euro	Balance at 12 31 2019	Balance at 12 31 2020
Trade receivables of which:	**655,906**	**872,116**
Current	**21,816**	**27,101**
Past due of which:	**7,851**	**9,203**
- Past due up to 30 days	1,079	2,646
- Past due from 31 to 180 days	724	559
- Past due from 181 to 365 days	(124)	56
- Past due over 365 days	6,172	5,942
Invoices to be issued	**632,433**	**841,934**
Bad debts provision	**(6,194)**	**(6,122)**

8) Other current assets

thousands of euro	Balance at 12 31 2019	Changes during the year	Balance at 12 31 2020	*of which included in the NFP*	
				12 31 2019	*12 31 2020*
Current derivatives	371,479	54,473	425,952	-	-
Other current assets of which:	105,521	(25,939)	79,582	-	-
- advances to suppliers	10,907	(10,291)	616		
- receivables from employees	193	1	194		
- tax receivables	2,058	5,222	7,280		
- receivables related to future years	8,658	(1,691)	6,967		
- receivables from subsidiaries for tax consolidation	55,459	(1,288)	54,171		
- receivables from social security entities	882	(53)	829		
- receivables for water derivation fees	52	-	52		
- Stamp office	124	(1)	123		
- receivables for security deposits	1,174	167	1,341		
- receivables from Ergosud	2,175	-	2,175		
- other sundry receivables	23,839	(18,005)	5,834		
Total other current assets	**477,000**	**28,534**	**505,534**	**-**	**-**

"Other current assets" presented a balance of 505,534 thousand euro (477,000 thousand euro at December 31, 2019), an increase of 28,534 thousand euro with respect to the previous year.
"Current derivative instruments" amounting to 425,952 thousand euro (371,479 thousand euro at December 31, 2019) 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 403,141 thousand euro in "Current derivatives".

Tax receivables, amounting to 7,280 thousand euro, refer to receivables from the tax authorities for excise duties for 6,192 thousand euro, a tax credit from the tax authorities for research and development activities recognized for the purposes provided for by art. 3 of Law Decree No. 145 of December 23, 2013 and the Decree of May 27, 2015 issued by the Minister of Economy and Finance in agreement with the Minister of Economic Development for 861 thousand euro, to a tax credit from the tax authorities for sanitization and the purchase of protection devices pursuant to art. 125 of Law Decree 34/2020 (Decreto Rilancio - Relaunch Decree) for 28 thousand euro, as well as other receivables for 199 thousand euro.
Receivables from subsidiaries for the Group tax consolidation and VAT regime amounted to 54,171 thousand euro.

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 include a receivable of 3,295 thousand euro from SNAM for the recalculation of gas imbalances for previous years. The decrease of 18,005 thousand euro compared with the previous year is mainly due to lower prepayments on electricity futures contracts, which will become effective in the following year.

9) Current financial assets

thousands of euro	Balance at 12 31 2019	Changes during the year	Balance at 12 31 2020	*of which included in the NFP*	
				12 31 2019	*12 31 2020*
Financial assets measured at amortized cost (HTC) of which:					
- third parties	-	-	-	-	-
- related parties	386,297	26,480	412,777	*386,297*	*412,777*
Total financial assets measured at amortized cost (HTC)	**386,297**	**26,480**	**412,777**	*386,297*	*412,777*
Total current financial assets	**386,297**	**26,480**	**412,777**	***386,297***	***412,777***

"Current financial assets" refer to "Financial assets measured at amortized cost (HTC)" totalling 412,777 thousand euro (386,297 thousand euro at December 31, 2019) and refer:

- for 412,777 thousand euro, to financial receivables from subsidiaries for both the balance of intra-group current accounts on which interest rates are applied, at market conditions, with a variable Euribor basis with specific spreads for companies and for the current portion of loans granted to subsidiaries;
- in 2019, this item included 250 thousand euro related to financial receivables from associates repaid in 2020.

This item increased by 26,480 thousand euro due to the combined effect of higher receivables for loans granted to subsidiaries and higher receivables accrued on correspondence current accounts.

10) Current tax assets

thousands of euro	Balance at 12 31 2019	Changes during the year	Balance at 12 31 2020
Current tax assets	**50,083**	**12,509**	**62,592**

At December 31, 2020, this item amounted to 62,592 thousand euro (50,083 thousand euro at December 31, 2019) and refers to IRAP receivables (12,047 thousand euro), IRES receivables (49,920 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.

11) Cash and cash equivalents

thousands of euro	Balance at 12 31 2019	Changes during the year	Balance at 12 31 2020	*of which included in the NFP*	
				12 31 2019	*12 31 2020*
Cash and cash equivalents	**360,078**	**587,216**	**947,294**	***360,078***	***947,294***

"Cash and cash equivalents" at December 31, 2020 amounted to 947,294 thousand euro (360,078 thousand euro at December 31, 2019), with an increase of 587,216 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, 2020 are free from any kind of restriction, block, even temporary, and pledge.

12) Non-current assets held for sale

thousands of euro	Balance at 12 31 2019	Changes during the year	Balance at 12 31 2020
Non-current assets held for sale	**-**	**466**	**466**

The item "Non-current assets held for sale" at December 31, 2020 amounted to 466 thousand euro (zero balance at December 31, 2019) and refers to the reclassification of the shareholding in Ge.S.I. S.r.l., equal to 47% of the share capital, following the exercise of the put option subscribed on November 23, 2020 of the entire shareholding.

EQUITY AND LIABILITIES

EQUITY

Equity, which at December 31, 2020 amounted to 3,176,611 thousand euro (2,843,650 thousand euro at December 31, 2019), is set forth within the following table:

thousands of euro	Balance at 12 31 2019	Changes during the year	Balance at 12 31 2020
Equity			
Share capital	1,629,111	-	1,629,111
(Treasury shares)	(53,661)	-	(53,661)
Reserves	817,577	237,855	1,055,432
Net result of the year	450,623	95,106	545,729
Total equity	**2,843,650**	**332,961**	**3,176,611**

13) Share capital

At December 31, 2020, 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, 2019 and consist of 23,721,421 own shares held by the company.

15) Reserves

thousands of euro	Balance at 12 31 2019	Changes during the year	Balance at 12 31 2020
Reserves	**817,577**	**237,855**	**1,055,432**
of which:			
- Change in fair value of derivatives Cash flow hedges and fair value bonds	(37,448)	30,499	(6,949)
- Tax effect	10,892	(9,852)	1,040
Cash flow hedge reserves and fair value bonds	**(26,556)**	**20,647**	**(5,909)**
Change in the IAS 19 Revised reserve - Employee Benefits	(52,203)	10,046	(42,157)
Tax effect	14,656	(2,499)	12,157
IAS 19 Revised reserves - Employee benefits	**(37,547)**	**7,547**	**(30,000)**
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, 2020 amounted to 1,055,432 thousand euro (817,577 thousand euro at December 31, 2019), increased by 237,855 thousand euro mainly due to the allocation of the 2019 profit.

This item includes the following unavailable reserves:

- for 90,556 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;
- 5,909 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 30,000 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 254,779 thousand euro, the legal reserve.

Reserves and the profits that in case of distribution must be considered as IRES tax suspension amounted to 68,954 thousand euro.

It should be noted that during 2020, dividends amounting to 240,962 thousand euro corresponding to 0.0775 euro per share were distributed, as approved by the shareholders' meeting on May 13, 2020.

16) Result of the year

Positive result for 545,729 thousand euro.

LIABILITIES

NON-CURRENT LIABILITIES

17) Non-current financial liabilities

thousands of euro	Balance at 12 31 2019	Changes during the year	Balance at 12 31 2020	*of which included in the NFP*	
				12 31 2019	*12 31 2020*
Non-convertible bonds	2,549,811	140,224	2,690,035	*2,549,811*	*2,690,035*
Payables to banks	613,489	220,950	834,439	*613,489*	*834,439*
Payables to other lenders	-	199,807	199,807	*-*	*199,807*
Non-current financial payables for rights of use to third parties	4,745	1,071	5,816	*4,745*	*5,816*
Non-current financial payables for rights of use to related parties	1,121	40,070	41,191	*1,121*	*41,191*
Total non-current financial liabilities	**3,169,166**	**602,122**	**3,771,288**	***3,169,166***	***3,771,288***

"Non-current financial liabilities" amounted to 3,771,288 thousand euro (3,169,166 thousand euro at December 31, 2019), with an increase of 602,122 thousand euro.

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

- 499,358 thousand euro, maturing in January 2022 and coupon of 3.625%, the nominal value of which is equal to 500,000 thousand euro;
- 299,556 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;
- 299,543 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;
- 298,254 thousand euro, maturing in February 2025 and coupon of 1.75%, the nominal value of which is equal to 300,000 thousand euro;
- 296,319 thousand euro, maturing in October 2027 and coupon of 1.625%, the nominal value of which is equal to 300,000 thousand euro;
- 110,316 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;
- 394,149 thousand euro, maturing in July 2029 and coupon of 1.00%, the nominal value of which is equal to 400,000 thousand euro;
- 492,540 thousand euro, maturing in October 2032 and coupon of 0.625%, the nominal value of which is equal to 500,000 thousand euro.

The net increase in the non-current component of "Non-convertible bonds" of 140,224 thousand euro compared to December 31, 2019 was mainly due to the subscription of the new bond maturing in 2032 (nominal value 500,000 thousand euro recorded net of amortized cost), partly offset by the reclassification to "Current financial liabilities" of the bond maturing in 2021 (351,438 thousand euro) and the decrease in the ECB exchange rate applied to the yen bond.

Non-current "Payables to banks" amounted to 834,439 thousand euro, a net increase of 220,950 thousand euro compared to the previous year-end, due to the 300,000 thousand euro disbursement of new loans and the reclassification under current liabilities of the portions of capital maturing within the following year.
"Payables to other lenders" amounted to 199,807 thousand euro (at December 31, 2019 they were zero) and refer to the disbursement of a new loan from Cassa Depositi e Prestiti.

"Financial payables for non-current rights of use", in application of IFRS 16 for leases previously classified as operating leases, both to third parties and to related parties amounted to 47,007 euro thousand, an increase of 41,141 thousand euro compared with the end of the previous year due to new contracts entered into in 2020.

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..

thousands of euro	Nominal value	Book value	Current portion	Non-current portion	Fair Value
Bonds	3,049,457	3,087,638	397,603	2,690,035	3,237,268
Amounts due to banks and other lenders	1,113,868	1,113,370	79,124	1,034,246	1,145,811
Total	**4,163,325**	**4,201,008**	**476,727**	**3,724,281**	**4,383,079**

18) Employee benefits

At the end of the fiscal year, "Employee Benefits" amounted to 122,952 thousand euro (140,247 thousand euro as of December 31, 2019) with changes as follows during the period:

thousands of euro	Balance at 12 31 2019	Provisions	Utilizations	Other changes	Balance at 12 31 2020
Employee leaving entitlement (TFR)	27,815	5,976	(4,344)	(5,370)	24,077
Employee benefits	112,432		(4,480)	(9,077)	98,875
Total employee benefits	**140,247**	**5,976**	**(8,824)**	**(14,447)**	**122,952**

Changes during the year include 5,976 thousand euro in provisions for the year, 8,824 thousand euro in the decrease due to disbursements during the year, and 14,447 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 953 thousand euro, the decrease for actuarial gains/losses of 10,046 thousand euro and other negative changes for 5,354 thousand euro.

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

	2020	2019
Discount rate	from -0.3% to 0.3%	from -0.1% to 0.8%
Annual inflation rate	0.80%	1.2%
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	2.10%	2.4%
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 +1.00%	Turnover rate -1.00%	Inflation rate +0.25%	Inflation rate -0.25%	Discount rate +0.25%	Discount rate -0.25%
TFR	**23,865**	**24,153**	**24,238**	**23,771**	**23,632**	**24,384**

thousands of euro	Discount rate +0.25%	Discount rate -0.25%	Mortality table increased by 10%	Mortality table decreased by 10%
Premungas	17,527	18,132	16,871	18,901
Electricity and gas discount	75,336	84,168	81,981	82,387
Additional months	3,244	3,400	n.s.	n.s.

19) Provisions for risks, charges and liabilities for landfills

thousands of euro	Balance at 12 31 2019	Provisions	Releases	Utilizations	Other changes	Balance at 12 31 2020
Decommissioning provisions	3,965	-	-	(64)	3,310	7,211
Tax provisions	118	475	(67)	(26)	-	500
Personnel lawsuits and disputes provisions	7,827	6,140	-	(572)	993	14,388
Other risk provisions	98,453	6,810	(5,232)	(10,881)	(6,656)	82,494
Provisions for risks, charges and liabilities for landfills	**110,363**	**13,425**	**(5,299)**	**(11,543)**	**(2,353)**	**104,593**

“Decommissioning provisions”, which amounted to 7,211 thousand euro (3,965 thousand euro at December 31, 2019), include charges for costs of dismantling and recovery of production sites related to hydroelectric plants of Valtellina and Calabria. The changes that occurred during the year included other increases of 3,310 thousand euro, which refer mainly to the effects of an appraisal prepared during the year to estimate future decommissioning and restoration costs for the Calabria hydroelectric power plants (3,297 thousand euro were offset by “Property, plant and equipment”), and uses of 64 thousand euro.

"Tax Provisions", which amounted to 500 thousand euro, refer to provisions for pending or potential litigation with the tax authorities or territorial entities for levies and direct and indirect taxes. Changes in the year relate to accruals of 475 thousand euro, for risks with the Revenue Agency for VAT, in addition to releases amounting to 67 thousand euro and uses amounting to 26 thousand euro, relating to the ICI/ IMU dispute with some local authorities.

The "Personnel lawsuits and disputes provisions" amounted to 14,388 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 12,383 thousand euro and with employees for 1,007 thousand euro, to cover the liabilities that could arise from litigations in progress. Provisions for the year, for 6,140 thousand euro, mainly refer to disputes pending with third parties. Uses, for 572 thousand euro, refer to both the payment made following the resolution of the disputes with third parties and employees. Other changes amounted to 993 thousand euro and refer to disputes with employees.

"Other risk provisions" of 82,494 thousand euro refer to provisions relating to public water derivation fees for 45,737 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 3,999 thousand euro, as well as other provisions for risks for 18,041 thousand euro. Provisions for the year amounted to 6,810 thousand euro and releases amounted to 5,232 thousand euro and refer to provisions relating to public water derivation fees. Uses amounted to 10,881 thousand euro and relate mainly to provisions for fees and the provision for mobility. Other changes include a decrease of 970 thousand euro in the provision for mobility and a 5,686 thousand euro in the provision for imbalances with Terna.

20) Other non-current liabilities

thousands of euro	Balance at 12 31 2019	Changes during the year	Balance at 12 31 2020	*of which included in the NFP*	
				12 31 2019	*12 31 2020*
Other non-current liabilities	5,927	(332)	5,595	-	-
Non-current derivatives	5,637	12,584	18,221	*5,637*	*18,221*
Total other non-current liabilities	**11,564**	**12,252**	**23,816**	***5,637***	***18,221***

"Other non-current liabilities" amounted to 23,816 thousand euro and are divided as follows:

- 18,221 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;
- 99 thousand euro for "Other non-current liabilities".

CURRENT LIABILITIES

21) Trade payables and other current liabilities

thousands of euro	Balance at 12 31 2019	Changes during the year	Balance at 12 31 2020	*of which included in the NFP*	
				12 31 2019	*12 31 2020*
Advances	8	-	8		
Payables to suppliers	671,538	(44,976)	626,562		
Trade payables to related parties:	101,221	122,346	223,567		
- subsidiaries	87,213	93,242	180,455		
- parent companies	56	-	56		
- associates	13,952	29,104	43,056		
Total trade payables	**772,767**	**77,370**	**850,137**	-	-
Payables to pension and social security institutions	14,014	(122)	13,892		
Current derivatives	380,090	23,051	403,141		
Other payables:	113,502	(9,689)	103,813		
- payables for tax consolidation	25,383	4,584	29,967		
- payables for tax transparency	7,167	-	7,167		
- payables to personnel	20,141	1,938	22,079		
- payables to Cassa per i Servizi Energetici e Ambientali	3	-	3		
- tax payables	49,383	(34,587)	14,796		
- payables for liabilities of competence of the following year	453	(401)	52		
- payables for collections to be allocated	5,113	2,321	7,434		
- payables to insurance companies	1,614	(12)	1,602		
- payables to waterway municipalities	1,478	(1,478)	-		
- other	2,767	17,946	20,713		
Total other current liabilities	**507,606**	**13,240**	**520,846**	-	-
Total trade payables and other current liabilities	**1,280,373**	**90,610**	**1,370,983**	**-**	**-**

"Trade payable and other current liabilities" amounted to 1,370,983 thousand euro (1,280,373 thousand euro at December 31, 2019), representing an overall increase of 90,610 thousand euro.
"Trade payables" amounted to 850,137 thousand euro and include both debt exposure to third-party suppliers (626,570 thousand euro) and trade payables to related parties (223,567 thousand euro).
"Payables to social security institutions" amounted to 13,892 thousand euro and relate to the company's debt position with social security and pension institutions, related to contributions of the month of December 2020 not yet paid.
"Current derivative instruments" amounted to 403,141 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 425,952 thousand euro in "Current derivatives".

"Other current liabilities" mainly refer to:

- payables to subsidiaries for the Group tax consolidation and VAT regime for 29,967 thousand euro;
- payables for fiscal transparency for 7,167 thousand euro to the associate Ergosud S.p.A.;
- payables to employees for 22,079 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, 2020;
- tax payables for 14,796 thousand euro that mainly refer to payables to the tax authorities for VAT, excise and withholding taxes;
- other payables showed an increase of 17,946 thousand euro mainly attributable to the advance payment of electricity futures contracts the economic result of which will be in the following year.

22) Current financial liabilities

thousands of euro	Balance at 12 31 2019	Changes during the year	Balance at 12 31 2020	of which included in the NFP 12 31 2019	of which included in the NFP 12 31 2020
Non-convertible bonds	45,602	352,001	397,603	45,602	397,603
Payables to banks	107,726	(28,602)	79,124	107,726	79,124
Current financial payables for rights of use to third parties	3,366	1,111	4,477	3,366	4,477
Current financial payables for rights of use to related parties	333	5,303	5,636	333	5,636
Financial payables to related parties	432,800	(39,753)	393,047	432,800	393,047
Total current financial liabilities	**589,827**	**290,060**	**879,887**	**589,827**	**879,887**

"Current financial liabilities" amounted to 879,887 thousand euro, an overall increase of 290,060 thousand euro.

"Non-convertible Bonds" increased by 352,001 thousand euro due to the reclassification of "Non-current financial liabilities" of the bond with maturity in January 2021. At December 31, 2020, the calculation of interest coupons amounted to 46,165 thousand euro (45,602 thousand euro at December 31, 2019).

Current "Amounts due to banks" decreased by 28,602 thousand euro during the year, mainly due to the repayment of loan instalments that matured during the reporting year.

In accordance with IFRS 16 for leases previously classified as operating leases, "Financial payables for current rights of use", both from third parties and related parties amounted to 10,113 thousand euro, an increase of 6,414 thousand euro compared with the end of the previous year , mainly due to the reclassification of the portion of payable due within one year net of amounts paid during the reporting year.

"Financial payables to related parties" amounted to 393,047 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 2019	Changes during the year	Balance at 12 31 2020
Tax liabilities	**26**	**(26)**	**-**

At December 31, 2020, this item had no value while at the end of 2019, it amounted to 26 thousand euro and referred to IRES for the Spanish branch. At December 31, 2020, the exposure to the tax authorities for current IRES and IRAP had a credit balance as in the previous year.

3.7 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 2020	12 31 2019
Bonds - non-current portion	17	2,690,035	2,549,811
Bank loans - non-current portion	17	834,439	613,489
Non-current payables to other lenders	17	199,807	-
Non-current financial payables for rights of use	17	47,007	5,866
Other non-current liabilities	20	18,221	5,637
Total medium/long-term debt		**3,789,509**	**3,174,803**
Non-current financial assets with related parties	3	(1,468,752)	(1,147,559)
Other non-current financial assets and other non-current assets	3-5	(96)	(2,477)
Total medium/long-term financial receivables		**(1,468,848)**	**(1,150,036)**
Total non-current net debt		**2,320,661**	**2,024,767**
Bonds - current portion	22	397,603	45,602
Bank loans - current portion	22	79,124	107,726
Financial payables for current rights of use	22	10,113	3,699
Financial liabilities with related parties - current portion	22	393,047	432,800
Total short-term debt		**879,887**	**589,827**
Financial assets with related parties - current portion	9	(412,777)	(386,297)
Total short-term financial receivables		**(412,777)**	**(386,297)**
Cash and cash equivalents	11	(947,294)	(360,078)
Total current net debt		**(480,184)**	**(156,548)**
Net debt		**1,840,477**	**1,868,219**

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

thousands of euro	12 31 2019	Cash flow	Non-cash flow		12 31 2020
			Change in fair value	Other changes	
Bonds	2,595,413	500,563	(4,130)	(4,208)	3,087,638
Financial payables	1,163,580	344,954		55,003	1,563,537
Other liabilities	5,637	-	12,584	-	18,221
Financial assets	(1,533,952)	(347,673)	-	-	(1,881,625)
Other assets	(2,381)	-	2,381	-	-
Net liabilities deriving from financing activities	**2,228,297**	**497,844**	**10,835**	**50,795**	**2,787,771**
Cash and cash equivalents	(360,078)	(587,216)	-	-	(947,294)
Net debt	**1,868,219**	**(89,372)**	**10,835**	**50,795**	**1,840,477**

3.8 Notes to the income statement

25) Revenues

Revenues in 2020 amounted to 3,988,772 thousand euro (4,489,116 thousand euro at December 31, 2019).
Details of the most important sources of revenues are provided below:

Revenues thousands of euro	**12 31 2020**	**12 31 2019**	**Change**
Revenues from the sale of goods	3,741,880	4,197,844	(455,964)
Revenues from services	201,471	185,728	15,743
Total revenues from the sale of goods and services	**3,943,351**	**4,383,572**	**(440,221)**
Other operating income	**45,421**	**105,544**	**(60,123)**
Total revenues	**3,988,772**	**4,489,116**	**(500,344)**

Details of the main items are as follows:

thousands of euro	12 31 2020	12 31 2019	Change
Sales of electricity of which:	**2,299,687**	**2,514,982**	**(215,295)**
- third-party customers	1,575,564	1,793,927	(218,363)
- subsidiaries	722,463	721,011	1,452
- associates	1,660	44	1,616
Sales of gas and fuels of which:	**1,260,059**	**1,632,614**	**(372,555)**
- third-party customers	786,048	1,020,479	(234,431)
- subsidiaries	471,830	606,111	(134,281)
- associates	2,181	6,024	(3,843)
Sales of heat of which	**329**	**456**	**(127)**
- third-party customers	-	-	-
- subsidiaries	329	456	(127)
Sales of materials and equipment of which:	**8,034**	**8,058**	**(24)**
- third-party customers	74	1,937	(1,863)
- subsidiaries	7,960	6,121	1,839
- associates	-	-	-
Sales of emission certificates and allowances of which:	**173,771**	**41,734**	**132,037**
- third-party customers and inventory change	27,547	13,785	13,762
- subsidiaries	121,947	27,949	93,998
- associates	24,277	-	24,277
Total revenues from the sale of goods	**3,741,880**	**4,197,844**	**(455,964)**
Services of which:			
- third-party customers	930	2,956	(2,026)
- subsidiaries	197,698	180,013	17,685
- Municipalities of Milan and Brescia	2,668	2,469	199
- associates	175	290	(115)
Total revenues from services	**201,471**	**185,728**	**15,743**
Total revenues from the sale of goods and services	**3,943,351**	**4,383,572**	**(440,221)**
Other operating income of which:			
Other revenues from subsidiaries	5,624	6,589	(965)
Other revenues from associates	-	62,977	(62,977)
Damage compensation	56	487	(431)
Contingent assets	8,432	2,026	6,406
Incentives for production from renewable sources (feed-in-tariff)	24,498	25,590	(1,092)
Gains on disposals of tangible assets	2,753	3,868	(1,115)
Other revenues	4,058	4,007	51
Total other operating income	**45,421**	**105,544**	**(60,123)**
Total revenues	**3,988,772**	**4,489,116**	**(500,344)**

"Revenues from the sale of goods and services" amounted to 3,943,351 thousand euro (4,383,572 thousand euro in 2019).

Sales revenues amounted to 3,741,880 thousand euro and mainly refer to the sale of electricity (2,299,687 thousand euro) to wholesalers and institutional operators (Gestore Mercato Elettrico S.p.A. and Terna S.p.A.), also through sales on the IPEX markets (Italian Power Exchange) as well as to subsidiaries and associates for a total of 13,536 million kWh (+13% compared to December 31, 2019); to the sale of gas and fuel to third parties and subsidiaries (1,260,059 thousand euro) from the commercialization of 3,702 million cubic meters of gas (-4% compared to the previous year); to the sale of heat (329 thousand euro), materials and plants to both third parties and subsidiaries (8,034 thousand euro), substantially in line with the previous year; and to the sale of environmental certificates to third parties and subsidiaries and associates (173,771 thousand euro). The decrease in sales revenues is mainly due to the sharp drop in prices on the wholesale markets for both electricity and gas and to the decline in demand, which was affected by the emergency situation that hit the energy sector. This decrease was partly offset by higher revenues from the sale of environmental certificates during the year, which relate to higher sales of CO_2 due to the recognition of revenue from subsidiaries and associates whose plants are managed by A2A S.p.A. through tolling contracts.

Revenues from services amount to 201,471 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 revenues", equal to 45,421 thousand euro (105,544 thousand euro in the previous year), refer to the recognition of incentives on net production from renewable sources (24,498 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, contingent assets recorded as a result of both the difference of appropriations in previous years and the release of a provision for risks relating to electrical imbalances following the conclusion of the pending lawsuit, reimbursements for damages and penalties received from customers, insurance and private entities, including an operating contribution received from the Udine Chamber of Commerce (CCIAA) as reimbursement for damages suffered during the Vaia flood (48 thousand euro). In the 2019 financial year, this item included 62,980 thousand euro related to the release of the provision for the excessive costs of 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 previous year.

26) Operating expenses

"Operating expenses" totalled 3,736,101 thousand euro (4,127,459 thousand euro in 2019).
The main components of this item are as follows:

Operating expenses thousands of euro	12 31 2020	12 31 2019	Change
Costs for raw materials and consumables	3,025,450	3,585,913	(560,463)
Costs for services	287,784	266,328	21,456
Total costs for raw materials and services	**3,313,234**	**3,852,241**	**(539,007)**
Other operating expenses	**422,867**	**275,218**	**147,649**
Total operating expenses	**3,736,101**	**4,127,459**	**(391,358)**

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

thousands of euro	12 31 2020	12 31 2019	Change
Purchases of power and fuel of which:	**2,813,148**	**3,429,203**	**(616,055)**
- third-party suppliers	2,665,856	3,251,474	(585,618)
- subsidiaries	147,292	177,729	(30,437)
- associates	-	-	-
Change in inventories of fuel	**36,948**	**(5,009)**	**41,957**
Purchases of water of which:	**39**	**122**	**(83)**
- third-party suppliers	36	41	(5)
- subsidiaries	3	81	(78)
Purchases of materials of which:	**10,960**	**9,881**	**1,079**
- third-party suppliers	10,503	9,821	682
- subsidiaries	457	60	397
Change in inventories of materials	**(73)**	**64**	**(137)**
Hedging gains on operating derivatives	**(12,586)**	**(18,033)**	**5,447**
Hedging losses on operating derivatives	**9,232**	**14,693**	**(5,461)**
Purchases of emission certificates and allowances of which:	**167,782**	**154,992**	**12,790**
- third-party suppliers	165,603	154,842	10,761
- subsidiaries	2,179	150	2,029
Total expenses for raw materials and consumables	**3,025,450**	**3,585,913**	**(560,463)**
Delivery and transmission costs of which:	**155,669**	**144,080**	**11,589**
- third-party suppliers	147,517	140,323	7,194
- subsidiaries	8,152	3,757	4,395
Maintenance and repairs	**42,373**	**34,510**	**7,863**
Services of which:	**89,742**	**87,738**	**2,004**
- third-party suppliers	74,613	72,176	2,437
- subsidiaries	15,129	15,489	(360)
- associates	-	73	(73)
Total costs for services	**287,784**	**266,328**	**21,456**
Total costs for raw materials and services	**3,313,234**	**3,852,241**	**(539,007)**
Leaseholds:	**354,848**	**213,655**	**141,193**
- third-party suppliers	26,827	24,836	1,991
- subsidiaries	283,661	188,819	94,842
- associates	44,360	-	44,360
Other operating expenses of which:	**68,019**	**61,563**	**6,456**
- other expenses from subsidiaries	200	18	182
- other expenses from associates	-	-	-
- water derivation concession fees	41,173	34,820	6,353
- damages and penalties	815	807	8
- contingent liabilities	603	1,059	(456)
- losses on disposal of tangible assets	6	349	(343)
- other operating expenses	25,222	24,510	712
Total other operating expenses	**422,867**	**275,218**	**147,649**
Total operating expenses	**3,736,101**	**4,127,459**	**(391,358)**

"Expenses for raw materials and services" amounted to 3,313,234 thousand euro (3,852,241 thousand euro in 2019).

Costs for raw materials and consumables amounted to 3,025,450 thousand euro and refer to costs for purchases of electricity and fuel (2,813,148 thousand euro) from third parties and subsidiaries for both electricity production and for resale to customers and wholesalers, the decrease of which mainly derives from the decrease in procurement unit prices following the fall in the reference scenario; the change in inventories of fuels (36,948 thousand euro); the gains/losses from hedging derivatives (-3,354 thousand euro); the purchase of materials and water (10,926 thousand euro including the change in inventories); and the purchase of environmental certificates (167,782 thousand euro), the increase of which refers in particular to higher purchases of CO_2 mainly due to the increase in the procurement price.

Service costs amounted to 287,784 thousand euro and relate to the logistics costs for transport on the natural gas network (155,669 thousand euro), costs for maintenance and repairs (42,373 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 (89,742 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 the transport and storage of natural gas, higher costs for IT services related to the development of new projects, as well as higher costs incurred related to the management of the COVID-19 emergency.

"Other operating costs" amounted to 422,867 thousand euro (275,218 thousand euro in 2019). This item includes the use of third-party assets for 354,848 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.; in 2019, 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 costs amounted to 68,019 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 2020	12 31 2019
Revenues	25	1,367,930	2,168,810
Operating expenses	26	(1,358,401)	(2,160,541)
Total trading margin		**9,529**	**8,269**

Due to the effects of the epidemic on world markets, the year 2020 was characterized by multiple commodity price dynamics with sudden and extreme price changes and moments of scarce price liquidity for both spot and forward deliveries. The Market Making activity therefore played a primary role in ensuring the pricing of less liquid products and contributed substantially to the profit and volumes brokered.

27) Labour costs

Net of capitalized expenses, labour costs at December 31, 2020, amounted to 150,969 thousand euro (148,148 thousand euro in the previous year).

"Labour costs" may be analysed as follows:

Labour costs thousands of euro	12 31 2020	12 31 2019	Change
Wages and salaries	97,850	94,935	2,915
Social security charges	31,454	30,948	506
Employee leaving entitlement (TFR)	5,976	5,687	289
Other costs	18,669	19,628	(959)
Total labour costs before capitalizations	**153,949**	**151,198**	**2,751**
Capitalized labour costs	(2,980)	(3,050)	70
Total labour costs	**150,969**	**148,148**	**2,821**

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

	2020	2019	Change
Managers	98	100	(2)
Supervisors	311	295	16
White-collar workers	1,084	1,064	20
Blue-collar workers	167	167	-
Total	**1,660**	**1,626**	**34**

At December 31, 2020, A2A S.p.A. employees totalled 1,648, while at December 31, 2019, they were equal to 1,638.

Other personnel costs include 952 thousand euro (9,007 thousand euro at December 31, 2019) relating to the total cost of the company's restructuring plan related to future staff leaving for redundancy.

With reference to the COVID-19 emergency, the company made use of the Cassa Integrazione Guadagni (redundancy fund) during the year under review, which resulted in a reduction in labour costs of approximately 500 thousand euro.

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 1,698 thousand euro; for further details, reference is made to the specific file "Remuneration Report - 2021".

28) Gross operating income

Due to the effect of the dynamics explained above, "Gross operating income" totalled 101,702 thousand euro (213,509 thousand euro in 2019).

29) Depreciation, amortization, provisions and write-downs

"Depreciation, amortization, provisions and write-downs" equalled 109,076 thousand euro (96,355 thousand euro at December 31, 2019).

The following table provides details of the individual items:

Depreciation, amortization, provisions and write-downs thousands of euro	12 31 2020	12 31 2019	Change
Amortization of intangible assets	20,811	14,032	6,779
Depreciation of tangible assets	79,980	76,047	3,933
Other write-downs of fixed assets	-	4,000	(4,000)
Total depreciation, amortization and write-downs	**100,791**	**94,079**	**6,712**
Bad debt provision on receivables recognized as current assets	159	(404)	563
Provisions for risks	8,126	2,680	5,446
Total depreciation, amortization, provisions and write-downs	**109,076**	**96,355**	**12,721**

In particular, "Depreciation and Amortization" totalled 100,791 thousand euro (90,079 thousand euro in 2019). 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, 2020, write-downs of fixed assets amounted to 0, while in the previous year, they amounted to 4,000 thousand euro and referred 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.

The "Bad debt provision on receivables" showed a balance of 159 thousand euro (negative for 404 thousand euro at December 31, 2019) and related to the provision during the year under review.

The balance of "Provisions for risks" shows a net effect of 8,126 thousand euro (2,680 thousand euro at December 31, 2019) due to allocations of 13,425 thousand euro made during the year, offset by the 5,299 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 6,810 thousand euro provisions to "Other risk provisions" mainly related to public water derivation fees, for 6,140 thousand euro provisions to "Personnel lawsuits and disputes provision", for 475 thousand euro provisions to "Tax provisions"; releases mainly refer to provisions for water derivation fees. 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" was negative by 7,374 thousand euro (positive by 117,154 thousand euro at December 31, 2019).

31) Financial balance

The “Financial balance” reported a positive balance of 499,574 thousand euro (352,988 thousand euro at December 31, 2019). Details of the most significant items are as follows:

Financial income

“Financial income” totalled 581,056 thousand euro (452,353 thousand euro at December 31, 2019), and relate to income from financial assets.

Financial income thousands of euro	12 31 2020	12 31 2019	Change
Income on derivatives	**-**	**-**	**-**
Valuation of share exchange	**139,588**	**-**	**139,588**
Reversal of equity investments	**-**	**96,500**	**(96,500)**
Income on financial assets	**441,468**	**355,853**	**85,615**
Income on dividends:	413,715	333,343	80,372
- subsidiaries	413,325	333,238	80,087
- associates	390	100	290
- other companies	-	5	(5)
Gains on financial assets	-	-	-
Income on receivables/securities recorded as current assets:	27,075	21,905	5,170
- from subsidiaries	26,727	21,403	5,324
- from associates	274	337	(63)
- from others:	74	165	(91)
a) on bank accounts	56	118	(62)
b) on other receivables	18	47	(29)
Foreign exchange gains	678	605	73
Total financial income	**581,056**	**452,353**	**128,703**

The exchange valuation of the shareholding of A2A S.p.A. in AEB S.p.A. led to the recognition of a higher value, compared to the carrying amount, of 139,588 thousand euro. This valuation was determined by an independent external expert as better described in note 3) Shareholdings and other non-current financial assets of these notes.

There were no reversals of impairment losses on shareholdings at December 31, 2020, while at December 31, 2019, this item had a balance of 96,500 thousand euro and related to the reversal of the impairment loss on the shareholding in A2A gencogas S.p.A. following the results of the specific impairment test performed by an external expert on the shareholdings attributable to the “Electricity” CGU.

Income on financial assets amounted to 441,468 thousand euro (355,853 thousand euro at December 31, 2019) and concerned:

- income on dividends in the amount of 413,715 thousand euro (333,343 thousand euro in the previous year) which refer to dividends distributed by subsidiaries for 413,325 thousand euro, and associates for 390 thousand euro;
- income on receivables/securities recorded under current assets in the amount of 27,075 thousand euro (21,905 thousand euro at December 31, 2019), mainly including 26,727 thousand euro (21,403 thousand euro at December 31, 2019) interest from subsidiaries on current accounts and intercompany loans, 274 thousand euro in interest income from associates and 74 thousand euro (165 thousand euro at December 31, 2019) in interest on bank deposits and other receivables;
- foreign exchange gains in the amount of 678 thousand euro (605 thousand euro in the previous year).

Financial expenses

Financial expenses thousands of euro	12 31 2020	12 31 2019	Change
Expenses on financial assets held for trading	**-**	**-**	**-**
- Shareholdings write-downs/losses	-	-	-
Expenses on derivatives	**2,339**	**2,961**	**(622)**
Expenses on financial assets	**79,143**	**96,404**	**(17,261)**
- from subsidiaries	414	53	361
- from associates	1	4	(3)
- others:	78,728	96,347	(17,619)
a) interest on bond loans	72,603	90,720	(18,117)
b) banks	2,563	2,728	(165)
c) discounting charges	1,008	1,872	(864)
d) sundry	705	303	402
e) foreign exchange losses	1,849	724	1,125
Total financial expenses	**81,482**	**99,365**	**(17,883)**

"Financial expenses" amounted to 81,482 thousand euro (99,365 thousand euro in 2019) and referred to:

- realized losses on derivatives for 2,339 thousand euro (2,961 thousand euro at December 31, 2019);
- for 79,143 thousand euro (96,404 thousand euro at December 31, 2019) for expenses from financial liabilities, made up of:
  - interest charged by subsidiaries in the amount of 414 thousand euro (53 thousand euro in 2019) on intercompany loans extended under the Group's cash management system;
  - charges to associated companies of 1 thousand euro;
  - other financial charges in the amount of 78,728 thousand euro (96,347 thousand euro at December 31, 2019), which essentially relate to interest on bonds and interest on the revolving credit lines used with various banks and other financial expenses.

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

32) Income taxes

Income taxes thousands of euro	12 31 2020	12 31 2019	Change
Current IRES	(7,814)	3,769	(11,583)
Current IRAP	-	569	(569)
Effect of differences - taxes of previous years	(53,291)	(1,452)	(51,839)
Total current taxes	**(61,105)**	**2,886**	**(63,991)**
Deferred tax assets	23,562	35,700	(12,138)
Deferred tax liabilities	(17,828)	(18,321)	493
Total losses/gains for income taxes	**(55,371)**	**20,265**	**(75,636)**

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, in accordance with appendix E of accounting standard OIC 25 of August 2014.
In compliance with accounting standard OIC 25, 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, 2020, income taxes for the year (IRES and IRAP), amounted to -55,371 thousand euro (20,265 thousand euro at the end of the previous year) and were made up as follows:

- -3,312 thousand euro in current IRES for the year;
- -3,805 thousand euro for remuneration for the transfer of interest payable to the tax consolidation system;
- 18 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;
- -53,291 thousand euro related to taxes of previous years;
- -6,988 thousand euro for deferred tax liabilities for IRES purposes;
- -10,840 thousand euro for deferred tax liabilities for IRAP purposes;
- 9,218 thousand euro in deferred tax assets for IRES purposes;
- 14,344 thousand euro in deferred tax assets for IRAP purposes.

Taxes from previous years include the effect of the deduction of the loss on the sale of the shareholding in EPCG.
The main permanent increases in IRES include reversals for non-deductible amortization for 44,039 thousand euro, allocations to non-deductible provisions for risks for 15,671 thousand euro, as well as property taxes (IMU) for 5,245 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	490,357,582	
Theoretical tax expense 24.00 %		117,685,820
Permanent differences	(508,275,065)	
Income before taxes adjusted for permanent differences	(17,917,483)	
Current gains/losses on income for the year		(4,300,196)
Temporary differences deductible in subsequent years	17,937,097	
Temporary differences taxable in subsequent years	(120,058)	
Reversal of prior year temporary differences	(13,698,822)	
Taxable income	(13,799,266)	
Current gains/losses on income for the year		(3,311,824)

IRAP - reconciliation between statutory and effective taxation

Difference between production value and costs	98,023,721	
Costs not relevant for IRAP purposes	(85,274,651)	
Total	12,749,070	
Theoretical tax expense 5.57 %		710,123
Temporary differences deductible in subsequent years	15,671,041	
Temporary differences taxable in subsequent years	(120,058)	
Reversal of prior year temporary differences	(28,300,053)	
Taxable income for IRAP purposes	-	
Current IRAP on income for the year		-

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 previous year			Adjustments (+/-)			Uses in current year		
	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax
Measurement differences for tangible assets	466,358,384	24%	111,926,012	(10,014)	24%	(2,403)	43,609,785	24%	10,466,348
Adoption of the finance lease standard (IAS 17)	1,449,587	24%	347,901	15,054,024	24%	3,612,966	267,751	24%	64,260
Application of the financial instrument standard (IAS 39)	0	24%	0	0	24%	0	0	24%	0
Measurement differences of intangible assets	10,462,543	24%	2,511,010	0	24%	0	0	24%	0
Deferred capital gains	62,689	24%	15,045	0	24%	0	31,344	24%	7,523
Employee leaving entitlement (TFR)	0	24%	0	0	24%	0	0	24%	0
Other deferred tax liabilities	17,258,515	24%	4,142,044	1,029	24%	247	374,896	24%	89,975
Total	**495,591,718**		**118,942,012**	**15,045,039**		**3,610,809**	**44,283,776**		**10,628,106**

Deductible temporary differences

Case description amounts in euro	Deferred tax assets previous year			Adjustments (+/-)			Uses in current year		
	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax
Taxed risk provisions	207,720,228	24%	49,852,855	170,104	24%	40,825	28,330,535	24%	6,799,328
Amortization, depreciation and write-downs	247,121,517	24%	59,309,164	1,274,722	24%	305,933	22,773,145	24%	5,465,555
Application of the financial instrument standard (IAS 39)	3,256,087	24%	781,461	0	24%	0	0	24%	0
Bad debts provision	10,689,170	24%	2,565,401	23,311	24%	5,595	87,521	24%	21,005
Costs for business combinations	0	24%	0	0	24%	0	0	24%	0
Grants	0	24%	0	0	24%	0	0	24%	0
Goodwill	198,729,915	24%	47,695,180	173,449	24%	41,628	5,967,101	24%	1,432,104
Other deferred tax assets	43,554,497	24%	10,453,079	(2)	24%	0	824,296	24%	197,831
Total	**711,071,414**		**170,657,139**	**1,641,584**		**393,980**	**57,982,598**		**13,915,823**

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
422,738,585	24%	101,457,260	422,738,585	24%	101,457,260	0	24%	0	0	24%	0	422,738,585	24%	101,457,260
16,235,860	24%	3,896,606	16,235,860	24%	3,896,606	0	24%	0	0	24%	0	16,235,860	24%	3,896,606
0	24%	0	0	24%	0	0	24%	0	0	24%	0	0	24%	0
10,462,543	24%	2,511,010	10,462,543	24%	2,511,010	120,058	24%	28,814	0	24%	0	10,582,601	24%	2,539,824
31,345	24%	7,523	31,345	24%	7,523	0	24%	0	0	24%	0	31,345	24%	7,523
0	24%	0	0	24%	0	0	24%	0	0	24%	0	0	24%	0
16,884,648	24%	4,052,316	16,884,648	24%	4,052,316	0	24%	0	0	24%	0	16,884,648	24%	4,052,316
466,352,981		**111,924,715**	**466,352,981**		**111,924,715**	**120,058**		**28,814**	**0**		**0**	**466,473,039**		**111,953,529**

Sub-total			Changes in tax rate			Increases for the year			Equity			Total deferred tax assets		
Imponibile	Aliquota	Imposta	Imponibile	Aliquota	Imposta	Imponibile	Aliquota	Imposta	Imponibile	Aliquota	Imposta	Imponibile	Aliquota	Imposta
179,559,797	24%	43,094,351	179,559,797	24%	43,094,351	15,671,041	24%	3,761,050	(10,119,145)	24%	(2,428,595)	185,111,693	24%	44,426,806
225,623,094	24%	54,149,543	225,623,094	24%	54,149,543	1,686,056	24%	404,653	0	24%	0	227,309,150	24%	54,554,196
3,256,087	24%	781,461	3,256,087	24%	781,461	0	24%	0	14,964,566	24%	3,591,496	18,220,653	24%	4,372,957
10,624,960	24%	2,549,990	10,624,960	24%	2,549,990	0	24%	0	0	24%	0	10,624,960	24%	2,549,990
0	24%	0	0	24%	0	0	24%	0	0	24%	0	0	24%	0
0	24%	0	0	24%	0	0	24%	0	0	24%	0	0	24%	0
192,936,263	24%	46,304,703	192,936,263	24%	46,304,703	0	24%	0	0	24%	0	192,936,263	24%	46,304,703
42,730,199	24%	10,255,248	42,730,199	24%	10,255,248	580,000	24%	139,200	(43,481,971)	24%	(10,435,673)	(171,772)	24%	(41,225)
654,730,400		**157,135,296**	**654,730,400**		**157,135,296**	**17,937,097**		**4,304,903**	**(38,636,550)**		**(9,272,772)**	**634,030,947**		**152,167,427**

IRAP - Deferred tax assets and liabilities for the year

Taxable temporary differences

Case description amounts in euro	Deferred tax liabilities previous year			Adjustments (+/-)			Uses in current year		
	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax
Measurement differences for tangible assets	356,984,589	5.57%	19,884,042	(194,360,958)	5.57%	(10,825,905)	0	5.57%	0
Adoption of the finance lease standard (IAS 17)	0	5.57%	0	0	5.57%	0	0	5.57%	0
Measurement differences of intangible assets	195,992	5.57%	10,917	0	5.57%	0	0	5.57%	0
Other deferred tax liabilities	4,711,102	5.57%	262,408	0	5.57%	0	371,741	5.57%	20,706
Total	**361,891,683**		**20,157,367**	**(194,360,958)**		**(10,825,905)**	**371,741**		**20,706**

Deductible temporary differences

Case description amounts in euro	Deferred tax assets previous year			Adjustments (+/-)			Uses in current year		
	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax
Taxed risk provisions	201,056,293	5.57%	11,198,836	651,973	5.57%	36,315	27,811,439	5.57%	1,549,097
Amortization, depreciation and write-downs	219,375,077	5.57%	12,219,192	(214,002,364)	5.57%	(11,919,932)	788,998	5.57%	43,947
Costs for business combinations	0	5.57%	0	0	5.57%	0	0	5.57%	0
Grants	0	5.57%	0	0	5.57%	0	0	5.57%	0
Goodwill	49,744,604	5.57%	2,770,774	(31,187,251)	5.57%	(1,737,130)	0	5.57%	0
Other deferred tax assets	34,851,904	5.57%	1,941,251	0	5.57%	0	71,357	5.57%	3,975
Total	**505,027,878**		**28,130,053**	**(244,537,642)**		**(13,620,747)**	**28,671,794**		**1,597,019**

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
162,623,631	5.57%	9,058,136	162,623,631	5.57%	9,058,136	0	5.57%	0	0	5.57%	0	162,623,631	5.57%	9,058,136
0	5.57%	0	0	5.57%	0	0	5.57%	0	0	5.57%	0	0	5.57%	0
195,992	5.57%	10,917	195,992	5.57%	10,917	120,058	5.57%	6,687	0	5.57%	0	316,050	5.57%	17,604
4,339,361	5.57%	241,702	4,339,361	5.57%	241,702	0	5.57%	0	0	5.57%	0	4,339,361	5.57%	241,702
167,158,984		**9,310,755**	**167,158,984**		**9,310,755**	**120,058**		**6,687**	**0**		**0**	**167,279,042**		**9,317,443**

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
173,896,827	5.57%	9,686,053	173,896,827	5.57%	9,686,053	15,671,041	5.57%	872,877	(10,119,145)	5.57%	(563,636)	179,448,723	5.57%	9,995,294
4,583,715	5.57%	255,313	4,583,715	5.57%	255,313	0	5.57%	0	0	5.57%	0	4,583,715	5.57%	255,313
0	5.57%	0	0	5.57%	0	0	5.57%	0	0	5.57%	0	0	5.57%	0
0	5.57%	0	0	5.57%	0	0	5.57%	0	0	5.57%	0	0	5.57%	0
18,557,353	5.57%	1,033,645	18,557,353	5.57%	1,033,645	0	5.57%	0	0	5.57%	0	18,557,353	5.57%	1,033,645
34,780,547	5.57%	1,937,276	34,780,547	5.57%	1,937,276	0	5.57%	0	(45,463,425)	5.57%	(2,532,313)	(10,682,878)	5.57%	(595,036)
231,818,442		**12,912,287**	**231,818,442**		**12,912,287**	**15,671,041**		**872,877**	**(55,582,570)**		**(3,095,949)**	**191,906,913**		**10,689,215**

33) Net result from discontinued operations

The "Net result from discontinued operations" was negative and equal to 1,842 thousand euro (positive for 746 thousand euro at December 31, 2019) and refers to the sale of the shares, equal to 4.16%, of the company Ascopiave S.p.A. for which A2A S.p.A. exercised the right of withdrawal, net of dividends collected. In 2019, this item included both dividends received and the income from discounting the shareholding in EPCG to fair value.

34) Net result of the year

The net result of the year amounted to 545,729 thousand euro (450,623 thousand euro at December 31, 2019).

3.9 Note on related party transactions

35) Note on related party transactions

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

Relationships with parent companies and their subsidiaries

On October 5, 2007, the Municipalities of Milan and Brescia signed a Shareholders’ Agreement to regulate the ownership structure of A2A S.p.A.; this gave the Municipalities joint control over the company.
Specifically, the merger effective January 1, 2008, regardless of the legal structure established, was considered a joint venture, whose joint control was exercised by the Municipalities of Milan and Brescia, each of which owned a share equal to 27.5%.
On June 13, 2014, the Shareholders’ Meeting modified the company’s governance system, passing from the original two-tier system, adopted in 2007, to a “traditional” system of management and control through the appointment of the Board of Directors.
In December 2014, the Municipalities of Milan and Brescia sold a total shareholding of 0.51% of A2A S.p.A., while in the first two months of 2015, the Municipalities of Milan and Brescia sold an additional shareholding of 4.5% of A2A S.p.A..
On October 4, 2016, the Municipalities of Milan and Brescia renewed for another three years, with effect from January 1, 2017, the Shareholders’ Agreement signed on December 30, 2013, concerning 1,566,452,642 ordinary shares representing 50% plus two shares of the share capital of A2A S.p.A.. On May 20, 2016, the two Municipalities had proceeded to sign an appendix to the Agreement, which envisaged reducing from six months to three months the term of the agreement, during which it is possible to terminate the same.
On October 26, 2016, the Municipality of Milan received from the Municipality of Brescia the proposal, approved by the Council of said Municipality on October 25, 2016, to partially amend the shareholders’ agreement relating to A2A S.p.A. existing between the two Municipalities. In particular, said proposal requires the commitment of the two Municipalities to maintain syndicated and bound, in the new agreement, a number of shares held by them in equal measure, equal to 42% of the share capital of A2A S.p.A.. On November 4, 2016, the Council of the Municipality of Milan, after having favourably examined the proposal of the Municipality of Brescia of a partial amendment to the shareholders’ agreement, submitted to the Municipal Council the proposal of the new shareholders’ agreement for the final determinations of competence.
On January 23, 2017, the Milan City Council approved the new Shareholders’ Agreement between the Municipality of Milan and the Municipality of Brescia regarding the shareholding in A2A S.p.A. and has undertaken the commitment not to proceed with the disposal of any shares owned by the Municipality of Milan.
On August 2, 2019, the Municipality of Milan, also on behalf of the Municipality of Brescia, announced that the aforementioned Shareholders’ Agreement was not subject to termination 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, 2020, 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.
The relationships between the Municipalities of Milan and Brescia and the A2A Group, in relation to granting the services associated with public lighting, street lights, management and supply of electricity, gas, heat, and water purification and sewer service are regulated by special conventions and specific contracts.

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

On April 12, 2017, Amsa S.p.A., a subsidiary of A2A S.p.A., signed a contract with the Municipality of Milan for the management of environmental protection services for the period January 1, 2017 - February 8, 2021, extended until May 31, 2021. On March 1, 2021, the Municipality of Milan published on its website a notice of suspension of the tender procedure in the following terms: *"Notice is hereby given that by means of orders no. 226/2021 and no. 227/2021, published on February 26, 2021, the Lombardy Regional Administrative Court, Milan, Section I, granted the precautionary requests submitted by two economic operators and, as a result, suspended the tender procedure, setting the public hearing on October 21, 2021 for discussion of the merits of the appeal. On the Sintel Aria platform, the function Suspend the Proceedings will be activated"*. Amsa is waiting for further instructions from the Municipality of Milan to ensure the orderly provision of the service.

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 2020, 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.

As of November 1, 2020, the AEB 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 thousands of euro	Total 12 31 2020	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
TOTAL ASSETS OF WHICH:	**9,450,130**	**6,287,598**	**28,550**	**3,994**	**-**	**246**	**139**	**-**	**6,320,527**	**66.9%**
Non-current assets	*6,585,050*	*5,466,484*	*1,611*	*-*	*-*	*-*	*139*	*-*	*5,468,234*	*83.0%*
Tangible assets	1,000,419	45,307						-	45,307	4.5%
Shareholdings	3,954,036	3,952,425	1,611					-	3,954,036	100.0%
Other non-current financial assets	1,476,272	1,468,752					139	-	1,468,891	99.5%
Current assets	*2,864,614*	*821,114*	*26,473*	*3,994*	*-*	*246*	*-*	*-*	*851,827*	*29.7%*
Trade receivables	872,116	354,166	26,473	3,994	-	246		-	384,879	44.1%
Other current assets	505,534	54,171						-	54,171	10.7%
Current financial assets	412,777	412,777						-	412,777	100.0%
Non-current assets held for sale	466		466						466	100.0%
TOTAL LIABILITIES OF WHICH:	**6,273,519**	**650,355**	**51,223**	**56**	**50**	**-**	**-**	**133**	**701,817**	**11.2%**
Non-current liabilities	*4,022,649*	*41,191*	*1,000*	*-*	*-*	*-*	*-*	*-*	*42,191*	*1.0%*
Non-current financial liabilities	3,771,288	41,191		-	-	-	-	-	41,191	1.1%
Provisions for risks, charges and liabilities for landfills	104,593		1,000	-	-	-	-	-	1,000	1.0%
Current liabilities	*2,250,870*	*609,164*	*50,223*	*56*	*50*	*-*	*-*	*133*	*659,626*	*29.3%*
Trade payables	850,137	180,455	43,056	56	50				223,617	26.3%
Other current liabilities	520,846	30,026	7,167					133	37,326	7.2%
Current financial liabilities	879,887	398,683							398,683	45.3%

Income statement thousands of euro	Total 12 31 2020	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
REVENUES	**3,988,772**	**1,527,851**	**28,293**	**2,595**	**-**	**73**	**-**	**-**	**1,558,812**	**39.1%**
Revenues from the sale of goods and services	3,943,351	1,522,227	28,293	2,595		73			1,553,188	39.4%
Other operating income	45,421	5,624							5,624	12.4%
OPERATING EXPENSES	**3,736,101**	**457,073**	**44,360**	**-**	**258**	**-**	**2**	**290**	**501,983**	**13.4%**
Expenses for raw materials and services	3,313,234	173,212			258		2	290	173,762	5.2%
Other operating expenses	422,867	283,861	44,360						328,221	77.6%
LABOUR COSTS	**150,969**	**-**	**-**	**-**	**-**	**-**	**-**	**1,282**	**1,282**	**0.8%**
AMORTIZATION, DEPRECIATION, PROVISIONS AND WRITE-DOWNS	**109,076**	**4,374**	**-**	**-**	**-**	**-**	**-**	**-**	**4,374**	**4.0%**
FINANCIAL BALANCE	**499,574**	**579,226**	**663**	**-**	**-**	**-**	**-**	**-**	**579,889**	**n.s.**
Financial income	581,056	579,640	664	-	-	-	-	-	580,304	99.9%
Financial expenses	81,482	414	1	-	-	-	-	-	415	0.5%

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 – 2021” available on the website www.a2a.eu.

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

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

There were no atypical and/or unusual transactions during the year in question.

3.11 Guarantees and commitments with third parties

thousands of euro	12 31 2020	12 31 2019
Guarantees received	330,144	314,669
Guarantees provided	103,142	169,543

Guarantees received

Guarantees received amounted to 330,144 thousand euro (314,669 thousand euro at December 31, 2019) and included 88,219 million euro for sureties and security deposits issued by subcontractors to guarantee the proper execution of the work assigned and 241,925 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 103,142 thousand euro (169,543 thousand euro at December 31, 2019), of which for obligations undertaken in the loan agreements of 2,600 thousand euro. Said guarantees include bank sureties for 101,730 thousand euro, insurance for 65 thousand euro and parent company guarantees related to associated companies for 1,347 thousand euro.

3.12 Other information

1) Significant events after December 31, 2020

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, 2020, A2A S.p.A. held 23,721,421 treasury shares, unchanged compared to December 31, 2019, equal to 0.757% of the share capital consisting of 3,132,905,277 shares.
At December 31, 2020, 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, 2020 was recognised for 466 thousand euro and refers to the reclassification of the investment in Ge.S.I. S.r.l., equal to 47% of the share capital, following the exercise of the put option subscribed on November 23, 2020 of the entire shareholding.

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

Pursuant to art. 1, paragraphs 125 et seq. of Law 124/17, considering that the Group companies 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 (e.g. energy incentives). 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 Group companies have identified (see above).

5) 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.

Each year, the Board of Directors of A2A S.p.A. sets the Group's commodity risk limits approving the PaR and VaR proposed (prepared in the Risk Committee) in conjunction with approval of the Budget/Business Plan; Group Risk Management supervises the situation to ensure compliance with these limits and proposes to senior management the hedging strategies designed to bring risk within the set limits, if exceeded.
The activities that are subject to risk management include all of the positions on the physical market for energy products, both purchasing/production and sales, and all of the positions in the energy derivatives market taken by Group companies.

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

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

In order to identify trading activity, the A2A Group follows the Capital Adequacy Directive and the definition of assets held for trading provided by International Accounting Standard (IFRS) 9: namely assets held for the purpose of short-term profit taking on market prices or margins, without being for hedging purposes, and designed to create a high-turnover portfolio.
Given that they exist for different purposes, the two portfolios have been segregated and are monitored separately with specific tools and limits. More specifically, the trading portfolio is subject to particular risk control and management procedures as laid down in Deal Life Cycle documents.

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

a.2) Commodity derivatives, analysis of transactions

Derivatives of the industrial portfolio considered hedges
The hedging of price risk by means of derivatives focuses on protecting against the volatility of energy prices on the power exchange (IPEX-EEX), stabilizing electricity price margins on the wholesale market with particular attention being paid to fixed price energy sales and purchases and stabilizing price differences deriving from various indexing mechanisms for the pricing of gas and electricity. To that end, hedging contracts were executed during the year on electricity purchase and sale agreements and on contracts to hedge the fee for the use of electricity transport capacity between the areas of the IPEX market (CCC contracts); hedging contracts were also concluded for the purchase and sale of gas so as to protect sales margins and at the same time keep the risk profile to within the limits set by the Group's Energy Risk Policy.

As part of the optimization of the portfolio of greenhouse gas emission allowances (see Directive 2003/87/EC), 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, 2020 was 23,952 thousand euro (-17,381 thousand euro at December 31, 2019).

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, 2020 was -488 thousand euro (4 thousand euro at December 31, 2019).

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 contracts on the ICE ECX (European Climate Exchange) stock exchange price. Also as part of trading activities, both Future and Forward contracts were also stipulated for the market price of gas (ICE-Endex CEGH, PEGAS).
The fair value at December 31, 2020 was -654 thousand euro (8,765 thousand euro at December 31, 2019).

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, 2020 was 54,679 thousand euro (99,389 thousand euro at December 31, 2019).

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

thousands of euro	12 31 2020		12 31 2019	
Profit at Risk (PaR)	Worst case	Best case	Worst case	Best case
Confidence level 99%	(54,679)	73,733	(99,389)	119,873

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.

This means that with a 99% probability, A2A S.p.A. expects not to have changes in fair value exceeding 54,679 thousand euro in the fair value of its entire portfolio of financial instruments at December 31, 2020 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[2] (Value at Risk) is used to assess the impact that fluctuations in the market price of the underlying have on the financial derivatives taken out by 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 315 thousand euro at December 31, 2020 (159 thousand euro at December 31, 2019).
In order to ensure closer monitoring of activities, VaR and Stop Loss (the sum of VaR, P&L Realized and P&L Unrealized) limits are also set.

The following are the results of the assessments:

thousands of euro	12 31 2020		12 31 2019	
Value at Risk (VaR)	VaR	Stop Loss	VaR	Stop Loss
Confidence level 99%, holding period 3 days	**(315)**	**(315)**	**(159)**	**(159)**

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, 2020:

millions of euro	12 31 2020			12 31 2019		
	Without derivatives	With derivatives	% with derivatives	Without derivatives	With derivatives	% with derivatives
Fixed rate	2,975	3,145	75%	2,529	2,721	82%
Variable rate	1,226	1,056	25%	788	596	18%
Total	**4,201**	**4,201**	**100%**	**3,317**	**3,317**	**100%**

At December 31, 2020, the following are the hedging instruments for interest rate risk:

millions of euro		12 31 2020		12 31 2019	
HEDGING INSTRUMENT	HEDGED ASSET	Fair value	Notional	Fair value	Notional
Collar	Variable rate loan	(3.5)	57.1	(5.6)	76.2
Total		**(3.5)**	**57.1**	**(5.6)**	**76.2**

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.

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

millions of euro

ACCOUNTING TREATMENT	TYPE OF DERIVATIVES	FINANCIAL ASSETS				FINANCIAL LIABILITIES			
		Notional at		Fair value at		Notional at		Fair value at	
		12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Cash flow hedge	Collar	-	-	-	-	57.1	76.2	3.5	5.6
Total		**-**	**-**	**-**	**-**	**57.1**	**76.2**	**3.5**	**5.6**

The table below shows the technical characteristics and accounting treatment of derivatives existing at December 31, 2020:

Hedged loan	Derivative	Accounting
A2A S.p.A. loan with BEI: expiring in November 2023, residual balance at December 31, 2020 amounting to 57.1 million euro, at variable rate.	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, 2020, the fair value was negative for 3.5 million euro.	The loan is measured at amortized cost. The collar is a cash flow hedge, with 100% recognized in a specific equity reserve.

A2A performs sensitivity analysis by estimating the effects on the value of financial statement items relating to the portfolio of financial instruments deriving from changes in the level of interest rates.

In particular, the sensitivity analysis measures the potential impact on the Income Statement and shareholders' equity of different market scenarios that would determine the change in fair value of derivative financial instruments and the change in financial expenses related to the portion of gross debt not hedged.

These market scenarios are obtained by shifting the reference interest rate curve at the reporting date up and down in parallel.
Keeping all other variables constant, the pre-tax result is impacted by changes in the level of interest rates as follows:

millions of euro	Effect on the Income Statement (before tax)		Effect on Equity (before tax)	
	-50 bps	+50 bps	-50 bps	+50 bps
Change in financial expenses on gross variable-rate debt after hedging	0.4	(2.5)	-	-
Change in fair value of derivative financial instruments classified as non-hedge	-	-	-	-
Change in fair value of derivative financial instruments classified as hedge (excluding BCVA as per IFRS 13)				
Cash flow hedge	-	-	(0.5)	0.5
Fair value hedge	-	-	-	-

c. Exchange rate risk not related to commodities

In relation to exchange rate risk other than that included in the price of commodities, the hedging instrument at December 31, 2020 is as follows:

millions of euro		12 31 2020		12 31 2019	
HEDGING INSTRUMENT	HEDGED ASSET	Fair value	Notional	Fair value	Notional
Cross Currency IRS	Fixed rate loan in foreign currency	(14.7)	98.0	2.4	98.0
Total		**(14.7)**	**98.0**	**2.4**	**98.0**

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

millions of euro

ACCOUNTING TREATMENT	TYPE OF DERIVATIVES	FINANCIAL ASSETS				FINANCIAL LIABILITIES			
		Notional at		Fair value at		Notional at		Fair value at	
		12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Cash flow hedge	CCIRS	-	98.0	-	2.4	98.0	-	14.7	-
Total		**-**	**98.0**	**-**	**2.4**	**98.0**	**-**	**14.7**	**-**

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, 2020, the fair value of the hedge was negative for 14.7 million euro. The fair value and, as a consequence, the effect on equity, would improve by 12.3 million euro in the event of a 10% increase in the forward curve of the euro/yen exchange rate (appreciation of the yen) and would worsen by 14.6 million euro in the event of a 10% drop in the forward curve of the euro/yen exchange rate (depreciation of the yen). The 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:

millions of euro	Accounting Balance 12 31 2020	Portions maturing within 12 months	Portions maturing beyond 12 months	Portions maturing by:				
				12 31 2022	12 31 2023	12 31 2024	12 31 2025	After
Bonds	3,088	398	2,690	499	300	300	298	1,293
Loans	1,113	79	1,034	79	129	69	76	681
Total	**4,201**	**477**	**3,724**	**578**	**429**	**369**	**374**	**1,974**

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, 2020, the company had a total of 1,687 million euro, as follows: (i) committed revolving credit lines of 740 million euro, of which 140 million euro maturing in 2021 and 600 million euro maturing in 2023, unused; (ii) cash and cash equivalents for a total of 947 million euro.

A2A also maintains a Bond Issue Program (Euro Medium Term Note Programme) of 4 billion euro, of which 1,049 million euro still available at December 31, 2020 and 1,400 million available at the date of preparation of this report.

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 2020 millions of euro	1-3 MONTHS	4-12 MONTHS	AFTER 12 MONTHS
Bonds	397	27	2,947
Payables and other financial liabilities	-	81	1,049
Total financial flows	**397**	**108**	**3,996**
Payables to suppliers	102	4	-
Total trade payables	**102**	**4**	**-**

12 31 2019 millions of euro	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**	**-**

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, 2020.
At December 31, 2020, 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, loans and committed revolving bank lines present Terms and Conditions in line with the market for each type of instrument. In particular, they envisage: (i) negative pledge clauses under which 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.

Bonds include (i) 2,951 million euro nominal (book value of 3,088 million euro at December 31, 2020) issued as part of the EMTN Programme, which provide to investors a Change of Control Put in the event of a change of control of the company resulting in a rating downgrade at sub-investment grade level in the following 180 days (if within said 180 days, the company's rating should return to investment grade, the option may not be exercised); (ii) 98 million euro nominal (book value of 111 million euro at December 31, 2020) 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 value of 762 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.

The committed revolving bank lines available, for a total of 740 million euro, provide a Change of Control clause which, in the event of a change of control of the parent company causing a Material Adverse Effect, allows the banks to request the facility to be extinguished and any amounts drawn down to be repaid.
At December 31, 2020, 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.

Instruments outstanding at December 31, 2020

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)						Balance sheet value (b)	Progressive effect to Income statement at 12 31 2020 (c)
	Due within 1 year		Due in 1 to 5 years		Due over 5 years			
	to be received	to be paid	to be received	to be paid	to be received	to be paid		
Interest rate risk management								
cash flow hedges as per IFRS 9		19,048		38,095			(3,549)	
not considered hedges as per IFRS 9								
Total derivatives on interest rates		**19,048**		**38,095**			**(3,549)**	**-**
Exchange rate risk management								
considered hedges as per IFRS 9								
- on commercial transactions								
- on non-commercial transactions						98,000	(14,672)	
not considered hedges as per IFRS 9								
- on commercial transactions								
- on non-commercial transactions								
Total derivatives on exchange rates						**98,000**	**(14,672)**	**-**

(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.

Energy product price risk management	Unit of measurement	Volume by Maturity: Due within 1 year	Volume by Maturity: Due within two years	Volume by Maturity: Due within five years	Notional Value	Fair Value: Balance sheet value (*)	Fair Value: Progressive effect to Income statement (**)
		Quantity			Thousands of euro		
A. Cash flow hedges as per IFRS 9, including:						**23,952.2**	**-**
- Electricity	TWh	11.2	0.4	162,416.2	147.9		
- Oil	Bbl						
- Coal	Tons						
- Natural Gas	TWh	2.7	0.2	45,806.5	7,149.7		
- Natural Gas	Millions of cubic metres	13.0		2,187.3	(74.4)		
- Natural Gas	Degrees day						
- Exchange rate	Millions of dollars						98,000
- Emission rights	Tons	1,898,000	153,000	50,413.3	16,729.0		
B. considered fair value hedges as per IFRS 9						**-**	**-**
C. not considered hedges as per IFRS 9 of which						**(1,141.2)**	**(9,911.0)**
C.1 hedge margin						**(487.5)**	**(491.8)**
- Electricity	TWh						
- Oil	Bbl						
- Natural Gas	Degrees day						
- Natural Gas	Millions of cubic metres						
- CO_2 Emission rights	Tons	75,000			1,966.5	(487.5)	(491.8)
- Exchange rate	Millions of dollars						
C.2 trading transactions						**(653,7)**	**(9,419.2)**
- Electricity	TWh	37.3	7.4	0.3	2,236,777.7	(4,801.4)	(9,056.6)
- Natural Gas	TWh	121.3	29.2	2.4	2,272,616.0	4,143.8	(847.8)
- CO_2 Emission rights	Tons	120,000			3,682.3	3.9	485.2
- Environmental Certificates	MWh						
- Environmental Certificates	Tep						
Totale						**22,811.0**	**(9,911.0)**

(*) 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 over time in the Income Statement from stipulation of the contract to the present date.

C) On investments

At December 31, 2020, there are no derivatives on shareholdings like in the previous year.

Financial and operating effects for derivative transactions in 2020

Effects on the balance sheet

The following table shows the balance sheet figures at December 31, 2020, for derivative transactions.

thousands of euro	NOTES	TOTAL
ASSETS		
NON-CURRENT ASSETS		**-**
Other non-current assets - Derivatives	5	-
CURRENT ASSETS		**425,952**
Other current assets - Derivatives	8	425,952
TOTAL ASSETS		**425,952**
LIABILITIES		
NON-CURRENT LIABILITIES		**18,221**
Other non-current liabilities - Derivatives	20	18,221
CURRENT LIABILITIES		**403,141**
Trade payables and other current liabilities - Derivatives	21	403,141
TOTAL LIABILITIES		**421,362**

Effect on the income statement

The following table sets out the income statement figures at December 31, 2020 arising from the management of derivatives.

thousands of euro	Notes	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		35,642	-	35,642
- not considered hedges as per IFRS 9		33,720	(770,489)	(736,769)
Total revenues from the sale of goods		**69,362**	**(770,489)**	**(701,127)**
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		(88,768)	-	(88,768)
- not considered hedges as per IFRS 9		(59,912)	760,578	700,666
Total costs for raw materials and services		**(148,680)**	**760,578**	**611,898**
Total recognized in Gross Operating Income (*)		**(79,318)**	**(9,911)**	**(89,229)**
FINANCIAL BALANCE	31			
Financial income				
Interest rate risk management and equity risk management				
Income on derivatives				
- considered hedges as per IFRS 9		-	-	-
- not considered hedges as per IFRS 9		-	-	-
Total		**-**	**-**	**-**
Total financial income		**-**	**-**	**-**
Financial expenses				
Interest rate risk management and equity risk management				
Expenses on derivatives				
- considered hedges as per IFRS 9		(2,339)	-	(2,339)
- not considered hedges as per IFRS 9		-	-	-
Totale		**(2,339)**	**-**	**(2,339)**
Total financial expenses		**(2,339)**	**-**	**(2,339)**
TOTAL RECOGNIZED IN FINANCIAL BALANCE		**(2,339)**	**-**	**(2,339)**

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

Classes of financial instruments

To complete the analyses required by IFRS 7 and IFRS 13, the following table sets out the various types of financial instrument that are to be found in the various balance sheet items, with an indication of the accounting policies used and, in the case of financial instruments measured at fair value, an indication of where changes are recognized (income statement or equity). The last column of the table shows the fair value of the instrument at December 31, 2020, where applicable.

thousands of euro	Criteria to measure the reported amount of financial instruments						
	Notes	Financial instruments measured at fair value with changes recognized in:			Financial instruments measured at amortized cost	Amount as stated in the Balance sheet at 12 31 2020	Fair value at 12 31 2020 (*)
		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					1,475,279	1,475,279	1,475,279
Total other non-current financial assets	3					**1,476,272**	**-**
Other non-current assets	5				11,918	11,918	11,918
Trade receivables	7				872,116	872,116	872,116
Other current assets	8	395,917	30,035		79,582	505,534	505,534
Current financial assets	9				412,777	412,777	412,777
Cash and cash equivalents	11				947,294	947,294	947,294
LIABILITIES							
Financial liabilities							
Non-current and current bonds	17 and 22		112,374		2,975,264	3,087,638	3,087,638
Other non-current and current financial liabilities	17 and 22				1,563,537	1,563,537	1,563,537
Other non-current liabilities	20		18,221		5,595	23,816	23,816
Trade payables	21				850,137	850,137	850,137
Other current liabilities	21	6,083	397,058		117,705	520,846	520,846

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

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
Assets measured at fair value	3		897		897
Other current assets	8	425,910	42		425,952
TOTAL ASSETS		**425,910**	**939**	**-**	**426,849**
Non-current financial liabilities	17	112,374			112,374
Other non-current liabilities	20		18,221		18,221
Other current liabilities	21	402,592	253	296	403,141
TOTAL LIABILITIES		**514,966**	**18,474**	**296**	**533,736**

6) 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.

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 Law Decree December 14, 2018, no. 135 ("Simplification Law Decree"), 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.

The new rule also provides that a specific regional measure (after consulting ARERA) will define:

- 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;
- 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 inclusion in the project of the incoming concessionaire, movable and immovable property will be treated differently.

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

In view of this new regulatory framework, on March 7, 2019, the European Commission sent a second complementary letter of formal notice[4] to Italy, complaining in particular that the Italian authorities made continuous extensions of expired concessions, and imposed on the incoming concessionaire the obligation to pay for "dry" works an indemnity higher than the non-depreciated value of the assets, in asymmetry of treatment in case of takeover by the Regions in the ownership of such assets.

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, in order to ensure regulatory uniformity, has issued indications in relation to the variable part[5] of the state fee and the free transfer of energy to the Regions[6].

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 di Assestamento al Bilancio (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.

Moreover, in April 2020, the Lombardy Region approved Regional Law no. 5/2020, which regulates the procedures for assigning concessions for large hydroelectric derivations and determines the state fee based on the new two-component structure[7], in addition to the additional fee payable by the outgoing concessionaire for the temporary continuation of expired concessions until the award procedures are completed (and, in any case, no later than July 31, 2024).
In terms of the way in which concessions are awarded, the ordinary procedure is the public procedure, while mixed public-private companies and forms of partnership are allowed as a secondary option, subject to a reasoned decision. The duration of the new concessions is set equal to a period between 20 and 40 years, which can be increased up to a maximum of 10 years depending on the complexity of the project proposal presented and the amount of the investment.
The law defines the criteria for the acquisition of the assets pertaining to the concession (see "dry works" and "wet works") by the Region and the reconnaissance activity aimed at the subsequent tendering, such as the possible compensation due to the outgoing operator with particular reference to the share of the residual value of the assets not yet depreciated.
The large-scale derivation hydroelectric concessions held by A2A S.p.A. located in Valtellina (with a nominal concession capacity of over 200 MW) have for the most part expired: the Lombardy Region with Regional Council Resolution (D.G.R.) no. XI/4182 of December 30, 2020 allowed the temporary continuation of the year until December 31, 2021[8], establishing the payment of an additional fee and the non-application of the partial exemption from the state fee on the Premadio 1[9], Grosio, Lovero and Stazzona plants (both forecasts challenged by the company[10]). Other A2A S.p.A. concessions (plants in Mese, Udine and Calabria with a total nominal concession capacity of about 345 MW), originally owned by Enel, expire in 2029. The three large-scale derivations of Linea Green S.p.A. (Resio, expired and under temporary continuation until December 31, 2020, Mazzuno and Darfo not yet expired), as well as the concession of Gravedona of ACSM-AGAM S.p.A. expiring in 2029 are also added.

4 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".
5 The variable component of the fee should be equal to a percentage, in any case 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-Ahead Market (MGP), while the fixed component should derive from environmental and/or water-use-related assessments that are outside the Authority's competence.
6 On this issue, the Authority suggested preferring the monetization of free energy instead of its physical supply, basing the valorization on the hourly zonal price recognized to the plant, to be determined as final balance for the calendar year, 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.
7 With reference to the fixed component, the Council Resolution provided for 35 €/kW from 2021.
8 Only for the Sernio-Stazzona plant has the concession been extended until June 30, 2021.
9 On this subject, we note sentence no. 15990/2020 of the Court of Cassation, which rejected the reasons put forward by A2A S.p.A., including, in particular, that relating to the revocation - ordered by the Region - of the benefit of the partial exemption from state fees previously benefited from for Premadio 1.
10 For further information, reference should be made to the section entitled "Update of the main legal and tax disputes still pending".

7) 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.
It should be noted that some of the disputes illustrated above that are still ongoing are not further reported due to the absence of updates and the disappearance of potential risks.

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

On May 27, 2011, Consorzio Euroviluppo 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.
After lengthy proceedings, Sentence no. 13961 was filed on October 13, 2020, rejecting the appeal and ordering the claimants to pay the costs of the litigation, after having ascertained Ergosud's contractual fulfilment and the Consortium's non-fulfilment on the basis of documents and by means of the experts (CTU). On the other hand, the ruling rejected the request made by Ergosud and A2A to order SFC to pay damages as a result of the Consortium's non-fulfilment.

Carlo Tassara: lawsuit for damages against EDF and A2A S.p.A. on the reorganization of Edison

On March 24, 2015, Carlo Tassara S.p.A. notified A2A, Electricité de France (EDF) and Edison a summons requesting the Court of Milan to condemn A2A and EDF to compensation for damages allegedly suffered by Carlo Tassara, in its capacity as minority shareholder of Edison, in relation to the mandatory tender offer launched by EDF on Edison shares consequently to the transaction by which, in 2012, A2A sold its indirect shareholding in Edison to EDF and simultaneously acquired 70% of the capital of Edipower from Edison and Alpiq.

Until 2012, in fact, A2A and EDF held joint control of Edison S.p.A.. Edison, in turn, held 50% of Edipower S.p.A. (the remaining capital of Edipower was held 20% by Alpiq, 20% by A2A and the remaining 10% by Iren).

In the 2012 transaction, A2A sold its indirect shareholding in Edison to EDF and simultaneously acquired 70% of the capital of Edipower from Edison and Alpiq.

In the summons notified, Carlo Tassara complained that, in the transaction, EDF and A2A agreed on a mutual "discount" on the price paid by EDF for the purchase of Edison shares, on the one hand, and on the price paid by A2A for the purchase of 70% of Edipower, on the other. This discount was expected to be the result of abusive conduct by EDF and A2A as shareholders of Edison and the violation, among other things, of the regulations on transactions with related parties. This - according to Carlo Tassara - was expected to allow maintaining artificially low the price of the Edison shares paid to A2A and consequently the tender offer price paid to minorities of Edison (which by law was expected to be equal to that paid to A2A).

However, in 2012, A2A and EDF had voluntarily subjected the Transaction to the prior examination of Consob precisely in order to confirm the correctness of the tender offer price. Following extensive examinations, Consob had deemed that a compensatory mechanism could be detected in the transaction as a whole (i.e. between the sale of Edipower on the one hand and the sale of Edison shares on the other) and that therefore the tender offer price was to be increased from 0.84 euro to 0.89 euro per share.

In light of said decision, the parties had increased the sale price of the shareholding in Edison based on the price of 0.89 euro per share, for a total increase of around 84 million euro. EDF launched the tender offer at 0.89 euro per share.
Carlo Tassara resorted to Consob in order to further increase the price of the tender offer, but Consob rejected the request.

In addition, pending the tender offer, Carlo Tassara challenged before the TAR the tender offer document and the related resolution of approval by Consob requesting suspensions thereof for reasons of urgency. However, the TAR postponed the decision on the suspension to a date following the closing of the tender offer and, as a result of this, Carlo Tassara adhered to the tender offer and waived the cautionary request.

The writ of summons did not quantify the damage allegedly suffered by Carlo Tassara as a result of such transactions. However, with brief on February 20, 2017, Carlo Tassara requested that the court have an expert witness to calculate the damages (specifying that they be quantified in the alleged difference between the tender offer price and the market value that the Edison shares had previously). Carlo Tassara also filed an appraisal in which such damages were quantified in a total amount between 197 and 232 million euro, amount to calculate the compensation due from each of the companies that will be considered responsible by the judge.

After several postponements justified also by modifications of the judge, on October 17, 2018, the judge rejected the requests for investigation of the plaintiffs, setting March 19, 2019 as the hearing for clarification of conclusions. The Company has filed its pleadings within the time limits and the ruling is pending. The Group, having fulfilled the requirements of the regulations in force, does not consider likely the risk for which it has not allocated any provisions.

Derivations of public water for the production of hydroelectricity in Lombardy

A number of appeals are still pending in which A2A and Linea Green have challenged the measures issued by the Lombardy Region to regulate the continuation of water derivation for hydroelectric use even after the expiry of their respective concessions.
In particular, D.G.R. (Regional Council Resolution) of Lombardy no. 5130-2016 ordered, by implementing paragraph 5 of art. 53-bis of Regional Law 26/2003 introduced by Regional Law 19/2010, the subjection of the Lombardy hydroelectric concessions already expired to an "additional fee" established "provisionally" at 20 €/kW of nominal power of concession, and reserved the request for settlement at the outcome of the assessments by the regional offices regarding the profitability of expired concessions. The additional fee was imposed retroactively from the original expiry of each concession; therefore, for the Grosotto, Lovero and Stazzona concessions, it would be effective from January 1, 2011, for the Premadio 1 concession from July 29, 2013 and for the Grosio concession from November 15, 2016.

A2A and Linea Green, which have always contested, also in the courts, the legitimacy, also constitutional, of article 53-bis, paragraph 5, of Regional Law 26/2003, challenged, together with other operators, the D.G.R. 5130-2016 before the High Court of Public Waters, the related and consequent measures that governed the conditions for the temporary continuation of each concession, and which, where provided for, ordered the revocation of the exemption of part of the State fee.

At the competent offices, A2A challenged Sentence no. 65/2020, by means of which TSAP rejected the appeal brought by A2A in relation to the first resolutions by which the Lombardy Region regulated the temporary continuation of the Grosotto, Lovero and Stazzona concession, thereby inducing A2A to make a prudent assessment of the remedies available at the competent offices. Other disputes related to other concessions and other regional decisions are also still ongoing.

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, disputes subsequently integrated with reference to the additional fee for the year 2020, and with these appeals, they also requested referral to the Constitutional Court of a matter of constitutional legitimacy in relation to the aforementioned provisions introduced by the law converting Law Decree Simplifications with regard to hydroelectric concessions.
Also Regional Law 5/2020 issued by the Lombardy region in implementation of Law 12/2019 has been submitted for constitutionality review by the Government and the hearing is set for May 11, 2021.
For disputes relating to public water derivation fees, the Company allocated adequate provisions for risks at December 31, 2020, on a prudent basis, and also taking into account the payment - subject to any subsequent repayment upon the final outcome of the respective legal proceedings - of certain positions, for the sole purpose of avoiding compulsory collection proceedings and thus defusing the litigation.

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

With two initial appeals with cautionary request (R.G. 971/2020 submitted by CST Centro Servizi Termici, Decabo S.r.l. and Lombardy Regional Councillor Marco Fumagalli; R.G. 983/2020 submitted by Seregno Municipal Councillor Tiziano Mariani) filed with the Milan Regional Administrative Court, the

Resolution of the Seregno Municipal Council, which approved the merger between A2A and AEB, was challenged.

Following the Chamber of Council of June 24, 2020, with Ordinances no. 868/2020 and no. 869/2020, the Regional Administrative Court upheld the cautionary requests submitted by the claimants and suspended the effectiveness of the Resolution of the Seregno Municipal Council, fixing the hearing on the merits for December 2, 2020. The Regional Administrative Court, despite the cautionary phase, did not appreciate the questions referred for a preliminary ruling and referred to the danger and made a summary assessment of the alleged flaws in the transaction represented by the claimants; as a result, it considered that the transaction violated the rules on public companies because there were conditions for the application of public procedures.

A third appeal was subsequently filed (R.G. 1095/2020 filed by Idrotech and Eco Term S.r.l.s.), for which the Chamber of Council of July 15, 2020 has been set for this appeal as well as the hearing on December 2, 2020.

A2A, the Municipality of Seregno and AEB have filed separate cautionary appeals before the Council of State to obtain the annulment and/or reform of the ordinances. The Council of State, at the outcome of the Council Chamber set for August 27, 2020, on August 28, 2020, upheld the appeals "*due to the clear lack of legitimacy and interest of the claimants at first instance and the consequent clear lack of the assumption of direct and immediate harm involving the same claimants from the contested deeds, in view of the nature of the corporate change and the inapplicability of the transaction subject to the appeal at first instance*". The resolution of the Municipality of Seregno, therefore, also took effect for the purposes of the corporate deeds.

The resolution of the Municipality of Seregno, therefore, also took effect for the purposes of the corporate deeds that were in fact carried out. The company has evaluated the content of the Council of State's orders and the appeals and, also in light of the position of the appointed lawyers, has considered the prevalence of the principles of legal certainty and market confidence in consideration of the performance of corporate acts.

After the hearing on the merits on December 2, 2020, on February 15, 2021, the Milan Regional Administrative Court published the judgments upholding the three appeals filed respectively by (i) CST Centro Servizi Termici di Calzolari Maurizio, Depositi Carboni Bovisa DE.CA.BO. S.r.l. and Marco Fumagalli (Councillor Lombardy Region) Sentence no. 412/21, (ii) Tiziano Mariani (Councillor Municipality of Seregno) Sentence no. 413/21 and (iii) Idrotech di Corno Irwin Maria Sentence no. 414/21. The sentences do not have any effect on corporate acts that have taken place and are effective in the meantime.

To enforce Sentence 413, an appeal was also notified to the Milan Regional Administrative Court for compliance, for which a hearing has been set for April 28, 2021. On March 2, the Regional Administrative Court, at the claimant's request, issued a precautionary decree in which it denied single-court precautionary measures, but set a council chamber for March 24, 2021. AEB and the Municipality of Seregno have filed an appeal with the Council of State requesting a suspension of the effects of the sentence. On March 22, 2021, the Council of State denied the suspension because it found that the ruling did not jeopardize the stability of the corporate integration transaction and, given the peculiarity and delicacy of the matter, scheduled a merit hearing as early as July 1, 2021.

The two sentences 412 and 414 qualify the business combination as a transformation of AEB S.p.A. into a mixed company carried out in alleged violation of art. 17 Legislative Decree 175/16 and art. 3 Legislative Decree 50/16 and consider that the conditions do not exist for exemption from the procedures dictated by art. 10 of the same Legislative Decree no. 175/16. A2A, as well as AEB and the Municipality of Seregno, has notified appeal to the Council of State to request the annulment of the sentences and has joined the appeal in compliance.

* * *

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 07, 2017. On February 13, 2018, the acquiring company filed an appeal, which was rejected by the Milan Regional Administrative Court. On April 8, 2019, the Company filed an appeal with the Supreme Court. On February 21, 2020, the Office filed a counter-appeal and a cross-appeal with the Supreme Court. The risks provision recognized for 1.4 million euro was fully used for the payment of the amounts requested with the liquidation notice.

A2A 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 with the Supreme Court. For 2003 the appeal made by the Tax Revenue Office was discussed on November 7, 2011 before the Regional Tax Commission which rejected it with a sentence filed on November 11, 2011. The Tax Revenue Office has not appealed to the Supreme Court for 2003, 2004 and 2005 and the sentence has become final, thereby closing the litigation.

No provisions for risks have been recognized.

8) Contingent assets arising from environmental certificates

At December 31, 2020, A2A S.p.A. had a surplus of environmental certificates.

9) Auditors' fees

In accordance with art. 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 294 thousand euro.

10) Registered office

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

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Attachments

4.1 1. Statement of changes in tangible assets

Tangible assets thousands of euro	BALANCE AT 12 31 2019				CHANGES DURING THE YEAR	
	GROSS VALUE	ACCUMULATED DEPRECIATION	PROVISION WRITE-DOWN	RESIDUAL VALUE	ACQUISITIONS	CHANGES IN CATEGORY
Land	41,564	(2,594)	(6,635)	32,335		214
Buildings	466,341	(220,598)	(30,759)	214,984	538	246
Plant and machinery	2,210,887	(1,179,620)	(315,095)	716,172	1,661	6,655
Industrial and commercial equipment	19,817	(17,721)		2,096	722	
Other assets	51,502	(39,726)		11,776	2,787	
Construction in progress and advances	15,560			15,560	15,409	(7,115)
Leasehold improvements	374	(312)		62	3	
Assets for rights of use	13,667	(4,046)		9,621		
Total tangible assets	**2,819,712**	**(1,464,617)**	**(352,489)**	**1,002,606**	**21,120**	**-**

Tangible assets thousands of euro	BALANCE AT 12 31 2018				CHANGES DURING THE YEAR	
	GROSS VALUE	ACCUMULATED DEPRECIATION	PROVISION WRITE-DOWN	RESIDUAL VALUE	ACQUISITIONS	CHANGES IN CATEGORY
Land	41,903	(2,594)	(6,635)	32,674	29	1
Buildings	471,509	(215,762)	(30,759)	224,988	1,363	1,464
Plant and machinery	2,201,615	(1,132,088)	(315,095)	754,432	3,378	9,747
Industrial and commercial equipment	18,983	(17,497)		1,486	875	58
Other assets	46,990	(35,345)		11,645	4,647	182
Construction in progress and advances	13,712			13,712	13,309	(11,452)
Leasehold improvements	316	(306)		10	58	
Assets for rights of use				-		
Total tangible assets	**2,795,028**	**(1,403,592)**	**(352,489)**	**1,038,947**	**23,659**	**-**

CHANGES DURING THE YEAR						BALANCE AT 12 31 2020			
RECLASSIFICATIONS/ OTHER CHANGES		DISPOSALS		DEPRECIATION	TOTAL CHANGES FOR THE YEAR	GROSS VALUE	ACCUMULATED DEPRECIATION	PROVISION WRITE-DOWN	RESIDUAL VALUE
GROSS VALUE	ACCUMULATED DEPRECIATION	GROSS VALUE	ACCUMULATED DEPRECIATION						
		(52)			162	41,726	(2,594)	(6,635)	32,497
37	(29)	(3,066)	1,358	(9,646)	(10,562)	464,096	(228,915)	(30,759)	204,422
3,257	31	(336)	331	(55,526)	(43,927)	2,222,124	(1,234,784)	(315,095)	672,245
1	(1)	(380)	380	(366)	356	20,160	(17,708)	-	2,452
6	(37)	(521)	521	(5,211)	(2,455)	53,774	(44,453)	-	9,321
					8,294	23,854	-	-	23,854
				(15)	(12)	377	(327)	-	50
54,125	1,048			(9,216)	45,957	67,792	(12,214)		55,578
57,426	**1,012**	**(4,355)**	**2,590**	**(79,980)**	**(2,187)**	**2,893,903**	**(1,540,995)**	**(352,489)**	**1,000,419**

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

4.2 2. Statement of changes in intangible assets

Intangible assets thousands of euro	BALANCE AT 12 31 2019			CHANGES DURING THE YEAR	
	GROSS VALUE	ACCUMULATED DEPRECIATION	RESIDUAL VALUE	ACQUISITIONS	CHANGES IN CATEGORY
Industrial patent and intellectual property rights	130,595	(114,369)	16,226	5,581	3,331
Concessions, licences, trademarks and similar rights	69,510	(48,220)	21,290	18,202	1,066
Goodwill	35,641		35,641		
Assets in progress	9,080		9,080	14,276	(4,412)
Other intangible assets	6,117	(1,236)	4,881	96	15
Total intangible assets	**250,943**	**(163,825)**	**87,118**	**38,155**	**-**

Intangible assets thousands of euro	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**

CHANGES DURING THE YEAR						BALANCE AT 12 31 2020		
OTHER CHANGES		DISPOSALS/SALES		DEPRECIATION	TOTAL CHANGES FOR THE YEAR	GROSS VALUE	ACCUMULATED DEPRECIATION	RESIDUAL VALUE
GROSS VALUE	ACCUMULATED DEPRECIATION	GROSS VALUE	ACCUMULATED DEPRECIATION					
(427)	38			(8,254)	269	139,080	(122,585)	16,495
(218)	1			(12,531)	6,520	88,560	(60,750)	27,810
					-	35,641	-	35,641
(2)		(294)			9,568	18,648	-	18,648
(2,739)	(2)			(26)	(2,656)	3,489	(1,264)	2,225
(3,386)	**37**	**(294)**	**-**	**(20,811)**	**13,701**	**285,418**	**(184,599)**	**100,819**

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**

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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

4.3 3/a. Statement of changes in investments in subsidiaries

Shareholdings thousands of euro	BALANCE AT FINANCIAL STATEMENTS 12 31 2019	CHANGES IN 2020		
		INCREASES	DECREASES	REVERSALS OF IMPAIRMENT LOSS WRITE-DOWNS
FINANCIAL ASSETS				
Subsidiaries:				
Unareti S.p.A.	1,381,881	19,000	(19,050)	
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.	606,817			
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			
Plurigas S.p.A. in liquidation	560			
SEASM S.r.l.	469			
Linea Group Holding S.p.A.	106,385			
A2A Illuminazione Pubblica S.r.l.	19,000		(19,000)	
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. in liquidation	-			
A2Abroad S.p.A.	4,586			
ACSM-AGAM S.p.A.	190,422			
Yada Energia S.r.l.	5,010	15,000		
Suncity Energy S.r.l.		4,275		
A2A Idrogen2 S.r.l.		10		
Ambiente Energia Brianza S.p.A.		19,050		
Total subsidiaries	**3,793,552**	**57,335**	**(38,050)**	**-**

CHANGES IN 2020				SHARE OF EQUITY		
EXCHANGE ASSESSMENTS	OTHERS CHANGES	RECLASSIFICATIONS	BALANCE AT FINANCIAL STATEMENTS 12 31 2020	% HELD	EQUITY AT 12 31 2020	PRO-RATA AMOUNT
			1,381,831	100.00%	1,483,851	1,483,851
			634,894	100.00%	556,639	556,639
			330,627	100.00%	354,925	354,925
			167,000	100.00%	217,898	217,898
			606,817	100.00%	640,700	640,700
			189,730	100.00%	207,182	207,182
			97,039	87.20%	220,706	192,456
			30,105	87.27%	39,979	34,889
			9,222	87.00%	15,511	13,494
			3,557	60.00%	6,000	3,600
			740	74.50%	1,023	762
			560	70.00%	2,968	2,078
			469	67.00%	1,013	679
			106,385	51.00%	189,494	96,642
			-		51,046	
			102	100.00%	108	108
			10,758	74.55%	22,609	16,855
			23	45.77%	366	168
			4,575	100.00%	7,075	7,075
			50	100.00%	8,116	8,116
			-	70.00%	1	1
			4,586	100.00%	2,998	2,998
			190,422	41.34%	441,962	182,707
			20,010	100.00%	13,251	13,251
			4,275	100.00%	781	781
			10	100.00%	10	10
139,588			158,638	33.52%	408,074	136,786
139,588	**-**	**-**	**3,952,425**		**4,894,286**	**4,174,651**

4.4 3/b. Statement of changes in investments in affiliates

Shareholdings thousands of euro	BALANCE AT FINANCIAL STATEMENTS 12 31 2019	CHANGES IN 2020	
		INCREASES	DECREASES
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**	**-**	**-**
Equity investments held for sale			
Ge.S.I. S.r.l.			

(*) Figures of the financial statements at December 31, 2019 latest available financial statements.

CHANGES IN 2020			SHARE OF EQUITY		
REVALUATIONS WRITE-DOWNS	OTHER CHANGES	BALANCE AT FINANCIAL STATEMENTS 12 31 2020	% HELD	EQUITY AT 12 31 2019 (*)	PRO-RATA AMOUNT
		735	24.29%	3,078	748
		466	49.00%	2,296	1,125
		400	40.00%	1,861	744
	(466)	-			
		10	40.00%	26	10
		-	50.00%	(219)	(110)
-	**(466)**	**1,611**		**7,042**	**2,518**
	466	**466**	**47.00%**	**5,172**	**2,431**

4.5 3/c. Statement of changes in investments in other companies

Company Name thousands of euro	SHAREHOLDING %	SHAREHOLDER	CARRYING AMOUNT AT 12 31 2020
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.	
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.

4.6 4/a. List of investments in subsidiaries

Company Name thousands of euro	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL AT 12 31 2020
Subsidiaries:			
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
Azienda Servizi Valtrompia S.p.A.	Gardone Val Trompia (Bs)	Euro	8,939
A2A Security S.c.p.A.	Milan	Euro	52
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. in liquidation	Milan	Euro	100
A2Abroad S.p.A.	Milan	Euro	500
Yada Energia S.r.l.	Milan	Euro	2,400
Suncity Energy S.r.l.	Milan	Euro	100
A2A Idrogen2 S.r.l.	Milan	Euro	10
Ambiente Energia Brianza S.p.A.	Seregno (MB)	Euro	119,496

EQUITY AT 12 31 2020	RESULT AT 12 31 2020	% HELD	PRO RATA AMOUNT (A)	BALANCE AT FINANCIAL STATEMENSTS (B)	DELTA (A-B)
1,483,851	100,069	100.00%	1,483,851	1,381,831	102,020
556,639	137,482	100.00%	556,639	634,894	(78,255)
354,925	20,005	100.00%	354,925	330,627	24,298
217,898	20,373	100.00%	217,898	167,000	50,898
640,700	1,735	100.00%	640,700	606,817	33,883
220,706	98,557	87.20%	192,456	97,039	95,417
39,979	858	87.27%	34,889	30,105	4,784
15,511	810	87.00%	13,494	9,222	4,272
6,000	85	60.00%	3,600	3,557	43
1,023	(67)	74.50%	762	740	22
1,013	81	67.00%	679	469	210
2,968	287	70.00%	2,078	560	1,518
108	(58)	100.00%	108	102	6
207,182	12,652	100.00%	207,182	189,730	17,452
330,216	(21,247)	51.00%	168,410	106,385	62,025
22,609	1,043	74.55%	16,855	10,758	6,097
367	99	45.77%	168	23	145
7,075	(97)	100.00%	7,075	4,575	2,500
8,116	6,854	100.00%	8,116	50	8,066
441,962	15,335	41.34%	182,707	190,422	(7,715)
1	(6)	70.00%	1	-	1
2,998	(868)	100.00%	2,998	4,586	(1,588)
13,251	(6,500)	100.00%	13,251	20,010	(6,759)
781	(627)	100.00%	781	4,275	(3,494)
10	-	100.00%	10	10	-
408,074	3,699	33.52%	136,786	158,638	(21,852)

4.7 4/b. List of investments in affiliates

Company Name thousands of euro	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
Visano Società Trattamento Reflui S.c.a.r.l.	Brescia	Euro	25
Ergon Energia S.r.l. in liquidation	Milan	Euro	600
Equity investments held for sale			
Ge.S.I. S.r.l.	Brescia	Euro	1,000

(*) Figures of the financial statements at December 31, 2019 latest available financial statements.

EQUITY AT 12 31 2019 (*)	RESULT AT 12 31 2019 (*)	% HELD	PRO RATA AMOUNT (A)	BALANCE AT FINANCIAL STATEMENSTS (B)	DELTA (A-B)
3,078	19	24.29%	748	735	13
2,296	377	49.00%	1,125	466	659
1,861	247	40.00%	744	400	344
26	-	40.00%	10	10	-
(219)	(58)	50.00%	(110)	-	(110)
5,172	13	47.00%	2,431	-	2,431

4.8 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.		A2A Ciclo Idrico S.p.A.		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	70,000,000	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.	87.00% 13.00%	A2A S.p.A. Unareti S.p.A.	87.27% 4.33%	A2A S.p.A.	100.00%	A2A S.p.A.	67.00%
Description thousands of euro	12 31 2020	12 31 2019	12 31 2020	12 31 2019	12 31 2020	12 31 2019	12 31 2020	12 31 2019	12 31 2020	12 31 2019	12 31 2020	12 31 2019 Revised	12 31 2020	12 31 2019
Revenues	240,588	151,967	171,938	193,347	477,348	460,411	53,341	62,845	5,984	7,336	99,131	104,307	357	357
Gross operating income	71,624	69,188	36,145	34,472	194,095	190,776	9,780	10,838	3,735	4,250	48,541	53,185	287	296
Net operating income	12,005	146,778	18,240	18,111	154,792	141,492	2,242	3,955	1,294	1,915	30,120	34,722	119	128
Result before taxes	6,682	141,108	18,373	17,846	178,062	170,404	1,448	3,005	1,295	1,915	28,948	33,757	113	110
Result of the year	1,735	97,576	12,652	13,420	137,482	130,708	810	1,877	858	1,311	20,373	23,774	81	79
Assets	1,159,795	1,076,189	402,624	374,777	897,326	917,663	127,106	128,998	42,595	43,945	429,939	396,689	1,231	1,379
Liabilities	519,095	431,263	195,442	167,791	340,687	370,928	111,595	112,363	2,617	3,587	212,041	176,804	218	447
Equity	640,700	644,926	207,182	206,986	556,639	546,736	15,511	16,634	39,979	40,358	217,898	219,885	1,013	932
Net financial position	(213,380)	(249,118)	125,826	115,596	122,671	261,188	(77,708)	(70,171)	9,297	9,659	(161,170)	(127,446)	(251)	(537)

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 2019	12 31 2018
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.		Azienda Servizi Valtrompia S.p.A.		A2A Security S.c.p.a.		A2A Rinnovabili S.p.A.	
Euro	189,494,116	Euro	8,938,941	Euro	52,000	Euro	50,000
A2A S.p.A.	51.00%	A2A S.p.A. Unareti S.p.A.	74.55% 0.25%	A2A S.p.A. Unareti S.p.A. A2A Ciclo Idrico S.p.A. Amsa S.p.A. A2A gencogas S.p.A. A2A Ambiente S.p.A. A2A Calore & Servizi S.r.l. A2A Energiefuture S.p.A. Altre società	45.77% 18.37% 10.49% 9.14% 3.95% 3.95% 2.60% 1.93% 3.80%	A2A S.p.A.	100.00%
12 31 2020	12 31 2019	12 31 2020	12 31 2019	12 31 2020	12 31 2019	12 31 2020	12 31 2019
22,409	20,568	13,219	13,249	1,375	1,191	8,451	6,975
(204)	(7,804)	3,907	3,779	387	375	6,124	4,773
(2,993)	(9,026)	1,495	1,271	145	135	2,493	714
(22,184)	164,188	1,413	1,181	138	118	3,936	1,943
(21,247)	166,405	1,043	838	99	89	6,854	1,644
756,282	759,929	47,417	41,144	1,189	1,310	103,918	89,426
426,066	396,256	24,807	19,586	822	1,056	95,802	86,286
330,216	363,674	22,609	21,558	367	254	8,116	3,140
229,891	(170,573)	(17,019)	(8,513)	520	(734)	(37,032)	(25,520)

A2A Energy Solution S.r.l.		Yada Energia S.r.l.		ACSM-AGAM S.p.A.		Ambiente Energia Brianza S.p.A.	
Euro	4,000,000	Euro	2,400,000	Euro	197,343,794	Euro	119,495,575
A2A S.p.A.	100.00%	A2A S.p.A.	100.00%	A2A S.p.A.	41.34%	A2A S.p.A.	33.52%
12 31 2020	12 31 2019	12 31 2020	12 31 2019	12 31 2020	12 31 2019	12 31 2020	12 31 2019
26,814	51,016	2,237	-	24,131	27,452	16,157	16,291
615	2,293	(7,800)	(327)	1,073	1,093	(177)	1,483
(1,571)	1,232	(8,793)	(327)	(6,608)	(5,199)	(4,732)	(1,458)
(307)	1,880	(8,793)	(327)	13,825	14,915	2,935	4,616
(97)	1,438	(6,500)	(249)	15,335	15,449	3,699	4,760
45,325	42,162	20,605	7,823	652,524	633,823	467,233	273,929
38,249	34,990	7,355	3,064	210,562	191,457	59,159	23,658
7,075	7,171	13,251	4,759	441,962	442,366	408,074	250,270
(27,640)	(26,818)	3,602	4,443	(75,183)	(81,910)	(36,128)	(6,359)

4.9 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.	
Share capital	Euro	965,250,000	Euro	150,000,000
% held	A2A S.p.A.	100.00%	A2A S.p.A.	100.00%
Description thousands of euro	**12 31 2020**	**12 31 2019**	**12 31 2020**	**12 31 2019**
Revenues	514,199	505,684	245,183	239,121
Gross operating income	241,453	257,973	70,017	78,557
Net operating income	139,554	170,714	31,628	45,181
Result before taxes	137,166	168,911	27,894	46,657
Result of the year	100,069	118,322	20,005	33,019
Assets	2,330,205	2,245,410	712,550	696,805
Liabilities	846,354	745,949	357,625	330,585
Equity	1,483,851	1,499,462	354,925	366,220
Net financial position	(369,260)	(237,123)	(232,447)	(212,552)

AFFILIATES	Sviluppo Turistico del Lago d'Iseo S.p.A.		Società Elettrica di Toscolano Maderno S.r.l.	
Share capital	Euro	1,616,298	Euro	104,000
% held	A2A S.p.A.	24.29%	A2A S.p.A.	49.00%
Description thousands of euro	**12 31 2019**	**12 31 2018**	**12 31 2019**	**12 31 2018**
Revenues	1,461	1,314	990	857
Gross operating income	381	303	698	611
Net operating income	93	60	347	377
Result before taxes	27	2	525	436
Result of the year	19	(12)	377	312
Assets	6,312	6,591	3,259	3,053
Liabilities	3,234	3,512	963	1,134
Equity	3,078	3,079	2,296	1,919
Net financial position	(2,151)	(2,537)	(50)	(434)

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

A2Abroad S.p.A.		A2A Energia S.p.A.		Suncity Energy S.r.l.		PROARIS S.r.l.	
Euro	500,000	Euro	3,000,000	Euro	100,200	Euro	1,875,000
A2A S.p.A.	100.00%	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%
12 31 2020	12 31 2019	12 31 2020	12 31 2019	12 31 2020	12 31 2019	12 31 2020	12 31 2019
778	124	2,155,691	2,263,121	40,077	28,406	2,632	3,099
(1,138)	(963)	178,497	178,182	(635)	(380)	355	365
(1,138)	(963)	139,068	136,326	(990)	(659)	180	190
(1,137)	(964)	139,073	137,174	(1,062)	(656)	181	191
(868)	(721)	98,557	93,345	(627)	(656)	85	104
3,658	4,552	842,397	833,543	5,746	3,840	6,600	6,540
661	686	621,691	618,190	4,965	3,440	600	526
2,998	3,866	220,706	215,353	781	400	6,000	6,014
2,381	3,635	(33,278)	(57,201)	2,237	968	3,092	3,278

Serio Energia S.r.l.		Visano Società Trattamento Reflui S.c.a.r.l.		Ge.S.I. S.r.l.	
Euro	1,000,000	Euro	25,000	Euro	1,000,000
A2A S.p.A.	40.00%	A2A S.p.A.	40.00%	A2A S.p.A.	47.00%
12 31 2019	12 31 2018	12 31 2019	12 31 2018	12 31 2019	12 31 2018
2,193	2,138	31	8	5,886	6,148
585	6,100	-	-	355	711
347	377	-	-	54	410
347	377	-	-	54	413
247	269	-	-	13	299
2,197	2,209	48	26	6,988	7,298
335	345	22	-	1,815	2,138
1,861	1,864	26	26	5,172	5,160
703	532	-	5	592	2,361

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

1. The undersigned, Renato Mazzoncini, as CEO of A2A S.p.A., and Andrea Crenna, as Financial Reporting Manager of A2A S.p.A. also considering the provisions of article 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of February 24, 1998, hereby attest:

    - the adequacy in relation to the characteristics of the company and
    - the effective application

    of administrative and accounting procedures for the preparation of financial statements in the year 2020.

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 reliable analysis on the performance, result of operations and the business of the issuer, as well as description of principal risks and uncertainties to which is exposed.

Milan, March 18, 2021

Renato Mazzoncini (CEO)	Andrea Crenna (Financial Reporting Manager)

5

Independent Auditors' Report

5 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 2020, 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 2020, 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
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Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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We identified the following key audit matters:

Key Audit Matter	Audit response
Valuation of Shareholdings in subsidiaries	
At December 31, 2020, the Shareholdings in subsidiaries balance amount to 3.952 million euro. 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. 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 or the net realized value of the assets 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. Such assumptions could be affected by future expectation on energy market conditions, by the expectation of possible effects determined by the pandemic Covid-19, by the authorization processes in progress and by regulatory and macroeconomic scenarios. 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. 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.	Our audit procedures related to this key audit matters included, among others: • 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 cash flows forecasts and their consistency with energy market conditions, with authorization processes in progress and with regulatory and macroeconomic scenarios; • assessment of the consistency between the future cash flows assumed in the Group A2A's strategic plan and the cash flows forecasts assumed for shareholdings in subsidiaries, appropriately adjusted by estimated future cash inflows or outflows expected to arise from future restructurings or from improving or enhancing the asset's performance; • assessment of the accuracy of actual results against previous forecasts; • assessment of the long-term growth rates and discount rates. 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. Lastly, we reviewed the adequacy of the disclosures included in the notes to the financial statements.

Building a better working world

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.

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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 2020, 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 2020 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 2020 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 1, 2021

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.

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Report of the Board of Auditors

6 Report of the Board of Auditors

REPORT OF THE BOARD OF STATUTORY AUDITORS PURSUANT TO ARTICLE 153 OF LEGISLATIVE DECREE 58/1998 AND ARTICLE 2429 PARAGRAPH 3, CIVIL CODE TO THE SHAREHOLDERS' MEETING OF A2A S.P.A. OF APRIL 29, 2021 (SECOND CALL, IF APPLICABLE, APRIL 30, 2021)

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 13, 2020 and will end its term of office with the Shareholders' Meeting convened to approve the financial statements at December 31, 2022.

Pursuant to article 153, paragraph 1, of Legislative Decree no. 58 of February 24, 1998 (hereinafter the "**T.U.F.**"), the Board of Statutory Auditors hereby informs that, during the year ended December 31, 2020, it carried out the supervisory and control activities required by current regulations, with particular regard to the provisions of the Italian Civil Code, Legislative Decree 58/1998, Legislative Decree no. 39 of January 27, 2010 and Legislative Decree no. 254 of 2016, also taking into account the indications contained in CONSOB communications relating to 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 Rules of Conduct for the Board of Statutory Auditors of listed companies recommended by the National Council of Chartered Accountants and Accounting Experts.

This Report is given to the Shareholders of the Company in view of the Shareholders' Meeting called, on first call, on April 29, 2021 and, if necessary, on second call, on April 30, 2021 for the approval of the Financial Statements at December 31, 2020.

That said, the activities carried out by the Board of Statutory Auditors during 2020 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 2020 were as follows:

- completion of the industrial and territorial partnership between the A2A Group through its subsidiary Unareti S.p.A. and the AEB Group;
- issue of 500 million euro green bond with a term of 12 years for institutional investors, under its Euro Medium Term Notes program;
- request by LGH shareholders to start the process for a possible merger by incorporation of LGH into A2A.

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 and top management, 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 1, 2021, 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, 2020, 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, 2020 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 of the knowledge and understanding of the company and the relative context acquired during the audit.

On April 1, 2021, 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, 2020, 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.

The independent auditors EY S.p.A., also on April 1, 2021, issued the certificate of conformity of the information provided in the Consolidated Non-financial Disclosure prepared by the Company required by articles 3 and 4 of Legislative Decree no. 254/2016.

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 2020, 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 2020.

Description thousands of euro	Leading Auditor	Other auditors
A2A S.p.A.		
Audit of annual financial statements	147	
Audit of consolidated financial statements	43	
Periodic tests of accounting	21	
Review of half-yearly report	68	
Audit of the separate annual accounts for ARERA	15	
Total	**294**	**-**
Subsidiaries		
Audit of annual financial statements	831	
Periodic tests of accounting	208	
Review of half-yearly report	191	
Audit of the separate annual accounts for ARERA	72	
Other consolidated groups (LGH, ACSM-AGAM, AEB)	637	
Total	**1,939**	**-**
Associates and joint ventures		
Audit of the information sent to shareholders for the consolidation	29	
Total	**29**	
TOTAL A2A GROUP	**2,262**	**-**

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
Retragas S.r.l.	Certification of revenues relating to 2019. Resolution 114/2019/R/GAS of March 29, 2019 – art. 4	1,000.00
A2A S.p.A.	Attestation activities related to the updating of the EMTN program	45,000.00
A2A Energiefuture S.p.A.	Request for reinstatement of 2019 costs San Filippo del Mela - Essential plants resolution ARERA 111/06	1,000.00

A2A Smart City S.p.A.	Certification of 2019 tax credit and three-year period 2012-14 for research and development activities	10,000.00
A2A S.p.A.	Comfort letter in connection with the issuance of a 500 million euro bond with a maturity of 12 years, under its Euro Medium Term Notes Program	25,000.00
A2A S.p.A.	Certification of 2019 tax credit for research and development activities	14,500.00
A2A Ambiente S.p.A.	Certification of 2019 tax credit for research and development activities	12,000.00
A2A Calore & Servizi S.r.l.	Certification of 2019 tax credit for research and development activities	13,200.00
Unareti S.p.A.	Certification of 2019 tax credit for research and development activities	13,300.00
A2A Energiefuture S.p.A.	Certification of 2019 tax credit for research and development activities	9,500.00
A2A Ciclo Idrico S.p.A.	Certification of 2019 tax credit for research and development activities	15,000.00
Yada Energia S.r.l.	Certification of 2019 tax credit for research and development activities	7,500.00
Total		**167,000.00**

The conferral of the above appointments was approved in advance by the Board of Statutory Auditors.

The Board of Statutory Auditors received, in accordance with the provisions of article 6 paragraph 2 letter a) of Regulation (EU) no. 537/2014, from EY S.p.A., certification of the declaration relating to the independence of EY S.p.A., pursuant to article 6 of Regulation (EU) no. 537/2014, contained in the additional report, from which no situations emerge that could compromise its independence.

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6. Main opinions issued by the Board of Statutory Auditors in accordance with current legislation.

In 2020, the Board of Statutory Auditors, in particular:

- 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, 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 March 19, 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..
- verified compliance with the regulations in force in each phase of presentation of the lists for the renewal of the administration and control bodies;
- verified that each member of the Board of Statutory Auditors meets the requirements of independence, integrity and professionalism;
- verified the correct application by the Board of Directors of the criteria and procedures for assessing the independence of its members pursuant to the Corporate Governance Code approved by the Corporate Governance Committee promoted by Borsa Italiana in line with the provisions of criterion 3.C.5 of the Code;
- 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 2021 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 2021 as well as the text of the Remuneration Report approved by the Board of Directors at its meeting of March 26, 2021, ascertaining that it contains 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 March 26, 2021, 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.

The year 2020 was characterized by a situation of profound uncertainty regarding the genesis and evolution of the COVID-19 pandemic. The governmental indications and measures issued from March 2020 and throughout the financial year, in declaring a state of emergency, imposed particularly stringent measures to limit the spread of the pandemic in the national territory, such as situations of total or partial lockdown and stringent measures of "social distancing".

In this context, the Company's activities were not interrupted and continued, where possible, "remotely" for office personnel.

The activities of the Board of Statutory Auditors were also conducted in this manner, through the acquisition of data and information in electronic format and the holding of its meetings via video/audio conference.

Considering the degree of reliability and timeliness of the Company in ensuring the proper conduct of meetings and an adequate system for sending information flows, the Board of Statutory Auditors believes that the adoption of these methods has not diminished or affected the degree of reliability of the information received or the effectiveness of its activities.

In 2020, the Board attended all the meetings of the Board of Directors, for a total of 22 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 24 meetings in 2020, 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 16 meetings of the Control and Risk Committee, 20 meetings of the Remuneration and Appointments Committee, and 7 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, 2020.

In 2021 up to the present date, the Board of Statutory Auditors has attended 6 meetings of the

Board of Directors, 5 meetings of the Control and Risk Committee, 7 meetings of the Remuneration and Appointments Committee, 3 meetings of the Committee for Transactions with Related Parties and has held 9 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 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 July 30, 2020, to take account of:

  a) regulatory compliance with "tax crimes", provided for by Legislative Decree 74/2000 and introduced into the scope of Legislative Decree no. 231/01 by Law 157/2019, with specific reference to the following offences: fraudulent declaration using invoices or other documents for non-existent transactions (article 2 of Legislative Decree no. 74/2000), fraudulent declaration using other devices (article 3 of Legislative Decree no. 74/2000), issuance of invoices or other documents for non-existent transactions (article 8 of Legislative Decree no. 74/2000), concealment or destruction of accounting documents (article 10 of Legislative Decree no. 74/2000), fraudulent evasion of taxes (article 11 of Legislative Decree no. 74/2000);

  b) the entry into force of Legislative Decree no. 75/2020 (implementing EU Directive 2017/1371 on the combat against fraud affecting the financial interests of the Union by means of criminal law - "PIF Directive"), mainly relating to the following main areas: inclusion in article 25-quinquiesdecies of further tax crimes, such as the offences of false declaration pursuant to article 4 of Legislative Decree no. 74/2000, non-declaration pursuant to article 5 of Legislative Decree no. 74/2000 and undue compensation pursuant to art. 10-quater of Legislative Decree no. 74/2000, if committed within the scope of cross-border fraudulent systems and in order to evade value added tax for a total amount of not less than ten million euro, punishability of certain types of declaratory tax offences even in cases of attempted crime, inclusion in the scope of crimes 231 of fraud in public supplies, fraud in agriculture and smuggling, crimes of embezzlement and abuse of office, extension of the case of corruption to certain areas of the EU context;

- confirmed that the Company has an Anti-Corruption Policy, approved in the version updated by the Board of Directors on July 11, 2019;
- examined the periodic reports (at June 30, 2020 and December 31, 2020) of the Supervisory Body provided for by Legislative Decree no. 231/2001, which summarize the activities carried out during the year, and met with its members;
- met with representatives of the Board of Statutory Auditors of the subsidiaries A2A Calore & Servizi S.r.l., Amsa S.p.A. and Unareti 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 2020, that A2A S.p.A.'s Internal Control and Risk Management System is inadequate;
b) considering the information provided by the Chairman of the Supervisory Board and the reports mentioned above, which show that, in 2020, 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 2020.

The Board of Statutory Auditors explored and constantly monitored the events during the year regarding ongoing tax, administrative, civil and criminal litigation involving the Company and the Group, for which reference is made to as detailed in the 2020 Consolidated Annual Report, Section 3) Other Information, section 8) 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, 2020 and the Half-Year Report of the Group at June 30, 2020;
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 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 18, 2021, 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, 2020 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 2020, 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, 2020:

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, 2020 and the Annual Report of the Group at December 31, 2020, as well as the outcomes of the audit and evaluation of these documents.

In particular, the Board of Statutory Auditors:

- analyzed the work carried out by the independent auditors, and in particular, the methodological framework, 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 issues related to business 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:

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, contained in 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 Self-Regulation Code of the Governance Committee of listed companies and the Corporate Governance Code.

The Board of Statutory Auditors verified that the Board of Directors of December 17, 2020 resolved that the Company will adhere to the new Corporate Governance Code 2020 edition of listed companies applicable from January 1, 2021.

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 Self-Regulation Code (and, from January 1, 2021, the Corporate Governance 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 March 26, 2021, examined the recommendations of the Corporate Governance Committee contained in the letter of December 22, 2020 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.

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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 Self-Regulation Code and the Corporate Governance Code. The outcome of said audits is outlined in the Annual Report on Corporate Governance and Ownership Structures prepared for the year 2020;
- 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.

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 2020, 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, 2020 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 disclosure 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 18, 2021 of the aforementioned Disclosure and the issue on April 1, 2021, 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 and Consob, the Company allocated a section in the Report on Operations to the Covid-19 health emergency and the effects of the pandemic on the half-year and annual results and the value of assets, to which reference is made.

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, 2020 presented by the Board of Directors along with the report on operations and the proposed distribution of a dividend.

Milan, April 3, 2021

THE BOARD OF STATUTORY AUDITORS

(Signed Giacinto Sarubbi)	-	Chairman
(Signed Maurizio Leonardo Lombardi)	-	Statutory Auditor
(Signed Chiara Segala)	-	Statutory Auditor