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2016

Interim report on operations

March 31, 2016

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Corporate boards

BOARD OF DIRECTORS

CHAIRMAN
Giovanni Valotti
DEPUTY CHAIRMAN
Giovanni Comboni
CHIEF EXECUTIVE OFFICER
Luca Camerano
DIRECTORS
Antonio Bonomo
Giambattista Brivio
Maria Elena Cappello
Michaela Castelli
Elisabetta Ceretti
Luigi De Paoli
Fausto Di Mezza
Stefano Pareglio
Secondina Giulia Ravera

BOARD OF STATUTORY AUDITORS

CHAIRMAN
Giacinto Gaetano Sarubbi
STANDING AUDITORS
Cristina Casadio
Norberto Rosini
SUBSTITUTE AUDITORS
Onofrio Contu
Paolo Prandi

Key figures of the A2A Group

Business Units

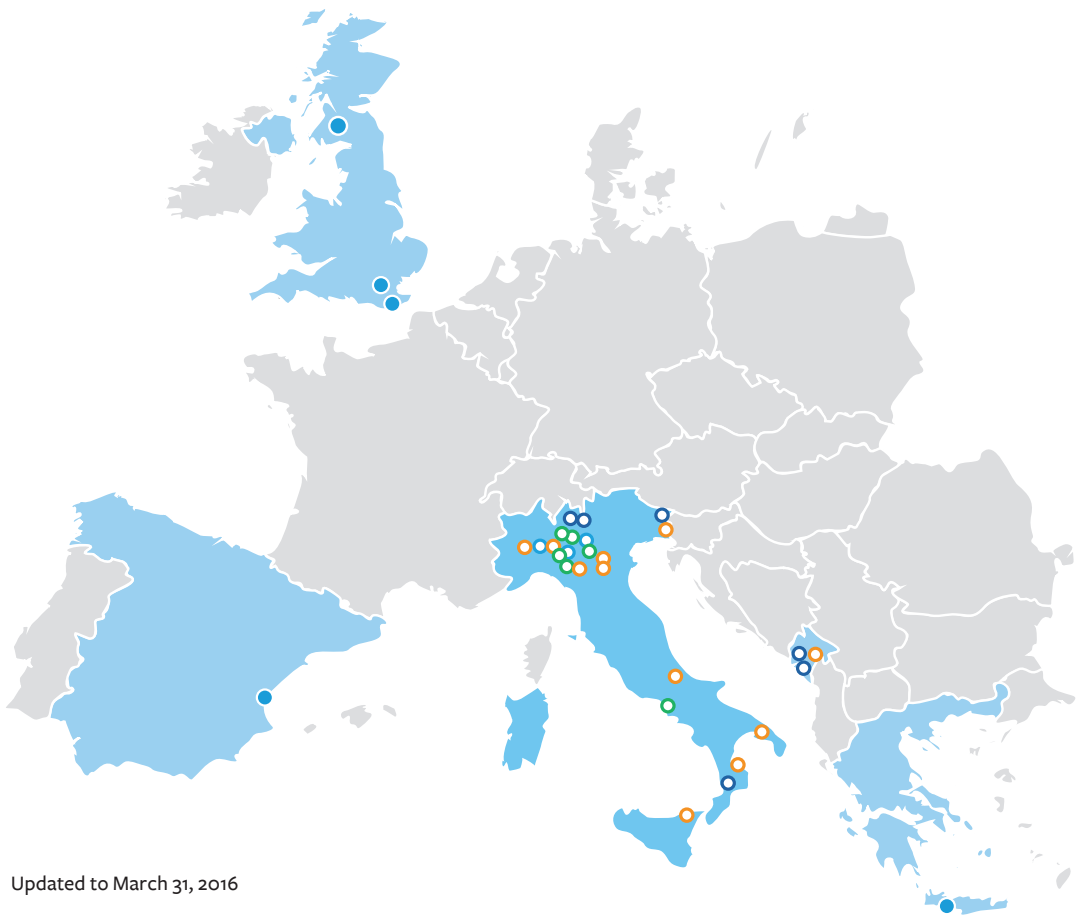
The A2A Group operates in the production, sale and distribution of gas and electricity, district heating, environmental services and the integrated water cycle. These sectors are in turn attributable to the “Business Units” specified in the following diagram identified as a result of the reorganization carried out by the management:

Business Units of the A2A Group

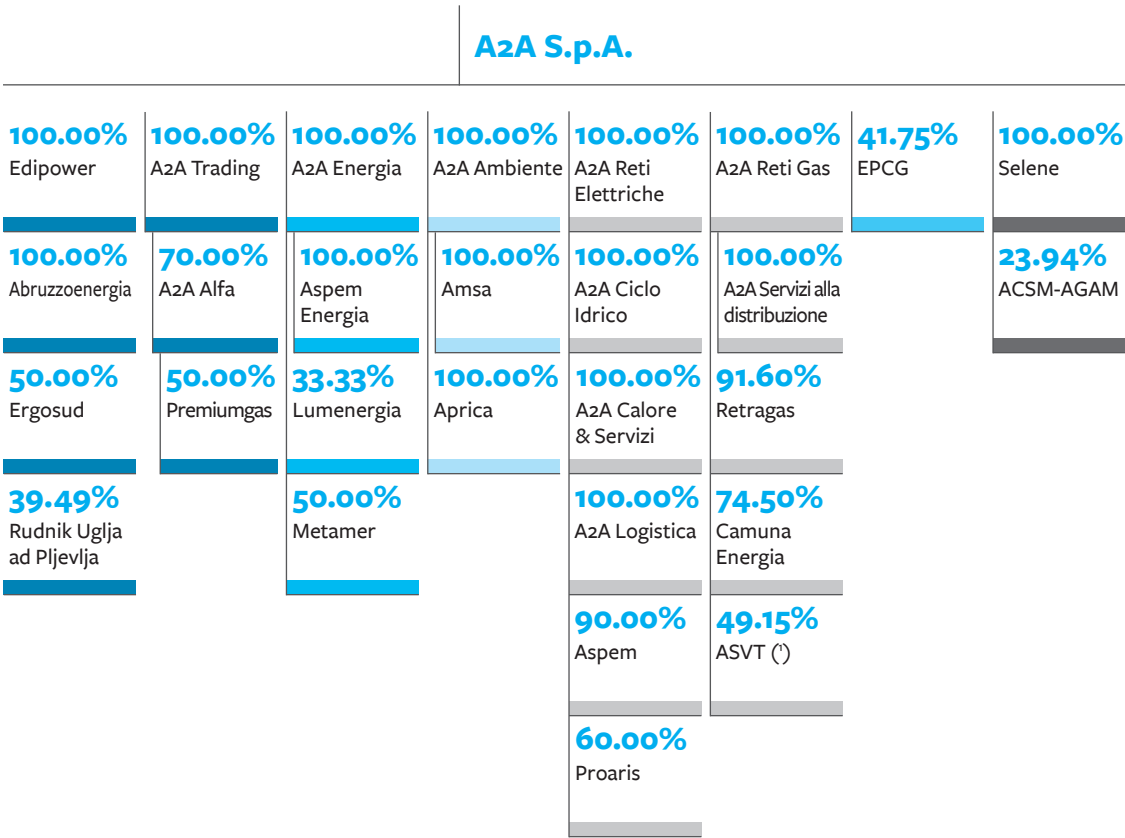
Generation and Trading	Commercial	Environment	Networks and Heat	EPCG	Other Services and Corporate
Thermoelectric and hydroelectric plants	Sale of Electricity and Gas	Collection and street sweeping	Electricity networks	Electricity generation and commercial	Other services
Energy Management		Treatment	Gas networks	Electricity networks	Corporate services
		Disposal and energy recovery	Integrated water cycle		
			Public lighting and other services		
			District Heating Services		
			Heat management services		

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

Geographical areas of activity



Group structure



Business Units

- Generation and Trading
- Commercial
- Environment
- Networks and Heat
- EPCG
- Other companies

(¹) Of which 0.38% held through A2A Reti Gas S.p.A..
This chart shows the most significant shareholdings of the A2A Group.
See attachments 1, 2 and 3 for full details of shareholdings.

Financial highlights at March 31, 2016 (**)

Revenues _____	1,287 millions of euro
Gross operating income _____	314 millions of euro
Result of the period _____	158 millions of euro

Income statement figures

Millions of euro

	01 01 2016 03 31 2016	01 01 2015 03 31 2015
Revenues	1,287	1,379
Operating expenses	(817)	(885)
Labour costs	(156)	(157)
Gross operating income - EBITDA	314	337
Depreciation, amortization, provisions and write-downs	(118)	(109)
Net operating income - EBIT	196	228
Result from non-recurring transactions	52	-
Financial balance	(30)	(41)
Result before taxes	218	187
Income taxes	(52)	(60)
Net result from discontinued operations	-	-
Minorities	(8)	(10)
Group result of the period	158	117
Gross operating income/Revenues	24.4%	24.4%

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

Balance sheet figures

Millions of euro

	03 31 2016	12 31 2015
Net capital employed	6,009	6,156
Equity attributable to the Group and minorities	3,132	3,259
Consolidated net financial position	(2,877)	(2,897)
Consolidated net financial position/Equity attributable to the Group and minorities	0.92	0.89
Consolidated net financial position / EBITDA Rolling 12 months	2.81	2.74

Financial data

Millions of euro

	01 01 2016 03 31 2016	01 01 2015 03 31 2015
Net cash flows from operating activities	147	108
Net cash used in investing activities	(91)	(49)
Free cash flow (Cash Flow Statement figure)	56	59

Average market capitalization in 2016 _____ 3,402 millions of euro

Market capitalization at March 31, 2016 _____ 3,581 millions of euro

Key figures of A2A S.p.A.

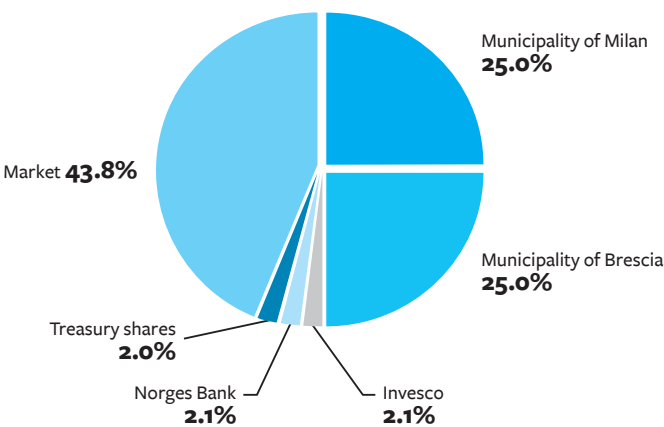
	03 31 2016	12 31 2015
Share Capital (euro)	1,629,110,744	1,629,110,744
Number of ordinary shares (par value 0.52 euro)	3,132,905,277	3,132,905,277
Number of treasury shares (par value 0.52 euro)	61,917,609	26,917,609

Key indicators

	03 31 2016	03 31 2015
Average 6-month Euribor	0.103%	0.125%
Average price of Brent crude (US\$/bbl)	35.10	55.22
Average exchange rate euro/US\$ (*)	1.10	1.13
Average price of Brent crude (euro/bbl)	31.84	49.10
Average price of coal (euro/tonne)	40.85	53.46

(*) Source: Italian Foreign Exchange Office.

Shareholdings (*)



(*) Source CONSOB for Stakes higher than 2% (updated at March 31, 2016).

A2A S.p.A. on the Stock Exchange

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

Capitalization at March 31, 2016 (millions of euro)	3,581	
Share capital at March 31, 2016 (shares)	3,132,905,277	
	First quarter 2016	Last 4 quarters
Average capitalization (millions of euro)	3,402	3,568
Average volumes (shares)	15,869,796	16,684,148
Average price (euro per share)	1.09	1.14
Maximum price (euro per share)	1.24	1.35
Minimum price (euro per share)	0.96	0.96

Source: Bloomberg

A2A stock is also traded on the following platforms: Chi-X, BATS, Turquoise, Equiduct, Sigma-X, Aquis, BOAT OTC, LSE Europe OTC, BATS Chi-X OTC.

A2A forms part of the following indices

FTSE MIB
STOXX Europe
EURO STOXX
Wisdom Tree
S&P Developed Ex-US

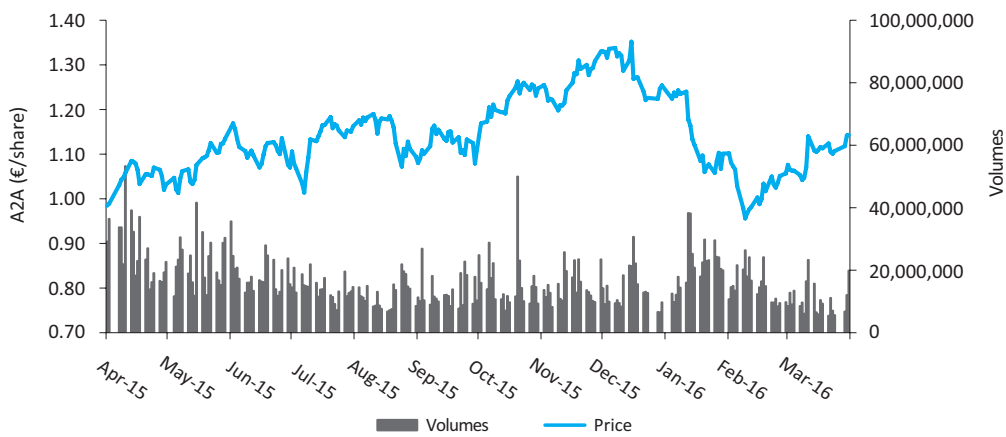
Ethical Indices

Axia Sustainable Index
ECPI Ethical Index EMU
Ethibel Sustainability Index Excellence Europe
FTSE ECPI Italia SRI Benchmark
Solactive Climate Change Index
Standard Ethics Italian Index

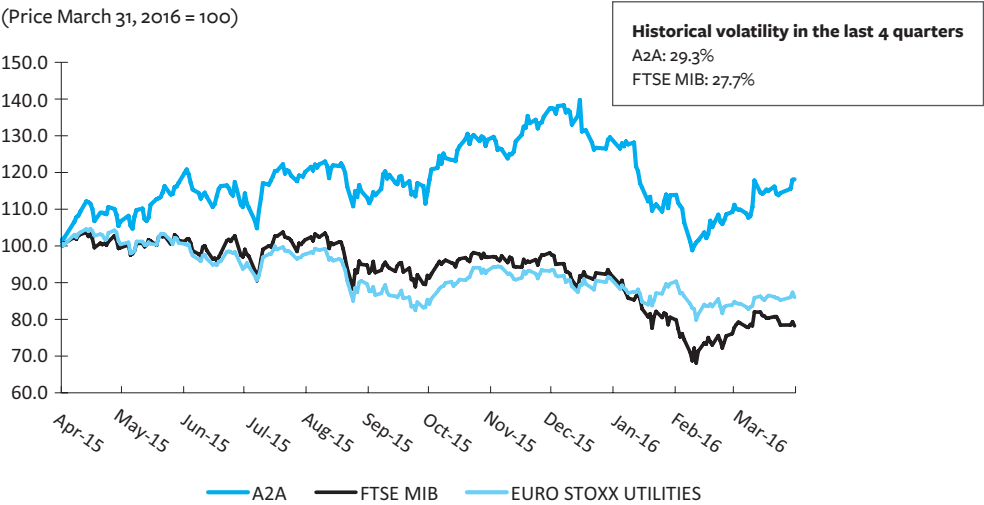
Source: Bloomberg and corporate information

A2A is also included in the Ethibel Excellence Investment Register and in the Ethibel Pioneer Investment Register.

A2A: price and volumes



A2A vs FTSE MIB and EURO STOXX UTILITIES



Source: Bloomberg

Rating

Standard & Poor's	M/L Term Rating	Current BBB
	Short Term Rating	A-2
	Outlook	Stable
Moody's	M/L Term Rating	Baa3
	Outlook	Stable

Source: Rating agencies

Consolidated results and report on operations

Summary of results, assets and liabilities and financial position

Results

The results of the A2A Group for the period ended March 31, 2016 are set out below, with comparative figures for the corresponding period of the previous year:

<i>Millions of euro</i>	01 01 2016 03 31 2016	01 01 2015 03 31 2015	Changes
Revenues	1,287	1,379	(92)
of which:			
- Revenues from the sale of goods and services	1,212	1,339	(127)
- Other operating income	75	40	35
Operating expenses	(817)	(885)	68
Labour costs	(156)	(157)	1
Gross operating income - EBITDA	314	337	(23)
Depreciation, amortization and write-downs	(96)	(98)	2
Provisions	(22)	(11)	(11)
Net operating income - EBIT	196	228	(32)
Result from non-recurring transactions	52	-	52
Net financial charges	(32)	(42)	10
Affiliates	2	1	1
Result from disposal of other shareholdings	-	-	-
Result before taxes	218	187	31
Income taxes	(52)	(60)	8
Result after taxes from operating activities	166	127	39
Net result from discontinued operations	-	-	-
Minorities	(8)	(10)	2
Group result of the period	158	117	41

In the first quarter of 2016, “**Revenues**” of the A2A Group, which come to 1,287 million euro, are down 6.7% over the first quarter of last year, mainly as a result of the reduction in revenues from the sale of electricity on the wholesale markets.

Despite the increased volumes sold, the decline in sale prices of both gas and electricity recorded on the retail market weighed heavy on the downturn to Group revenues.

	03 31 2016	03 31 2015
Electricity sold to wholesale customers (GWh)	1,507	2,369
Electricity sold to retail customers (GWh)	2,085	1,952
Electricity sold on the Power Exchange (GWh)	3,746	2,871
Electricity sold domestic and foreign market (GWh) - EPCG	870	913
Gas sold to wholesale customers (Mcm)	155	133
Gas sold to retail customers (Mcm)	510	488
Heat sold (GWht)	1,148	1,128
Electricity distributed (GWh)	2,766	2,788
Electricity distributed (GWh) - EPCG	573	584
Gas distributed (Mcm)	850	890
Water distributed (Mcm)	16	14
Water purified (Mcm)	9	8
Waste disposed of (Kton)	614	670

Production Details	03 31 2016	03 31 2015
Thermoelectric production (GWh)	2,463	2,000
Thermoelectric production (GWh) - EPCG	248	410
Hydroelectric production (GWh)	942	1,124
Hydroelectric production (GWh) - EPCG	568	584
Heat production (GWht)	1,095	1,103
Electricity produced by cogeneration (GWh)	100	135

The “**Gross Operating Income**” of 314 million euro decreased by 23 million euro over the first quarter of 2015.

The following table highlights the composition by Business Unit:

Millions of euro	03 31 2016	03 31 2015	Delta	Delta %
Generation and Trading	95	113	(18)	(15.9%)
Commercial	33	28	5	17.9%
Environment	59	61	(2)	(3.3%)
Networks and Heat	112	115	(3)	(2.6%)
EPCG	20	25	(5)	(20.0%)
Other Services and Corporate	(5)	(5)	-	0.0%
Total	314	337	(23)	(6.8%)

The Gross Operating Income of the Generation and Trading Business Unit amounted to 95 million euro, down 18 million euro over the first three months of the previous year.

As compared with the first quarter of 2015, the 2016 result benefits from greater non-recurring items of approximately 8 million euro, whilst, for approximately 2 million euro, it suffers the negative effect of changes in perimeter relating to the sale of the hydroelectric plants of the Udine unit (apart from Ampezzo and Somplago) to Cellina Energy S.r.l.. Net of these non-recurring items, the Gross Operating Income of the Generation and Trading Business Unit was down by about 24 million euro.

This reduction is mainly due, both in the electricity and gas segments, to the negative performance by the energy scenario. With specific reference to the electricity sector, the margins of the hydroelectric plants were penalised (both for the downturn of prices and the lesser production in the period) and those of the Monfalcone coal plant.

This effect was partially mitigated by the greater quantities intermediated by the CCGT plants on the ancillary services markets (from 443 GWh to 569 GWh).

During the quarter examined, moreover, the market performance, the compression of the spreads with the foreign market and the loss of certain market opportunities for environmental certificates (such as the conclusion of the Green Certificates mechanism), penalised the trading result.

Instead, the good performance recorded on the environmental certificates market and the savings deriving from the operating efficiency plan, have partially offset this trend.

The Gross Operating Income of the Commercial Business Unit equalled 33 million euro, up by 5 million euro compared to the first quarter of 2015.

Net of the positive items of non-recurring income noted during the first three months of 2016, approximately 2 million euro, the Gross Operating Income for the Business Unit is up 3 million euro on the same period of 2015, mainly following the growth in results recorded in the electricity sales sector.

This trend involved both the free market following the increase in volumes sold and the greater number of points serviced, and the protected market, by virtue of the increased tariff portion to cover the costs of marketing (despite the decline in quantities sold to customers served under the protected regime).

The Gross Operating Income of the Environment Business Unit was 59 million euro, down 2 million euro on the same period of last year, substantially following the reduction of the quantities disposed of at the landfill of inert lots of Corteolona (from May 2015) and the landfills of Cavaglià and Montichiari.

In the quarter examined, lower revenues are also recorded from the sale of electricity from the waste-to-energy plant in Acerra (following the reduction of the CIP 6 payment caused by

the drop in prices of the reference fuels) and the Group's other waste-to-energy plants (due to the drop in electricity and heating prices).

This trend was partially offset by the increased margins due to the greater production of heat by the waste-to-energy plants (following the greater demands by the Group district heating sector), the reduction of costs for the disposal of waste from the Brescia and Silla2 waste-to-energy plants and the increased margins in the collection segment following the greater quantities collected and the greater number of homes served.

The Gross Operating Income of the Networks and Heat Business Unit amounted to 112 million euro, a decrease of 3 million euro compared to the first quarter of 2015. This performance is substantially attributable to:

- greater revenues relating to the aqueduct, purification and sewage service for approximately 3 million euro, following the tariff increases acknowledged by AEEGSI and greater quantities distributed during the period examined;
- lesser allowed revenues expected for the electricity and gas distribution, primarily following the update, as from 2016, of the WACC (Weighted Average Cost of Capital) by the AEEGSI and lesser revenues for connections and services overall, for a total of approximately 8 million euro;
- lesser margins connected with public lighting and other services for approximately 2 million euro;
- lesser margins connected with district heating and heat management for approximately 2 million euro;
- lesser fixed costs for the entire Networks and Heat Business Unit for approximately 6 million euro deriving partly from the Group's current operative efficiency plan.

The Gross Operating Income of the EPCG Business Unit amounted to 20 million euro, down 5 million euro over the first three months of the previous year. This trend, which is mainly due to the energy sector, is primarily a result of the increased import prices (+11%) along with the drop in export prices (-36% in a quarter in which the company recorded higher imports and a slight increase to exports), as well as to the downturn to volumes and tariffs for the sale of electricity to end users.

The “**Amortisation and depreciation, provisions and write-downs**” amounted to a total of 118 million euro (109 million euro at March 31, 2015) and include amortisation and depreciation of the intangible and tangible assets for 96 million euro (98 million euro at March 31, 2015) and net provisions for 22 million euro (11 million euro at March 31, 2015).

“Depreciation, amortization and write-downs” totalled 96 million euro (98 million euro at March 31, 2015), representing an overall decrease of 2 million euro.

The amortization of intangible assets decreased by 4 million euro mainly due to the adjustment of the amortization of the gas distribution networks following publication of the tender notice by the Municipality of Milan for the assignment in concession of the service gas distribution at local level. The depreciation of tangible assets increased by 2 million euro compared to March 31, 2015 as a result of higher depreciation, for 3 million euro, relating to the investments that entered production after the first quarter of 2015, higher depreciation for 4 million euro related to the increase in assets for registration of the decommissioning fund for the safety of the plants carried out at the end of the previous year and for 1 million euro relating to higher depreciation for the revision of the useful lives of certain plants carried out at December 31, 2015 adjusted by lower depreciation following write-downs of assets carried out at December 31, 2015, for 3 million euro, and lower depreciation, for 3 million euro, resulting from the demerger, which became effective from January 1, 2016, of the so-called “Cellina Unit” of Edipower S.p.A. in favour of Cellina Energy S.r.l..

The “Provisions for risks” amounted to 16 million euro (5 million euro at March 31, 2015) and refer to the provisions for the period made with regard to ongoing litigation, as well as pending lawsuits. The “Bad debt provision” amounted to 6 million euro (6 million euro at March 31, 2015).

As a result of these changes, “**Net Operating Income**” reached 196 million euro (228 million euro at March 31, 2015), a decrease of 32 million euro over the corresponding period of the previous year.

The “**Result from non-recurring transactions**” is positive for 52 million euro (less than one million euro at March 31, 2015) and is related to the demerger of the “Cellina Unit” of Edipower S.p.A. in favour of Cellina Energy S.r.l., which took effect on January 1, 2016 following the agreement signed between the parties on December 28, 2015.

“**Net financial charges**” equalled 32 million euro (42 million euro at March 31, 2015). The decrease compared to the corresponding period of the previous year, about 10 million euro, was mainly due to the change in the fair value of contracts on financial derivatives (negative for 6 million in 2015; zero in 2016) and lower net financial expenses for 4 million euro, deriving from the reduction in average debt and the effects of the financial strategy actions implemented by the Group.

The “**Portion of result of companies consolidated at equity**” was positive for 2 million euro (positive for 1 million euro at March 31, 2015), and is mainly attributable to the valuation, according to the equity method, of the investment in ACSM-AGAM S.p.A. and other minor investments.

“**Income taxes**” in the period in question equalled 52 million euro (60 million euro at March 31, 2015).

The “**Group result for the period**”, after the minorities were deducted, was positive and amounted to 158 million euro (positive for 117 million euro at March 31, 2015).

Balance sheet and financial position

Consolidated “**Capital employed**” at March 31, 2016 amounted to 6,009 million euro and is covered by the net equity for 3,132 million euro and the financial position for 2,877 million euro. The Capital employed includes Assets/Liabilities held for sale for 2 million euro.

The “**Working capital**” amounted to 237 million euro, up by 57 million euro compared to December 31, 2015 mainly as a result of the increase of trade receivables and other current assets, partly offset by lower inventories and higher trade payables and other current liabilities.

The “**Net fixed capital**” amounted to 5,770 million euro, a reduction of 59 million euro compared to December 31, 2015 mainly due to the decrease in tangible assets determined by depreciation for the period.

“**Assets/Liabilities held for sale**” amounted to 2 million euro, down by 145 million euro as a result of the effectiveness from January 1, 2016 of the partial non-proportional demerger of Edipower S.p.A. related the so-called “Cellina Unit” in favour of Cellina Energy S.r.l. in application of the agreement signed between the parties on December 28, 2015.

The “**Net financial position**” came in at 2,877 million euro (2,897 million euro at December 31, 2015) following the positive cash generation from operations that enabled an improvement of 20 million euro despite the payment made of 38.5 million euro in favour of Cellina Energy S.r.l. (following the partial, non-proportional demerger of Edipower S.p.A.), the purchase of own shares for 37 million euro and investments in tangible and intangible assets for 54 million euro.

<i>Millions of euro</i>	03 31 2016	12 13 2015	Changes
CAPITAL EMPLOYED			
Net fixed capital	5,770	5,829	(59)
- Tangible assets	5,022	5,067	(45)
- Intangible assets	1,360	1,348	12
- Shareholdings and other non-current financial assets (*)	78	80	(2)
- Other non-current assets/liabilities (*)	(64)	(66)	2
- Deferred tax assets/liabilities	305	308	(3)
- Provisions for risks, charges and liabilities for landfills	(604)	(576)	(28)
- Employee benefits	(327)	(332)	5
<i>of which with counter-entry to equity</i>	(137)	(143)	
Working capital	237	180	57
- Inventories	98	184	(86)
- Trade receivables and other current assets (*)	1,866	1,652	214
- Trade payables and other current liabilities (*)	(1,711)	(1,684)	(27)
- Current tax assets/tax liabilities	(16)	28	(44)
<i>of which with counter-entry to equity</i>	(62)	(37)	
Assets/liabilities held for sale (*)	2	147	(145)
<i>of which with counter-entry to equity</i>	(145)	-	
TOTAL CAPITAL EMPLOYED	6,009	6,156	(147)
SOURCES OF FUNDS			
Equity	3,132	3,259	(127)
Total financial position beyond one year	3,047	3,059	(12)
Total financial position within one year	(170)	(162)	(8)
Total net financial position	2,877	2,897	(20)
<i>of which with counter-entry to equity</i>	25	27	
TOTAL SOURCES	6,009	6,156	(147)

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

Millions of euro	01 01 2016 03 31 2016	01 01 2015 03 31 2015
NET FINANCIAL POSITION AT THE BEGINNING OF THE PERIOD	(2,897)	(3,363)
Edipower demerger in favour of Cellina Energy	(38)	-
Net result ^(*)	114	127
Depreciation and Amortization	96	98
Write-downs/disposals of tangible and intangible assets	2	1
Result from shareholdings measured at equity	(2)	(1)
Net taxes paid	-	-
Changes in assets and liabilities ^(*)	(63)	(117)
Net cash flows from operating activities	147	108
Investments in tangible and intangible assets	(54)	(49)
Investments in shareholdings and securities	-	-
Disposal of fixed assets and shareholdings	-	-
Dividends received from shareholdings	-	-
Purchase of treasury shares	(37)	-
Net cash flows from investment activities	(91)	(49)
Free cash flow	56	59
Cash flow from the distribution of dividends	-	-
Changes in financial assets/liabilities with counter-entry to equity	2	(3)
NET FINANCIAL POSITION AT THE END OF THE PERIOD	(2,877)	(3,307)

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

(**) The net result is stated excluding gains on the disposal of shareholdings.

Significant events during the period

Edipower S.p.A.: Deed of non-proportional demerger of Edipower S.p.A. in favour of Cellina Energy S.r.l.

On January 1, 2016, the partial non-proportional demerger of Edipower S.p.A. came into effect in favour of Cellina Energy S.r.l. on the basis of the agreement stipulated between the parties on December 28, 2015.

As a result of this transaction, Cellina Energy S.r.l., a company wholly owned by SEL - Società Elettrica Altoatesina - S.p.A., was assigned the compendium consisting of the hydroelectric plants owned by Edipower S.p.A. constituting the “Udine Unit”, with the exception of the hydroelectric plants of Ampezzo and Somplago, along with all the active and passive legal relations functional to them and a cash outlay for a total of 38.5 million euro.

Following this transaction, the share capital of Edipower S.p.A. is entirely held by A2A S.p.A..

A2A S.p.A.: resolutions of the Board of Directors

On January 25, 2016, the Board of Directors evaluated the existence of the independence requirements provided for in article 3 of the Corporate Governance Code for Listed Companies of the Directors Antonio Bonomo, Giambattista Brivio, Maria Elena Cappello, Michaela Castelli, Elisabetta Ceretti, Luigi de Paoli, Stefano Pareglio and Dina Ravera and took note of the evaluation made by the Board of Auditors on the existence of the aforementioned independence requirements of all its members. At the meeting, the Board also approved the following composition for the Appointments and Remuneration Committee: Antonio Bonomo - Chairman, Giovanni Comboni and Dina Ravera.

A2A S.p.A. and Università di Brescia: agreement on energy-environmental innovation and sustainability

On February 12, 2016, A2A S.p.A. signed a collaboration agreement with Università Cattolica and Università degli Studi di Brescia, with the aim of promoting dissemination initiatives on innovation and eco-sustainability and promote the development of a widespread culture regarding energy and the environment.

Specifically, the collaboration with Università Cattolica di Brescia and Università degli Studi di Brescia Health & Wealth Study is aimed at conducting a thorough survey on the population in the Brescia area to identify environmental needs and expectations. Specifically, researchers will be asked to explore and document the best practices of the technologies and processes related to the transformation of waste materials and systems for the management and treatment of municipal waste, comparing them with the solutions adopted by the A2A Group.

The survey will also have to identify the territory's perception of the A2A Ambiente brand, and the quality of its operations in terms of both the services provided and the quality, effectiveness, efficiency and innovation level of the built and operated plants.

Brescia: new system for differentiated waste collection

With effect from April 2016, a new system is operational in Brescia for differentiated waste collection, which will be gradually extended to the various areas of the city up to reaching full coverage in 2017. It is a combined domestic collection system: paper and cardboard, glass and metal and plastic packaging is collected door to door, while organic and non-differentiated waste is collected in swing-top bins with a personal electronic card.

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

On March 31, 2016, the purchase program of treasury shares was concluded, approved by the Board of Directors on February 16, 2016 pursuant to the resolution of the Shareholders' Meetings of June 11, 2015.

The transaction took place in accordance with the provisions of art. 132 of Legislative Decree 58/1998 and subsequent amendments and art. 144-*bis* of the Issuers' Regulation. The maximum number of shares that could be purchased was set at 35 million, equal to about 1% of the share capital of A2A S.p.A..

At the end of the program, A2A S.p.A. holds a total of 61,917,609 ordinary shares, representing 1.976% of the share capital, of which 26,917,609 already in the portfolio at the end of 2015.

The purchases of treasury shares were made at an average unit price of 1.06 euro, for a total amount of 37,177,740 euro.

Unareti S.p.A.: single company for network services

As part of the integration process between subsidiaries and in line with the Group's corporate structuresimplification objective defined by the 2015-2019 Business Plan, A2A S.p.A. established Unareti S.p.A.. The company will manage the gas and electricity distribution services.

Unareti S.p.A., operational as of April 1st, 2016, integrates the subsidiaries 100% owned by A2A S.p.A. operating in the network services sector, with the advantage to shorten the decision-making chain and facilitate intra-group synergies, with positive effects on the operating costs and investment capacity of A2A and its access to financial markets.

The new company, included as part of the companies coordinated by the Networks and Heat Business Unit of the A2A Group, has more than 1,500 employees and achieves a turnover of more than 600 million euro; the single company of the networks will make investments of around 600 million euro in the period 2016-2020; the operation will also allow greater ease of business development both in terms of gas tenders and in terms of possible acquisitions.

The operation and the new Unareti brand meet the provisions of Resolution 296/2015/R/com (art. 17.6), enacted on June 22, 2015, which provides for independent managers by June 30, 2016, the obligation of functional separation (unbundling), separating the brand and communication policies between the sales companies and distribution companies belonging to the same Group.

A2A S.p.A.: agreement signed to acquire the majority of Linea Group Holding

On March 4, 2016, A2A S.p.A. and AEM Cremona, ASM Pavia, ASTEM Lodi, Cogeme and SCS Crema, partners of Linea Group Holding, signed a contract that provides for the entry of A2A S.p.A. in the share capital of LGH with 51%. Closing is expected by June 2016, subject to the fulfilment of certain conditions, including obtaining approval by the Competition and Market Protection Authority.

The operation is aimed at creating an industrial partnership, in view of the “Multiutility of Territories”, for the creation of an integrated operator in Lombardy. In the current macroeconomic context, characterized by growing difficulties, said industrial path is expected to generate value thanks to the enhancement of presence in the territories, upon reaching a dimensional scale capable of achieving operating efficiencies, responding to the growing sophistication of the offer, overcoming increasing commercial competition and the increasingly national dimension of some businesses, and boosting investments.

A2A Group, Nissan and the Municipality of Milan: developed the urban plan of public infrastructure for quick charge of electric vehicles

On March 23, 2016, the Municipality of Milan approved the project launched by Nissan in partnership with the A2A Group for the development of electric mobility in the Municipality of Milan; based on this project, Nissan will provide a fleet of over one hundred zero-emission electric vehicles that will remain free of charge to the Municipality of Milan. The new charging stations will enhance the current infrastructure managed by the A2A Group, which in Milan consists of 32 charging stations accessible to the public thanks to the E-moving project, which brought important developments in terms of electric mobility in Milan.

Significant events after March 31, 2016

A2A S.p.A.: resolutions of the Board of Directors

On April 5, 2016, the Board of Directors of A2A S.p.A. examined and approved the A2A Group's 2016-2020 Strategic Plan. The main objective of the new Business Plan, which does not yet include the additional benefits resulting from ongoing local aggregations plan, is to confirm the strategic plan announced last year in light of a worsened energy scenario: transform A2A into a more modern multi-utility, leader in the environment, smart grids and new energy models, more balanced and profitable, able to seize the opportunities that will open up in the Green Economy, Smart Cities and Smart Grids.

The 2016-2020 Strategic Plan of the A2A Group confirms all industrial targets already defined in 2015 and envisages, in addition, new initiatives to counter the adverse market conditions that occurred in the energy market as well as some negative exogenous factors (delayed start of the Capacity Market; reduction of remuneration in the networks sector; reduction of tariffs in Montenegro). Among the major new initiatives that have helped to offset the above scenario, at least partially, we note in particular:

- the identification of additional operational efficiency initiatives - through the implementation of the "EN&A Project" - for about 50 million euro incremental of EBITDA under regime, as a result of higher savings (40 million euro) and margins;
- the strengthening of growth through about 160 million euro of incremental investments focused especially on the integrated water cycle, smart electrical distribution system, commercial development and smart gas meters also in Montenegro and external growth operations (M&A and development initiatives);
- the identification of further paths of territorial aggregation and industrial partnership in addition to those already finalized in the previous Plan.

The main development lines of the Plan continue to be characterized by three main areas of intervention: 1. Restructuring and reduction of exposure in the thermoelectric sector; 2. Relaunch of investments in key areas of the environment, networks and free energy market; 3. Redesign of A2A's mission to seize the opportunities arising from the future technological and industrial evolution of some of the Group's businesses.

A2A Group: acquired the majority of La BI.CO due S.r.l.

The A2A Group, through its subsidiary A2A Ambiente S.p.A., signed the deed of purchase of a majority shareholding of 64% of the company La BI.CO due S.r.l., with an option exercisable in 2020 to purchase the remaining portion of 36%. La BI.CO due S.r.l. operates in the urban hygiene sector through the collection, transport and disposal of waste, and through environmental hygiene activities in various Municipalities of the Province of Brescia, for a catchment area of around 100,000 inhabitants served and a turnover of around 10 million euro per year.

The company also manages a waste storage, treatment and recovery facility (mainly paper and plastic) in the Municipality of Lograto. The operation is in line with the strategic objectives of the Business Plan of the A2A Group related to margin growth of A2A Ambiente S.p.A., the development of waste collection activities in the areas served and valorization of products from differentiated collection.

This acquisition will also allow creating operational and logistical synergies for urban hygiene activities currently managed by A2A Ambiente S.p.A. in the municipalities of the Brescia area, in view of the traditional closeness of the A2A Group to the needs of the territory.

Investigation into alleged violations of the law on Public Procurement in EPCG

A2A S.p.A. acquired the shareholding - currently of 41.7% - in EPCG by means of the international tender held in 2009, and under the so-called "EPCG Agreement" dated September 3, 2009, it acquired the right to manage the company, appointing the Executive Director (CEO) and Executive Manager.

As part of the management of EPCG by A2A, also in order to meet the specific indicators provided by the EPCG Agreement, with effect from 2010, A2A S.p.A. and, as of 2011, A2A Reti Elettriche (now Unareti S.p.A.), have provided in favour of EPCG services designed to improve the organization and performance of EPCG. As regards A2A S.p.A., they primarily involve administrative services and organizational support provided through A2A personnel who dedicated part of the time from Italy and directly at EPCG and, as regards A2A Reti Elettriche (now Unareti S.p.A.), services related to the implementation of a software for remote monitoring and management of electricity meters.

Within the broader set of services provided, consulting services were also included provided for the benefit of EPCG by specialized companies outside the A2A Group, the costs of which were first invoiced to A2A S.p.A. as part of more complex and organic consulting services

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

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

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

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

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

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

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

On April 15, 2016, the former CFO appointed by A2A in EPCG, who resigned from said office only a few days before for reasons completely unrelated to the issue under consideration, was arrested by the Montenegrin police on order of the Special Prosecutor. Investigative measures are still covered by the confidentiality of investigations and it is therefore not yet known nor to A2A nor to EPCG, the count of indictment applied. However, based on what was published in the local press, the former CFO appointed by A2A is accused - along with two previous EPCG managers appointed by A2A, and three Montenegrin officials of EPCG - of abuse of office in the management of service contracts stipulated by EPCG, as they were stipulated without complying with the local legislation on Public Procurement.

It is also noted that, as attested by the Montenegrin lawyer, the violations of the law on Public Procurement do not have criminal relevance per se, in the absence of evidence of the harm caused or the unlawful utility procured.

Based on the assessments made, the foregoing and the limited information available to date, including the uncertainty of the counts of the charge with respect to those under investigation and the fact that A2A and other Group companies are currently not recipients of any measure, A2A believes that the risk of its possible involvement, direct or indirect, in terms of potential penalties applicable and/or claims for compensation or indemnity actions, can be assessed as “possible.” Considering the state of the proceedings and for the same reasons outlined herewith, it is also impossible to quantify in reliable terms the amount of said indemnities or penalties, direct or indirect.

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

Outlook for operations

The energy scenario continues to be characterised by major volatility and a commodity price level that is below last year, as well as - albeit to a lesser extent - below the levels hypothesised by the company in its Strategic Plan. In April/May, however, a recovery was recorded to oil prices and the forward curves on energy prices would also appear to have reversed the downward trend. Moreover, the company covered around 70% of its 2016 production through forward contracts, guaranteeing at least a partial level of indifference to market price changes. In view of the cover in place and the multiple activities underway, the year may conclude as planned, without any significant differences as compared with the year 2015.

Consolidated financial statements

Consolidated balance sheet ⁽¹⁾

Assets

Millions of euro	Note	03 31 2016	12 31 2015	03 31 2015
NON-CURRENT ASSETS				
Tangible assets	1	5,022	5,067	5,579
Intangible assets	2	1,360	1,348	1,320
Shareholdings carried according to equity method	3	70	68	75
Other non-current financial assets	3	76	69	74
Deferred tax assets	4	305	308	307
Other non-current assets	5	6	6	39
Total non-current assets		6,839	6,866	7,394
CURRENT ASSETS				
Inventories	6	98	184	180
Trade receivables	7	1,547	1,485	1,671
Other current assets	8	335	183	231
Current financial assets	9	233	171	131
Current tax assets	10	69	71	62
Cash and cash equivalents	11	559	636	599
Total current assets		2,841	2,730	2,874
NON-CURRENT ASSETS HELD FOR SALE	12	2	205	-
TOTAL ASSETS		9,682	9,801	10,268

(1) Significant non-recurring events and transactions in the consolidated financial statements are provided in Note 39 pursuant to Consob Communication DEM/6064293 of July 28, 2006.

Equity and liabilities

Millions of euro	Note	03 31 2016	12 31 2015	03 31 2015
EQUITY				
Share capital	13	1,629	1,629	1,629
(Treasury shares)	14	(98)	(61)	(61)
Reserves	15	1,018	1,005	1,012
Result of the year	16	-	73	-
Result of the period	16	158	-	117
Equity pertaining to the Group		2,707	2,646	2,697
Minority interests	17	425	613	610
Total equity		3,132	3,259	3,307
LIABILITIES				
Non-current liabilities				
Non-current financial liabilities	18	3,090	3,089	3,938
Employee benefits	19	327	332	363
Provisions for risks, charges and liabilities for landfills	20	604	576	498
Other non-current liabilities	21	95	99	374
Total non-current liabilities		4,116	4,096	5,173
Current liabilities				
Trade payables	22	1,012	1,170	1,080
Other current liabilities	22	707	521	563
Current financial liabilities	23	630	692	122
Tax liabilities	24	85	43	23
Total current liabilities		2,434	2,426	1,788
Total liabilities		6,550	6,522	6,961
LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	25	-	20	-
TOTAL EQUITY AND LIABILITIES		9,682	9,801	10,268

Consolidated income statement ⁽¹⁾

Millions of euro	Note	01 01 2016 03 31 2016	01 01 2015 03 31 2015	01 01 2015 12 31 2015
Revenues				
Revenues from the sale of goods and services		1,212	1,339	4,732
Other operating income		75	40	189
Total revenues	27	1,287	1,379	4,921
Operating expenses				
Expenses for raw materials and services		760	828	2,992
Other operating expenses		57	57	252
Total operating expenses	28	817	885	3,244
Labour costs	29	156	157	629
Gross operating income - EBITDA	30	314	337	1,048
Depreciation, amortization, provisions and write-downs	31	118	109	833
Net operating income - EBIT	32	196	228	215
Result from non-recurring transactions	33	52	-	(1)
Financial balance				
Financial income		5	4	28
Financial expenses		37	46	162
Affiliates		2	1	(4)
Result from disposal of other shareholdings (AFS)		-	-	-
Total financial balance	34	(30)	(41)	(138)
Result before taxes		218	187	76
Income taxes	35	52	60	133
Result after taxes from operating activities		166	127	(57)
Net result from discontinued operations		-	-	-
Net result		166	127	(57)
Minorities	36	(8)	(10)	130
Group result of the period	37	158	117	73
Result per share (in euro):				
- basic		0.0509	0.0377	0.0234
- basic from continuing operations		0.0509	0.0377	0.0234
- diluted		0.0509	0.0377	0.0234
- diluted from continuing operations		0.0509	0.0377	0.0234

(1) Significant non-recurring events and transactions in the consolidated financial statements are provided in Note 39 pursuant to Consob Communication DEM/6064293 of July 28, 2006.

Consolidated statement of comprehensive income

<i>Millions of euro</i>	03 31 2016	03 31 2015	12 31 2015
Net result of the year (A)	-	-	(57)
Net result of the period (A)	166	127	-
Actuarial gains/(losses) on employee benefits booked in net equity	-	-	17
Tax effect of other actuarial gains/(losses)	-	-	(3)
Total actuarial gains/(losses) net of the tax effect (B)	-	-	14
Effective part of gains/(losses) on cash flow hedges	(22)	2	35
Tax effect of other gains/(losses)	6	(1)	(9)
Total other gains/(losses) net of the tax effect of companies consolidated on a line-by-line basis (C)	(16)	1	26
Other gains/(losses) of companies valued at equity net of the tax effect (D)	-	-	-
Total comprehensive result (A) + (B) + (C) + (D)	150	128	(17)
Total comprehensive result of the period/year attributable to:			
Shareholders of the parent company	142	118	113
Minority interests	8	10	(130)

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

Consolidated cash-flow statement

Millions of euro	03 31 2016	12 31 2015	03 31 2015
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD/YEAR	636	544	544
Edipower demerger in favour of Cellina Energy	(38)	-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD/YEAR	598	544	544
Operating activities			
Net Result ^(*)	114	(57)	127
Tangible assets depreciation	84	341	82
Intangible assets amortization	12	54	16
Fixed assets write-downs/disposals	2	364	1
Result from affiliates	(2)	4	(1)
Net taxes paid (a)	-	(59)	-
Gross change in assets and liabilities (b)	(63)	249	(117)
Total change of assets and liabilities (a+b) ^(*)	(63)	190	(117)
Cash flow from operating activities	147	896	108
Investment activities			
Investments in tangible assets	(36)	(253)	(35)
Investments in intangible assets and goodwill	(18)	(88)	(14)
Investments in shareholdings and securities ^(*)	-	(4)	-
Disposal of fixed assets and shareholdings	-	7	-
Dividends received	-	2	-
Purchase/disposal of own shares	(37)	-	-
Cash flow from investment activities	(91)	(336)	(49)

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

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

Consolidated cash-flow statement

Millions of euro	03 31 2016	12 31 2015	03 31 2015
Free cash flow	56	560	59
Financing activities			
Change in financial assets ^(*)	(37)	(88)	(17)
Change in financial liabilities ^(*)	(11)	(133)	64
Net financial interests paid	(47)	(129)	(51)
Dividends paid by the parent company	-	(113)	-
Dividends paid by the subsidiaries	-	(5)	-
Cash flow from financing activities	(95)	(468)	(4)
CHANGE IN CASH AND CASH EQUIVALENTS	(39)	92	55
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD/YEAR	559	636	599

Statement of changes in Group equity

Description <i>Millions of euro</i>	Share Capital	Treasury Shares	Cash Flow Hedge
Net equity at December 31, 2014	1,629	(61)	(51)
Changes of the first quarter of 2015			
2014 result allocation			
IAS 32 and IAS 39 reserves (*)			1
Group and minorities result of the period (*)			
Net equity at March 31, 2015	1,629	(61)	(50)
Changes from April 1, 2015 to December 31, 2015			
Distribution of dividends			
IAS 19 Revised reserve (*)			
IAS 32 and IAS 39 reserves (*)			25
Put option on Aspem S.p.A. shares			
Other changes			
Group and minorities result of the period (*)			
Net equity at December 31, 2015	1,629	(61)	(25)
Changes of the first quarter of 2016			
2015 result allocation			
Purchase of own shares		(37)	
IAS 32 and IAS 39 reserves (*)			(16)
Other changes			
Group and minorities result of the period (*)			
Net equity at March 31, 2016	1,629	(98)	(41)

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

	Other Reserves and retained earnings	Result of the period/year	Total Equity pertaining to the Group	Minority interests	Total Net shareholders' equity
	1,099	(37)	2,579	600	3,179
	(37)	37			
			1		1
		117	117	10	127
	1,062	117	2,697	610	3,307
	(113)		(113)	(5)	(118)
	14		14		14
			25		25
				1	1
	67		67	147	214
		(44)	(44)	(140)	(184)
	1,030	73	2,646	613	3,259
	73	(73)			
			(37)		(37)
			(16)		(16)
	(44)		(44)	(196)	(240)
		158	158	8	166
	1,059	158	2,707	425	3,132

Notes to the Interim report on operations

General information

A2A S.p.A. is a company incorporated under Italian law.

A2A S.p.A. and its subsidiaries (the “Group”) operate both in Italy and abroad. In particular, abroad, the A2A Group is present in Montenegro following the acquisition of the shareholding in the company EPCG which took place in 2009.

The A2A Group mainly operates in the following sectors:

- the production, sale and distribution of electricity;
- the sale and distribution of gas;
- the production, distribution and sale of heat through district heating networks;
- waste management (from collection and sweeping to disposal) and the construction and management of integrated waste disposal plants and systems, also making these available for other operators;
- integrated water cycle management.

Interim report on operations

The interim report on operations (in the following the “**Report**”) of the A2A Group at March 31, 2016 is presented in millions of euro; the euro is also the functional currency of the economies in which the Group operates.

The Report of the A2A Group at March 31, 2016 has been prepared:

- in compliance with Legislative Decree 58/1998 (art. 154-ter) as amended and with the Issuers’ Regulations published by Consob;
- in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and approved by the European Union in particular IAS 34. 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 Report, the same principles used in the preparation of the annual financial report at December 31, 2015 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, 2016.

This Report at March 31, 2016 was approved on May 12, 2016 by the Board of Directors, which authorized publication.

Legislative Decree no. 25 of February 15, 2016, implementing Directive 2013/50/EU (the so-called New Transparency Directive) has eliminated the obligation to publish the Interim Report on Operations. The new legislative framework first applies to the companies for which the first quarter of the current year ends after the coming into force of Legislative Decree no. 25 of February 15, 2016, i.e. March 18, 2016. and thus also the A2A Group.

As regards the first quarter of 2016, A2A has voluntarily chosen to publish the interim report on operations at March 31, 2016, in continuity with the past. A2A will be taking a more careful look at the simplification now envisaged by the new legislation, which, on the basis of the preliminary remarks made, would appear to be positive and might be implemented as from

the following quarters. The choice made for the first quarter of 2016 is therefore not binding on the future and may be revised.

It is also recalled that Legislative Decree no. 25 of February 15, 2016 assigned Consob the option of regulating any additional information obligations, over and above the annual Financial Statements and the Interim Report, only after an impact analysis preparatory for the exercise of its regulatory powers. In this regard, it is noted that on April 14, Consob published a consultation document aimed at gathering information and opinions in order to realize the impact analysis preliminary to the assessment of the exercise of its regulatory powers.

Financial statements

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

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

The specific line items "Result from non-recurring transactions" and "Result from disposal of other shareholdings (AFS)" 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. The line 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 expenses. This item is presented between net operating income and the financial balance. In this way net operating income is not affected by non-recurring operations, making it easier to measure the effective performance of the Group's ordinary operating activities.

The cash flow statement has been prepared using the indirect method as permitted by IAS 7.

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

The formats adopted for the financial statements are the same as those used to prepare the annual consolidated financial statements at December 31, 2015.

Basis of preparation

The interim report at March 31, 2016 has been prepared on a historical cost basis, with the exception of those items which, in accordance with IFRS, can or have to be measured at fair value, as explained in the accounting policies.

The consolidation principles, the accounting principles, the accounting policies and the methods of measurement used in the preparation of the Report are consistent with those used to prepare the annual consolidated financial statements at December 31, 2015, except as specified below.

Changes in international accounting standards

Pursuant to IAS 8, the subsequent paragraph *“Accounting standards, amendments and interpretations applicable by the Group as of the current year”* indicates and briefly illustrates the amendments in force as of January 1, 2016.

The following paragraph, *“Accounting standards, amendments and interpretations approved by the European Union”* instead detail the accounting standards and interpretations already issued but not yet approved by the European Union and therefore not applicable for the preparation of the financial statements at March 31, 2016, any impacts of which will then be transposed as of the financial statements of the following years.

Accounting standards, amendments and interpretations applied by the Group from the current year

As from January 1, 2016, some additions have been applied following specific paragraphs of the international accounting standards already adopted by the Group in previous years, none of which had an effect on the Group’s economic and financial results.

The main changes are described in the following:

- IFRS 11 “Joint Arrangements”: issued by the IASB on May 6, 2014, the amendment to this standard provides guidance on how to account for the acquisition of an interest in a joint operation that is a business as defined by IFRS 3 “Business Combinations”. The amendment in question is applicable from January 1, 2016;
- IAS 1 “Presentation of the Financial Statements”: issued by the IASB on December 18, 2014 and applicable from January 1, 2016, the amendment to the standard in question explicitly clarifies that non-significant disclosures need not be provided even if expressly required by a specific IFRS. With respect to the notes to the financial statements, there is no specific order and therefore the company could also decide to present the notes for each item of the financial statements, commenting on the content and the changes during the period along with a description of the accounting standard applied to said item. The amendment

to the standard in question also intends to provide clarification on the aggregation or disaggregation of items of the financial statements if the amount is significant or “material”. In particular, the amended to the standard requires not proceeding with the aggregation of financial statement items with different characteristics or the disaggregation of financial statement items that make the disclosure and reading of the financial statements difficult. Furthermore, with regard to the exposure of the financial position of an entity, the amendment clarifies the need to disaggregate some items required by paragraphs 54 (Balance sheet) and 82 (Income statement) of IAS 1;

- IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets”: this amendment to the two principles outlined, issued by the IASB in May 2014, clarifies that a depreciation process based on revenues cannot be applied with reference to elements of property, plant and equipment, since this method is based on factors (ex. volumes and selling prices) that do not represent the actual consumption of the economic benefits of the underlying asset. The above prohibition has also been included in IAS 38, under which intangible assets may be amortized on the basis of revenues only if it can be shown that the revenues and consumption of the economic benefits of the intangible asset are highly correlated;
- with the amendments to the international accounting standards IAS 41 “Agriculture” and IAS 16 “Property, plant and equipment”, the IASB established that fruit-bearing plants, used exclusively for the cultivation of agricultural products over various years, should be subject to the same accounting treatment for property, plant and equipment in accordance with IAS 16 “Property, plant and equipment”, as the “operation” is similar to that of manufacturing production. The amendments in question are applicable from January 1, 2016;
- IAS 27 (Revised) “Separated Financial Statements”: the amendment to this standard, issued by the IASB on August 12, 2014 and applicable from January 1, 2016, allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements;
- annual amendments to IFRS 2012-2014: on September 25, 2014, the IASB published a series of amendments to certain international accounting standards, applicable with effect from January 1, 2016. The amendments concern:
 - (i) IFRS 5 “Non-current assets held for sale and discontinued operations”;
 - (ii) IFRS 7 “Financial Instruments: Disclosures”;
 - (iii) IAS 19 “Employee Benefits”;
 - (iv) IAS 34 “Interim financial reporting”.

Regarding the first point, the amendment clarifies that the restatement of the financial statement figures shall not be resort to if an asset or group of assets available for sale is reclassified as “held for distribution”, or vice versa.

With reference to IFRS 7, the amendment provides that if an entity transfers a financial asset on terms which allow the “derecognition” of the asset, it shall be required to provide information regarding the involvement of the entity in the transferred asset, if it has signed service contracts that show an entity’s interest in the future performance of the financial assets transferred.

The amendment of IAS 19 proposed, clarifies that the discount rate to discount the obligations for benefits following the employment relationship, is determined with reference to market yields on corporate bonds of leading companies and, in countries where there is no “thick market” of such securities, the market yields of the securities of public entities are used.

The proposed amendment to IAS 34 requires disclosure of cross-references between the data reported in the interim financial statements and the information associated with them.

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

The following standards and amendments to existing standards are still pending approval by the European Union and are therefore not applicable by the Group. The dates indicated reflect the expected effectiveness date and enacted in the standards; this date is however subject to the actual approval by the competent bodies of the European Union:

- IFRS 9 “Financial instruments”: this standard is the first of a multi-phase project which is designed to replace IAS 39 “Financial instruments: recognition and measurement” and to introduce two new criteria to recognize and measure financial assets and liabilities. The main changes introduced by IFRS 9 may be summarized as follows: financial assets can be measured either at fair value or at their amortized cost. As a result, the categories “loans and receivables”, “available-for-sale financial assets” and “held-to-maturity investments” disappear. 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. The rules to account for

derivatives have been simplified, as the embedded derivative and the host financial asset are no longer recognized separately.

All equity instruments - listed or unlisted - must be measured at fair value (IAS 39 established on the other hand that unlisted equity instruments should be valued at cost if fair value could not be reliably measured).

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.

IFRS 9 does not permit reclassifications between the two categories of financial asset except in the rare case of a change in an entity's business model. In this case the effects of the reclassification are applied prospectively.

The disclosures required to be made in the notes have been adjusted to the classification and measurements rules introduced by IFRS 9. On November 19, 2013, the IASB issued an amendment to this standard which mainly regards the following:

- (i) the substantial revision of the “Hedge accounting”, which will allow entities to better reflect their risk management activities in the financial statements;
- (ii) enabling entities to change the accounting of liabilities measure at fair value: in particular the effects of a worsening of an entity's own credit risk will no longer be recognized in the Income Statement;
- (iii) the effective date of the standard is deferring, originally effective as of January 1, 2015. A partial amendment to the standard was issued in July 2014 on the subject of the valuation of financial instruments, with the introduction of the expected-loss impairment model for loans which replaces the impairment model based on realized losses. The amendment in question is applicable from January 1, 2018;

- IFRS 14 “Regulatory deferral accounts”: the new transitional standard, issued by the IASB January 30, 2014, allows the entity that adopts for the first time the international accounting standards IAS/IFRS, to continue to apply the previous GAAP accounting policies for the evaluation (including impairment) and elimination of regulatory deferral accounts. The standard is applicable from January 1, 2016;
- IFRS 15 “Revenues from contracts with customers”: the standard, issued by the IASB on May 28, 2014, is the result of efforts to achieve convergence between the IASB and the FASB (“Financial Accounting Standard Board”, the body responsible for issuing

new accounting standards in the United States) in order to achieve a single revenue recognition model applicable both in terms of IFRS and US GAAP. The new standard will apply to all contracts with customers, including contract work in progress, and will thus replace the current IAS 18 - Revenues and IAS 11 - Long-term contracts and all related interpretations. A contract with a customer falls within the scope of the standard if all the following conditions are met:

- (i) the contract has been approved by the parties to the contract, who have undertaken to carry out their respective obligations;
- (ii) each party's rights in relation to the goods and services to be transferred can be identified and the payment terms have been identified;
- (iii) the contract has commercial substance (the risks, the timing or the cash flows may change as the result of the contract);
- (iv) it is probable that the consideration to which the entity is entitled to in exchange for the goods or services will be collected.

IFRS 15 also includes the disclosure requirements that are significantly more extensive than the existing standard concerning the nature, amounts, timing and uncertainty of revenues and cash flows arising from contracts with customers.

On September 11, 2015, the IASB issued an amendment to the standard in question, postponing the date of application with effect from January 1, 2018.

The standard in question was subsequently amended on April 12, 2016; the amendment, also applicable from January 1, 2018, aims to clarify the guidelines for the identification of an obligation to sell an asset or provide one or more services, and also intends to provide clarification regarding the accounting of licenses related to intellectual property;

- IFRS 10 "Consolidated Financial Statements": the amendment to this standard issued on December 18, 2014 relates to the exemption from the presentation of the consolidated financial statements if the parent company has investments in "investment entities" that evaluate their subsidiaries at fair value. The amendment to the standard is applicable from January 1, 2016;
- IAS 7 "Additional information in the financial statements on financial instruments": the amendment to the standard, applicable from January 1, 2017, was issued by the IASB on January 29, 2016 and requires that an entity provide information that enables users of the financial statements to evaluate changes in liabilities arising from financial assets;
- IAS 28 "Investments in Associates and Joint Ventures": on December 18, 2014, this standard was amended regarding the investments in associates and joint ventures that are "investment entities": these investments can be measured at fair value or with the equity method. This amendment is applicable from January 1, 2016;

- IFRS 16 “Leasing”: this standard replaces IAS 17 and sets out the criteria for the recognition, measurement and presentation of leasing contracts. IFRS 16 is applicable from January 1, 2019, but early adoption is permitted for entities that also apply IFRS 15;
- IAS 12 “Income taxes”: on January 19, 2016, the IASB published some amendments that aim to clarify the accounting method for deferred tax assets related to debt instruments measured at fair value. The amendments are applicable from January 1, 2017.

Scope of consolidation

The Report of the A2A Group at March 31, 2016 includes the figures of the parent A2A S.p.A. and those of the subsidiaries over which A2A S.p.A. exercises either direct or indirect control, even if the holding is less than 50%. In addition, companies in which the parent exercises joint control with other entities (joint ventures) and those over which it has a significant influence are consolidated using the equity method.

Consolidation policies and procedures

Consolidation policies

Subsidiaries

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

Associates, joint ventures and joint operations

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

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

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

The Group's investments in joint ventures as defined by IFRS 11 are accounted for using the equity method, whereas for joint operations the standard requires that the Group recognize

its portion of the assets, liabilities, revenues and expenses, rather than account for the investments using the equity method.

The A2A Group is not a party to any joint operations and accordingly the adoption of the new standard had no effect on the Report at March 31, 2016.

Potential voting rights

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

Treatment of put options on the shares of subsidiaries

The Group had granted put options to minority shareholders which entitled them to require the A2A Group to purchase the shares they own at a future date. These options expired before December 31, 2015.

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

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

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

Consolidation policies

General procedure

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

In preparing the Annual report the assets, liabilities, income and expenses of the companies being consolidated are included in their entirety on a line-by-line basis, with the portion of equity and net income for the period attributable to minority interests being stated separately in the balance sheet and income statement.

The carrying amount of the investment in each subsidiary is eliminated against the corresponding share of its net equity, including any adjustments to fair value at the acquisition date; any differences arising are accounted for in accordance with IFRS 3.

Transactions with minority interests which do not lead to the loss of control in consolidated companies are accounted for using the economic entity view approach.

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

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

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

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

Shareholding in EPCG (IFRS 10)

The A2A Group has established that the requirements of IFRS 10 exist for the consolidation of the shareholding in the Montenegro company EPCG whose business is the production, distribution and sale of electricity.

More specifically, the Group consolidates EPCG, in whose share capital it has an interest of 41.75%, on a line-by-line basis.

Although the parent company does not hold the majority of the votes that may be exercised at a shareholders' meeting, the company is considered to be a subsidiary because by being able to appoint the CEO and CFO, the parent has de facto control, applying in practice the provisions of the purchase agreement, namely it is able to manage the company from an effective standpoint.

The adoption of IFRS 10 (superseding IAS 27 on the subject of consolidated financial statements) has had no effect on the way in which the shareholding in EPCG is consolidated, since A2A S.p.A. has control as "it 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".

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

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

The most significant effect of the new standard is the fact that a number of entities jointly controlled by A2A, which up until now have been recognized using the equity method, could fall under the definition of joint operations on the basis of the requirements of IFRS 11. The accounting treatment for this type of joint arrangement requires the assets/liabilities and revenue/expenses connected with the arrangement to be recognized on the basis of the rights/obligations due to/assumed by A2A, regardless of the interest held.

In the particular case of its shareholdings in two joint arrangements operating in the Generation and Trading Business Unit, Ergosud S.p.A. and PremiumGas S.p.A., the A2A Group considers that these fall under the category joint ventures as far as their legal form and the nature of the contractual agreements are concerned.

More specifically, for the shareholding in PremiumGas S.p.A. the Group holds rights exclusively connected with the company's results; the company's activities are not directed solely towards the sale of gas to Group companies, thereby ensuring its continuity independent of its commercial relationships with the Group.

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

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

Procedure for the consolidation of assets and liabilities held for sale (IFRS 5)

In the case of particularly large amounts and in connection with non-current assets and liabilities held for sale, and only in this case, in accordance with IFRS 5 the relative intra-group financial receivables and payables are not eliminated in order to provide a clear presentation of the financial impact of a possible disposal.

Options with third parties

a) EPCG – Montenegro Government Options

The agreements signed in 2009 during the acquisition of the shareholding in EPCG by A2A (currently 41.75%), and subsequently extended until December 15, 2015, attributed to the Government of Montenegro a call option for the purchase of said shareholding at a value related to the performance of A2A in the management of EPCG, the latter measured on the basis of appropriate contractual indicators.

By virtue of the termination of the effectiveness of the shareholders' agreements, an appeal to this call option would be unfounded, which, moreover, would be exercisable at a price higher than the carrying value of the investment as recorded at March 31, 2016.

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

Key figures at March 31, 2016

Millions of euro

	Bergamo Pulita 50%	PremiumGas 50%	Metamer 50%
INCOME STATEMENT			
Revenues	0.1	6.0	3.7
Gross operating income	(0.03)	0.1	0.5
% of net revenues	(23.1%)	0.8%	13.5%
Depreciation, amortization and write-downs	-	-	(0.1)
Net operating income	(0.0)	0.1	0.4
Result of the period	0.3	0.1	0.3
BALANCE SHEET			
Total assets	6.2	5.3	7.0
Equity	(1.7)	3.0	1.8
Net (debt)	(0.2)	0.6	2.2

Key figures at March 31, 2015

Millions of euro

	Subsidiaries of AzA Ambiente 50% (*)	PremiumGas 50%	Metamer 50%
INCOME STATEMENT			
Revenues	1.8	-	4.1
Gross operating income	(0.0)	(0.2)	0.5
% of net revenues	(1.7%)	n.s.	11.0%
Depreciation, amortization and write-downs	0.3	-	0.1
Net operating income	0.3	(0.2)	0.4
Result of the period	0.2	(0.2)	0.2
BALANCE SHEET			
Total assets	11.9	4.8	7.1
Equity	0.4	3.2	1.7
Net (debt)	(0.3)	(0.3)	(1.4)

(*) Bellisolina S.r.l., Bergamo Pulita S.r.l. and SED S.r.l..

Seasonal nature of the business

Given the nature of the Group's ordinary activities, the interim results can vary as the result of the meteorological conditions during the period.

In this respect reference should be made to the comments on performance by Business Unit presented below.

Summary of results
sector by sector

Millions of euro	Generation and Trading		Commercial		Environment		
	01 01 16 03 31 16	01 01 15 03 31 15	01 01 16 03 31 16	01 01 15 03 31 15	01 01 16 03 31 16	01 01 15 03 31 15	
Revenues	723	799	401	435	200	202	
- of which inter-sector	228	264	13	16	25	27	
Gross operating income - EBITDA	95	113	33	28	59	61	
% of revenues	13.1%	14.1%	8.2%	6.4%	29.5%	30.2%	
Depreciation, amortization, provisions and write-downs	(55)	(44)	(4)	(4)	(15)	(17)	
Net operating income - EBIT	40	69	29	24	44	44	
% of revenues	5.5%	8.6%	7.2%	5.5%	22.0%	21.8%	
Result from non-recurring transactions							
Financial balance							
Result before taxes							
Income taxes							
Result after taxes from operating activities							
Net result from discontinued operations							
Minorities							
Group result of the period							
Gross investments ⁽¹⁾	3	10	-	-	14(a)	7	

(1) See the items “Investments” in the schedules on tangible and intangible assets presented in Notes 1 and 2 to the balance sheet.
(a) Include 3 million euro for capitalization of costs for the Giussago bioreactor.

It is noted that economic data from January 1 to March 31, 2015 and the balance sheet data at December 31, 2015 of the Networks Business Unit and Heat and Services Business Unit were aggregated in the new Networks and Heat Business Unit.

Millions of euro	Generation and Trading		Commercial		Environment		
	03 31 16	12 31 15	03 31 16	12 31 15	03 31 16	12 31 15	
Tangible assets	2,341	2,381	2	2	445	437	
Intangible assets	78	75	62	63	12	12	
Trade receivables and current financial assets	582	735	590	547	297	284	
Trade payables and current financial liabilities	522	782	357	360	224	233	

	Networks and Heat		EPCG		Other Services and Corporate		Eliminations		Total Group	
	01 01 16 03 31 16	01 01 15 03 31 15	01 01 16 03 31 16	01 01 15 03 31 15	01 01 16 03 31 16	01 01 15 03 31 15	01 01 16 03 31 16	01 01 15 03 31 15	01 01 16 03 31 16	01 01 15 03 31 15
	241	266	60	66	43	44	(381)	(433)	1,287	1,379
	76	85	-	-	39	41	(381)	(433)		
	112	115	20	25	(5)	(5)			314	337
	46.5%	43.2%	33.3%	37.9%	(11.6%)	(11.4%)			24.4%	24.4%
	(33)	(29)	(8)	(10)	(3)	(5)			(118)	(109)
	79	86	12	15	(8)	(10)			196	228
	32.8%	32.3%	20.0%	22.7%	(18.6%)	(22.7%)			15.2%	16.5%
									52	-
									(30)	(41)
									218	187
									(52)	(60)
									166	127
									-	-
									(8)	(10)
									158	117
	33	30	2	1	2	1	-	-	54	49

	Networks and Heat		EPCG		Other Services and Corporate		Eliminations		Total Group	
	03 31 16	12 31 15	03 31 16	12 31 15	03 31 16	12 31 15	03 31 16	12 31 15	03 31 16	12 31 15
	1,581	1,590	564	568	183	184	(94)	(95)	5,022	5,067
	1,365	1,357	2	3	51	52	(210)	(214)	1,360	1,348
	329	347	243	237	123	72	(384)	(566)	1,780	1,656
	232	287	28	37	668	733	(389)	(570)	1,642	1,862

Notes to the balance sheet

It is noted that the consolidation scope at March 31, 2016 changed compared to December 31, 2015 for to the following operations:

- as of January 1, 2016, the partial non-proportional demerger of Edipower S.p.A. related to the “Cellina Unit” in favour of Cellina Energy (a company wholly owned by Società Elettrica Altoatesina S.p.A.) came into effect pursuant to the agreement signed between the parties on December 28, 2015. At December 31, 2015, the assets and liabilities of Edipower S.p.A. relating to this transaction had been reclassified, being an operation regarded as disposal group pursuant to IFRS 5, under “Non-current assets held for sale” and “Liabilities directly associated with non-current assets held for sale”;
- the investment in SEASM S.r.l., held 67% by A2A S.p.A., was already reclassified in September 2015, as it is not a discontinued operation in accordance with IFRS 5, to “Non-current assets held for sale”, following management’s decision to sell the investment as discussed in further detail in note 12 “Non-current assets held for sale”.

ASSETS

Non-current assets

1) Tangible assets

Millions of euro	Balance at 12 31 2015	Changes during the period						Balance at 03 31 2016
		Invest./ Acquisit.	Other changes	Disposals and sales	Write- downs	Deprecia- tion	Total changes	
Land	266							266
Buildings	913	1	1			(10)	(8)	905
Plant and machinery	3,608	13	3	(1)		(66)	(51)	3,557
Industrial and commercial equipment	24	1				(1)		24
Other assets	56	4	3			(4)	3	59
Landfills	23	4	14			(1)	17	40
Construction in progress and advances	103	10	(17)				(7)	96
Leasehold improvements	72	3				(2)	1	73
Leased assets	2							2
Total	5,067	36	4	(1)	-	(84)	(45)	5,022
of which:								
Historical cost	9,838	36	4	(64)			(24)	9,814
Accumulated amortization	(4,253)			63		(84)	(21)	(4,274)
Write-downs	(518)							(518)

“Tangible assets” amounted to 5,022 million euro at March 31, 2016 (5,067 million euro at December 31, 2015), representing a decrease of 45 million euro.

The following changes took place during the period:

- an increase of 36 million euro due to investments, as described in further detail below;
- net increase of 4 million euro for other changes due to reclassifications from tangible assets to other balance sheet items; these changes include, for 14 million euro, the increase having as balancing entry the landfill closure and post-closure expense provision resulting from the appraisal on the evaluation of the costs to be expected for activities subsequent to the operational management of the landfill located in the Municipality of Giussago and made by an expert external to the Group;
- a decrease of 1 million euro arising from disposals, net of accumulated amortization;
- a decrease of 84 million euro for the depreciation charge for the period.

Investments may be analyzed as follows:

- for the Networks and Heat Business Unit, investments totalled 16 million euro and mainly concerned: 10 million euro for the development and maintenance of electricity distribution plants, the extension and reconstruction of the medium and low-voltage

network and the installation of new electronic meters, 1 million euro for the efficiency plan for public lighting in Milan and Bergamo, 3 million euro for the development of the district heating networks in the areas of Milan, Brescia and Bergamo and 2 million euro for extraordinary maintenance and development on the plants in the areas of Milan, Brescia, Bergamo and Varese;

- for the Environment Business Unit, investments of 14 million euro refer to: 3 million euro for interventions on the plants Silla2, Brescia, Lacchiarella, Robassomero, Acerra, Caivano and Corteleona; 4 million euro for interventions on the landfills in Corteleona and Giussago; 6 million euro for the purchase of mobile means for waste collection and 1 million euro for the purchase of collection equipment;
- for the Generation and Trading Business Unit, the increase was 3 million euro and referred to 2 million euro for investments on the plants of the Valtellina, Calabria and Mese units and 1 million euro mainly for work on the plants in Monfalcone and Chivasso;
- for the EPCG Business Unit, there was an increase of 2 million euro;
- for the Other Services and Corporate Business Unit, investments totalled 1 million euro.

Tangible assets include “Leased assets” totalling 2 million euro, recognized in accordance with IAS 17, for which the outstanding payable to lessors at March 31, 2016 amounted to 2 million euro.

2) Intangible assets

Millions of euro	Balance at 12 31 2015	Changes during the period					Balance at 03 31 2016
		Invest./ Acquisit.	Recl./Other changes	Disposals and sales	Amort.	Total changes	
Industrial patents and industrial property rights	26	1			(4)	(3)	23
Concessions, licences, trademarks and similar rights	799	13	6	(1)	(8)	10	809
Assets in progress	20	4	(6)			(2)	18
Other intangible assets	21		7			7	28
Goodwill	482						482
Total	1,348	18	7	(1)	(12)	12	1,360

“Intangible assets” amounted to 1,360 million euro at March 31, 2016 (1,348 million euro at December 31, 2015), representing a net increase of 12 million euro.

Applying IFRIC 12, from 2010 intangible assets also include assets in concession relating to gas distribution, the integrated water cycle and district heating plants of Varese Risorse.

The following changes took place during the period:

- an increase of 18 million euro arising from investments made in the period;
- an increase of 7 million euro for other changes, mainly due to the reclassification of environmental certifications;
- a decrease of 1 million euro for disposals made during the period net of accumulated depreciation;
- a decrease of 12 million euro for the depreciation charge for the period.

More specifically, investments relate to the following:

- for the Networks and Heat Business Unit, investments of 17 million euro are: for development and maintenance work on the plants of the gas distribution segment and the replacement of low and medium pressure underground piping for 10 million euro, work on the water transport and distribution network, on the sewage networks and on the purification plants for 6 million euro and the implementation of information systems for 1 million euro;
- for the Other Services and Corporate Business Unit, investments totalled 1 million euro and mainly relate to the implementation of information systems.

“Other intangible assets” include customer lists arising on the acquisition of customer portfolios by Group companies. These balances are amortized on the basis of the estimated benefits expected to be obtained in future years. More specifically, the outstanding balance of 2 million euro relates to the amount paid in previous years by subsidiaries regarding a portion

of the networks and customers of the province of Brescia and the customer portfolio of the subsidiary Aspem Energia S.r.l..

Goodwill

Goodwill at March 31, 2016 amounted to 482 million euro and did not change compared to the previous year:

Millions of euro	Balance at 12 31 2015	Changes during the period				Balance at 03 31 2016
		Invest.	Other changes	Write- downs	Total changes	
Goodwill	482	-	-	-	-	482
Total	482	-	-	-	-	482

“Goodwill” may be analyzed by CGU as follows at March 31, 2016:

CGU - Millions of euro	
Electricity networks	184
Environment	232
Gas networks	38
Gas	7
Heat	21
Total goodwill at March 31, 2016	482

No indications of impairment were noted during the period which led to impairment losses. Goodwill is in any case tested for impairment at least annually.

3) Shareholdings and other non-current financial assets

Millions of euro	Balance at 12 31 2015	Changes during the period	Balance at 03 31 2016	of which included in the NFP	
				12 31 2015	03 31 2016
Shareholdings carried according to equity method	68	2	70	-	-
Other non-current financial assets	69	7	76	57	68
Total shareholdings and other non-current financial assets	137	9	146	57	68

The following table sets out details of the changes:

Shareholdings carried according to equity method - Millions of euro	Total
Balance at December 31, 2015	68
Changes during the period:	
- acquisitions and capital increases	
- valuations at equity	2
- write-downs	
- dividends received from shareholdings in companies carried at equity	
- sales	
- other changes	
- reclassifications	
Total changes in the period	2
Balance at March 31, 2016	70

The increase in “Shareholdings carried according to equity method”, positive for 2 million euro is attributable to the valuation at equity mainly of the investment in ACSM-AGAM S.p.A..

The details of the shareholdings are provided in annex no. 2 “List of shareholdings in companies carried at equity”.

At March 31, 2016, “Other non-current financial assets” showed a balance of 76 million euro, an increase of 7 million euro compared to December 31, 2015, and refer to 68 million euro for financial receivables for medium/long-term deposits mainly of the subsidiary EPCG, 8 million euro for shareholdings in other companies, details of which are provided in annex no. 3 “List of available-for-sale financial assets”.

4) Deferred tax assets

<i>Millions of euro</i>	Balance at 12 31 2015	Changes during the period	Balance at 03 31 2016
Deferred tax assets	308	(3)	305

“Deferred tax assets” amounted to 305 million euro (308 million euro at December 31, 2015). This item consists of the net balance of IRES and IRAP deferred tax assets and liabilities arising from changes and accruals made solely for fiscal purposes. The recoverability of “Deferred tax assets” recorded in the financial statements is considered likely, as the future plans envisage taxable income sufficient to use the deferred tax assets.

At March 31, 2016, the amounts relative to deferred tax assets/deferred tax liabilities have been expressed as net (“offsetting”) as per IAS 12 standards.

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

Millions of euro	Consolidated financial statements at 12 31 2015	Accruals (A)	Utilizations (B)	Adjustment rates (C)	Total (A+B+C)	IAS 39 to equity	IAS 19 Revised to equity	Adjustment Rates at Equity Net	Other changes/Reclass./Mergers	Deferred tax assets/liabilities in Assets held for sale	Consolidated financial statements at 03 31 2016
Detail of deferred tax assets and liabilities											
Deferred tax liabilities											
Measurement differences for tangible assets	701		(16)		(16)						685
Application of the leasing standard (IAS 17)	6				-	-					6
Application of the financial instrument standard (IAS 39)	-				-						-
Measurement differences for intangible assets	(4)				-	-					(4)
Deferred capital gains	-				-	-					
Employee leaving entitlement (TFR)	4				-						4
Goodwill	94				-	-					94
Other deferred tax liabilities	(15)				-	-					(15)
Total deferred tax liabilities (A)	786	-	(16)	-	(16)	-	-	-	-	-	770
Deferred tax assets											
Taxed risk provisions	113	3			3						116
Measurement differences for tangible assets	618	1	(20)		(19)						599
Application of the financial instrument standard (IAS 39)	32				-	6					38
Bad debt provision	7	1			1						8
Grants	12				-						12
Goodwill	308		(9)		(9)						299
Other deferred tax assets	4	1	(2)		(1)						3
Total deferred tax assets (B)	1,094	6	(31)	-	(25)	6	-	-	-	-	1,075
NET DEFERRED TAX ASSETS/LIABILITIES (B-A)	308	6	(15)	-	(9)	6	-	-	-	-	305

5) Other non-current assets

<i>Millions of euro</i>	Balance at 12 31 2015	Changes during the period	Balance at 03 31 2016	of which included in the NFP	
				12 31 2015	03 31 2016
Non-current derivatives	-	-	-	-	-
Other non-current assets	6	-	6	-	-
Total other non-current assets	6	-	6	-	-

“Other non-current assets” amounted to 6 million euro, unchanged over December 31, 2015 and essentially consist of security deposits and costs already incurred, however pertaining to future years.

Current assets

6) Inventories

<i>Millions of euro</i>	Balance at 12 31 2015	Changes during the period	Balance at 03 31 2016
Inventories	184	(86)	98

“Inventories” amounted to 98 million euro (184 million euro at December 31, 2015), net of the related obsolescence provision for 27 million euro (26 million euro at December 31, 2015). The increase in the obsolescence provision mainly refers to the write-down of material inventories of the warehouse of the San Filippo del Mela plant.

Inventories changed as follows:

- 72 million euro relating to the decrease in fuel stocks, which at March 31, 2016 totalled 27 million euro compared to 99 million euro at December 31, 2015;
- 20 million euro for the decrease in other inventories, which at March 31, 2016, totalled 2 million euro against 22 million euro at December 31, 2015; they refer to inventories of environmental certificates of the trading portfolio;
- 4 million euro relating to the increase in materials stocks, which totalled 64 million euro compared to 60 million euro at December 31, 2015;
- 2 million euro due to an increase in fuel at third parties, which amounted to 5 million euro at March 31, 2016 and 3 million euro at the end of the previous year.

7) Trade receivables

<i>Millions of euro</i>	Balance at 12 31 2015	Changes during the period	Balance at 03 31 2016
Trade receivables	1,800	67	1,867
(Bad debt provision)	(315)	(5)	(320)
Total trade receivables	1,485	62	1,547

“Trade receivables” amounted to 1,547 million euro at March 31, 2016 (1,485 million euro at December 31, 2015), representing a net increase of 62 million euro. In further detail:

- for 43 million euro, the increase in trade receivables from customers; this item had a balance of 1,441 million euro at the reporting date compared to that of 1,398 million euro at December 31, 2015;
- 19 million euro due to an increase in receivables from the Municipalities of Milan and Brescia. This item had a balance of 98 million euro at March 31, 2016 (79 million euro at the end of the previous year);
- receivables from associates had a balance of 5 million euro at the balance sheet date unchanged over December 31, 2015;
- projects in progress, amounting to 3 million euro, show no change compared to the end of the previous year.

The Group makes spot sales of receivables on a non-recourse basis. At March 31, 2016, the receivables which had not yet fallen due, sold by the Group on a definitive basis and derecognized in accordance with the requirements of IAS 39, amounted to 99 million euro in total (101 million euro at December 31, 2015). At the date of publication of this Interim report on operations, these receivables amount to 19 million euro (8 million euro at December 31, 2015). The sale is related to trade receivables. The Group has no rotating factoring programs.

The “Bad debt provision” amounted to 320 million euro, and net increase of 5 million euro compared to December 31, 2015. This provision is considered adequate to cover the risks to which it relates.

The changes in the bad debt provision are outlined in the following table:

<i>Millions of euro</i>	Balance at 12 31 2015	Accruals	Utilizations	Other changes	Balance at 03 31 2016
Bad debts provision	315	6	(1)	-	320

The following is the aging of trade receivables:

Millions of euro	03 31 2016	12 31 2015
Trade receivables of which:	1,547	1,485
Current	621	556
Past due of which:	530	510
- Past due up to 30 days	65	56
- Past due from 31 to 180 days	68	59
- Past due from 181 to 365 days	44	45
- Past due over 365 days	353	350
Invoices to be issued	716	734
Bad debts provision	(320)	(315)

8) Other current assets

Millions of euro	Balance at 12 31 2015	Changes during the period	Balance at 03 31 2016	of which included in the NFP	
				12 31 2015	03 31 2016
Current derivatives	55	125	180	16	16
Other current assets of which:	128	27	155	-	-
- receivables from Cassa per i Servizi Energetici e Ambientali	52	(4)	48	-	-
- advances to suppliers	7	(4)	3	-	-
- receivables from employees	1	-	1	-	-
- tax receivables	4	1	5	-	-
- receivables related to future years/periods	12	29	41	-	-
- receivables from Ergosud	19	-	19	-	-
- receivables from social security entities	3	-	3	-	-
- Stamp office	1	-	1	-	-
- receivables for damage compensation	1	4	5	-	-
- receivables for water derivation fees	1	(1)	-	-	-
- receivables for COSAP advances	5	-	5	-	-
- sundry receivables EPCG	12	1	13	-	-
- receivables for security deposits	1	3	4	-	-
- other sundry receivables	9	(2)	7	-	-
Total other current assets	183	152	335	16	16

“Other current assets” show a balance of 335 million euro compared to 183 million euro at December 31, 2015, a total increase of 152 million euro.

“Current derivatives” showed an increase of 125 million euro related to the increase in commodity derivatives due to the fair value measurement at the end of the reporting period; financial hedging derivatives were unchanged, mainly in relation to Interest Rate Swap (IRS)

contracts to hedge the risk of adverse changes in interest rates on bonds due within one year.

Receivables from Cassa per i Servizi Energetici e Ambientali, amounting to 48 million euro (52 million euro at December 31, 2015), mainly refer to receivables for equalizations pertaining to both the first quarter of 2015 and the year 2015, as well as outstanding receivables for equalizations pertaining to previous years, net of collections made during the reporting period.

Tax receivables, amounting to 5 million euro, mainly relate to tax receivables from the tax authorities for excise and withholding taxes.

Receivables from Ergosud, amounting to 19 million 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 AEEGSI resolutions no. ARG/elt 194/10 and no. 117/10.

9) Current financial assets

Millions of euro	Balance at 12 31 2015	Changes during the period	Balance at 03 31 2016	of which included in the NFP	
				12 31 2015	03 31 2016
Other financial assets	165	61	226	165	226
Financial assets from related parties	6	1	7	6	7
Total current financial assets	171	62	233	171	233

This item had a balance of 233 million euro (171 million euro at December 31, 2015), mainly relating to interest-bearing bank deposits.

10) Current tax assets

Millions of euro	Balance at 12 31 2015	Changes during the period	Balance at 03 31 2016
Current tax assets	71	(2)	69

“Current tax assets” amounted to 69 million euro (71 million euro at December 31, 2015) representing a decrease of 2 million euro over the previous year-end. This item consists of receivables from the tax authorities for IRES (27 million euro) mainly relating to requests for reimbursement as a result of IRAP deductibility for IRES, IRAP (21 million euro) mainly relating to the requests for reimbursement as a result of the recognition of the status of industrial holding for A2A S.p.A. during the year and for Robin Tax (21 million euro) relating to the credit requests for reimbursement/compensation.

11) Cash and cash equivalents

Millions of euro	Balance at 12 31 2015	Changes during the period	Balance at 03 31 2016	of which included in the NFP	
				12 31 2015	03 31 2016
Cash and cash equivalents	636	(77)	559	636	559

“Cash and cash equivalents” at March 31, 2016 represent the sum of the Group’s bank and postal asset balances.

Bank deposits include accrued interest although this had not yet been credited at the end of the period.

12) Non-current assets held for sale

Millions of euro	Balance at 12 31 2015	Changes during the period	Balance at 03 31 2016	of which included in the NFP	
				12 31 2015	03 31 2016
Non-current assets held for sale	205	(203)	2	38	-

At March 31, 2016, “Non-current assets held for sale” showed balance of 2 million euro and refer to the reclassification of assets owned by the company SEASM S.r.l., consisting of a 380 kV electrical substation called “Voghera” and intended to connect to the national electricity transmission network (RTN) the thermoelectric plant of Voghera Energia.

At December 31, 2015, said item included 203 million euro referring to some assets and asset items of Edipower S.p.A. reclassified following the signing of an agreement between A2A S.p.A. and Cellina Energy, a company wholly owned by Società Elettrica Altoatesina S.p.A. (SEL), which had approved the non-proportional demerger of Edipower S.p.A., the objective of which is the overall reorganization of the ownership structure of the company; said non-proportional demerger was completed in January 2016 as described further in the paragraph “Significant events during the period”.

EQUITY AND LIABILITIES

Equity

Equity, which amounted to 3,132 million euro at March 31, 2016 (3,259 million euro at December 31, 2015), is set out in the following table:

<i>Millions of euro</i>	Balance at 12 31 2015	Changes during the period	Balance at 03 31 2016
Equity pertaining to the Group:			
Share capital	1,629	-	1,629
(Treasury shares)	(61)	(37)	(98)
Reserves	1,005	13	1,018
Group result of the period/year	73	85	158
Total equity pertaining to the Group	2,646	61	2,707
Minority interests	613	(188)	425
Total equity	3,259	(127)	3,132

The overall changes in shareholders’ equity was negative for a total of 127 million euro. The result of the period had a positive effect of 158 million euro offset by the decrease due to the purchase of treasury shares for 37 million euro, the decrease in minority interests of 188 million euro and assessments in accordance with IAS 32 and 39 of the Cash flow hedge derivatives.

13) Share capital

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

14) Treasury shares

“Treasury shares” amounted to 98 million euro (61 million euro at December 31, 2015) and consist of 61,917,609 treasury shares held by the parent company A2A S.p.A. (26,917,609 treasury shares at December 31, 2015). The increase of 37 million euro relates to the purchase made in February and March 2016 of 35,000,000 treasury shares under the buyback program approved by the shareholders’ meeting on June 11, 2015.

15) Reserves

<i>Millions of euro</i>	Balance at 12 31 2015	Changes during the period	Balance at 03 31 2016
Reserves	1,005	13	1,018
of which:			
Changes in the fair value of cash flow hedge derivatives	(33)	(22)	(55)
Tax effect	8	6	14
Cash flow hedge reserve	(25)	(16)	(41)
Change in the IAS 19 Revised reserve - Employee Benefits	(64)	-	(64)
Tax effect	16	-	16
IAS 19 Revised reserve - Employee Benefits	(48)	-	(48)

“Reserves”, which amounted to 1,018 million euro (1,005 million euro at December 31, 2015), consist of the legal reserve, extraordinary reserves, and the retained earnings of subsidiaries.

This item also includes the negative cash flow hedge reserve of 41 million euro which arises from the year-end measurement of derivatives qualifying for hedge accounting.

The balance also includes negative reserves of 48 million euro arising from the adoption of IAS 19 Revised “Employee Benefits” which requires actuarial profits and losses to be recognized directly in an equity reserve.

The effects, at January 1, 2016, of the non-proportional demerger of Edipower S.p.A. to Cellina Energy S.r.l. resulted in a decrease in Group equity of 39 million euro.

16) Result of the period

This item consists of the profit for the period of 158 million euro.

17) Minority interests

<i>Millions of euro</i>	Balance at 12 31 2015	Changes during the period	Balance at 03 31 2016
Minority interests	613	(188)	425

“Minority interests” amounted to 425 million euro (613 million euro at December 31, 2015) and represent the portion of capital, reserves and result pertaining to minority shareholders mainly related to third-party shareholders of EPCG.

The decrease for the period of 188 million euro is mainly related to the effects of the non-proportional demerger of Edipower S.p.A. to Cellina Energy S.r.l., which led to the full possession of the shareholding in Edipower S.p.A. held by the Parent Company A2A S.p.A. and the consequent reduction in interest of minority shareholders, in part adjusted by the portion of the result of the period due to the minority shareholders of EPCG, positive for 8 million euro.

LIABILITIES

Non-current liabilities

18) Non-current financial liabilities

Millions of euro	Balance at 12 31 2015	Changes during the period	Balance at 03 31 2016	of which included in the NFP	
				12 31 2015	03 31 2016
Non-convertible bonds	2,431	1	2,432	2,431	2,432
Payables to banks	657	-	657	657	657
Finance lease payables	1	-	1	1	1
Total non-current financial liabilities	3,089	1	3,090	3,089	3,090

“Non-current financial liabilities”, which amounted to 3,090 million euro (3,089 million euro at December 31, 2015), increased by 1 million euro.

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

- 746 million euro, maturing in November 2019 and coupon of 4.50%, the nominal value of which is equal to 750 million euro;
- 496 million euro, maturing in January 2021 and coupon of 4.375%, the nominal value of which is equal to 500 million euro;
- 497 million euro, maturing in January 2022 and coupon of 3.625%, the nominal value of which is equal to 500 million euro;
- 299 million euro, Private Placement maturing in December 2023 and coupon of 4.00%, the nominal value of which is equal to 300 million euro;
- 296 million euro, maturing in February 2025 and coupon of 1.750%, the nominal value of which is equal to 300 million euro;
- 98 million euro, Private Placement in yen maturing August 2036 and 5.405% fixed rate.

Non-current “Payables to banks” amounted to 657 million euro and unchanged compared to the end of the previous year, as the reclassification of capital portions under “Current financial liabilities” was offset by the use by EPCG of a tranche of the EBRD loan with a nominal value of 30 million euro used for 20 million euro at March 31, 2016.

“Finance lease payables” amounted to 1 million euro (1 million euro at December 31, 2015).

19) Employee benefits

The balance on this item amounted to 327 million euro (332 million euro at December 31, 2015) with changes as follows during the period:

Millions of euro	Balance at 12 31 2015	Accruals	Utilizations	Other changes	Balance at 03 31 2016
Employee leaving entitlement (TFR)	164	6	(4)	(5)	161
Employee benefits	168	-	(2)	-	166
Total employee benefits	332	6	(6)	(5)	327

Other changes mainly refer to payments made to INPS and supplementary pension funds, as well as to the recognition of actuarial differences that include the increase resulting from the service cost for 0.3 million euro, the increase resulting from the interest cost for 0.6 million euro.

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

	2016	2015
Discount rate	from 0.24% to 2.03%	from 0.24% to 2.03%
Annual inflation rate	from 1.5% to 2.0%	from 1.5% to 2.0%
Annual salary increase rate	1.0%	1.0%
Annual TFR increase rate	from 2.6% to 3.0%	from 2.6% to 3.0%
Average annual increase rate of supplementary pensions	1.5%	1.5%
Annual turnover frequencies	from 2.0% to 5.0%	from 2.0% to 5.0%
Annual TFR advance frequencies	from 2.0% to 2.5%	from 2.0% to 2.5%

It is noted that:

- the discount rate used by the Group varies from company to company on the basis of the average financial term of the bond. The discount rate used is that corresponding to Iboxx Corporate AA;
- the curve relative to the inflation rate under the current economic situation, which has particular volatility of the majority of economic indicators, was changed as shown in the table. This hypothesis was derived from the “Document of Economics and Finance 2015 - Update September 2015 Sect. II-Tab II.2” issued by the MEF and “The medium/long-term trends in the pension and social-health system - Report no. 16 “published by the State General Accounting Office;
- 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”, mortality table RG48 published by the State General Accounting Office was 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).

20) Provisions for risks, charges and liabilities for landfills

Millions of euro	Balance at 12 31 2015	Provisions net of releases	Utilizations	Other changes	Balance at 03 31 2016
Decommissioning provisions	170	-	-	-	170
Landfill closing and post-closing expense provisions	145	-	(2)	14	157
Tax provisions	59	1	(1)	-	59
Personnel lawsuits and disputes provisions	131	3	-	-	134
Other risk provisions	71	12	(1)	2	84
Provisions for risks, charges and liabilities for landfills	576	16	(4)	16	604

“Decommissioning provisions”, which amounted to 170 million euro, include charges for costs of dismantling and recovery of production sites mainly related to thermoelectric plants and waste-to-energy plants. The period under review shows no significant changes in the provision.

The “Landfill closing and post-closing expense provisions”, which amounted to 157 million euro, refer to all the costs that will have to be incurred in the future for the sealing of the landfills in cultivation at the reporting date and for the subsequent post-operative management, thirty-year and fifty-year, provided by the AIA (Integrated Environmental Authorization). The changes for the period concerned uses for 2 million euro, which represent the actual outlays of the period, and other changes, positive for 14 million euro, relating mainly to the establishment of the closure and post-closure expense provision for the start of activities of the bioreactor of Giussago. The estimated costs to be incurred for the closing and post-closing management of the landfills has been subjected to the adequacy

test by specialized companies, which have issued certification of correctness of the amounts provided by the company.

“Tax Provisions”, which amounted to 59 million euro, refer to provisions for pending or potential litigation with the tax authorities or territorial entities for direct and indirect taxes, levies and excises. Net provisions for the period, for 1 million euro, were mainly related to the ICI/IMU dispute with territorial entities. Utilizations, for 1 million euro, refer to disbursements in the period due mainly to the subscription of transactions with territorial entities, with regard to pending litigation or pre-litigation.

The “Personnel lawsuits and disputes provisions” amounted to 134 million euro and mainly refer to lawsuits pending with social security institutions, for 32 million euro, related to social security contributions that the Group believes it is not required to pay and for which specific disputes are pending, to lawsuits with third parties, for 99 million euro, and with employees, for 3 million euro, to cover the liabilities that could arise from litigations in progress. The provisions for the period amounted to 3 million euro and mainly relate to disputes with third parties.

“Other provisions”, which amounted to 84 million euro, mainly refer to provisions relating to public water derivation fees for 21 million euro, to the mobility provision for the costs arising from the corporate restructuring plan, for 8 million euro, to the provision for extraordinary maintenance of the waste-to-energy plant in Acerra, for 16 million euro, to the risks provision related to EPCG, for 14 million euro, as well as other provisions for 25 million euro. Net provisions for the period amounted to 12 million euro and mainly concerned the provision made to cover contractual expenses for 1 million euro, the provision for public water derivation fees and 1 million euro for provisions of EPCG. Uses amounted to 1 million euro. Other changes, positive for 2 million euro, mainly related to the increase in the redundancy provision.

21) Other non-current liabilities

<i>Millions of euro</i>	Balance at 12 31 2015	Changes during the period	Balance at 03 31 2016	of which included in the NFP	
				12 31 2015	03 31 2016
Other non-current liabilities	72	(2)	70	-	-
Non-current derivatives	27	(2)	25	27	25
Total other non-current liabilities	99	(4)	95	27	25

At March 31, 2016, this item decreased by 4 million euro compared to the balance at the end of the previous year.

“Non-current derivatives” amounted to 25 million euro and show a negative change of 2 million euro compared to the previous year-end mainly due to the change in the fair value valuation of financial instruments at period-end. “Other non-current liabilities”, which showed a balance of 70 million euro, mainly refer to security deposits from customers, for 53 million euro, to liabilities pertaining to future years for 12 million euro, to medium/long-term payables to suppliers for 3 million euro, as well as other non-current liabilities for 2 million euro.

Current liabilities

22) Trade payables and other current liabilities

Millions of euro	Balance at 12 31 2015	Changes during the period	Balance at 03 31 2016	of which included in the NFP	
				12 31 2015	03 31 2016
Advances	5	-	5	-	-
Payables to suppliers	1,165	(158)	1,007	-	-
Total trade payables	1,170	(158)	1,012	-	-
Payables to social security institutions	37	(21)	16	-	-
Current derivatives	51	149	200	7	8
Other current liabilities of which:	433	58	491	-	-
- Payables to personnel	72	19	91	-	-
- Payables to Cassa per i Servizi Energetici e Ambientali	100	3	103	-	-
- Tax payables	44	29	73	-	-
- Payables for tax transparency	8	-	8	-	-
- Payables for energy tariff components	105	(2)	103	-	-
- Payables to third-party shareholders EPCG	20	-	20	-	-
- Payables to third-party shareholders Aspem S.p.A.	-	4	4	-	-
- Payables for A.T.O.	7	-	7	-	-
- Payables to customers for work to be performed	14	-	14	-	-
- Payables to customers for interest on security deposits	3	-	3	-	-
- Payables for liabilities of competence of following years/periods	21	3	24	-	-
- Payables for auxiliary services	1	-	1	-	-
- Payables for collections to be allocated	8	5	13	-	-
- Payables to insurance companies	3	-	3	-	-
- Payables for damage compensation to third parties	2	(2)	-	-	-
- Payables to waterway municipalities	1	-	1	-	-
- Payables for excise compensation	6	-	6	-	-
- Payables for environmental compensation	3	(1)	2	-	-
- Sundry payables	15	-	15	-	-
Total other current liabilities	521	186	707	7	8
Total trade payables and other current liabilities	1,691	28	1,719	7	8

“Trade receivables and other current liabilities” amounted to 1,719 million euro (1,691 million euro at December 31, 2015), representing an overall increase of 28 million euro.

“Trade payables” amounted to 1,012 million euro, a decrease of 158 million euro compared to the end of the previous year.

“Payables to social security institutions” amounted to 16 million euro (37 million euro at December 31, 2015) and relate to the Group’s debt position with social security and pension institutions, related to contributions on the month of March 2016 not yet paid.

“Current derivatives” amounted to 200 million euro (51 million euro at December 31, 2015) and refer to the fair value measurement of both commodity derivatives and financial hedging derivative, mainly in relation to Interest Rate Swap (IRS) contracts to hedge the risk of adverse changes in interest rates on bonds due within one year. The increase is due to the increase in commodity derivatives for the fair value measurement of the period.

“Other current liabilities” mainly refer to:

- payables to employees for 91 million euro (72 million euro at December 31, 2015), relating to payables to employees for the productivity bonus accrued during the period, as well as the expense for holidays accrued but not taken at March 31, 2016;
- payables to the CSEA - Cassa per i Servizi Energetici e Ambientali for 103 million euro at March 31, 2016 (100 million euro at December 31, 2015) regarding the payable for the tariff components, invoiced and not yet paid, as well as the payable for equalization liabilities related both to prior years and the period under review;
- tax liabilities for 73 million euro (44 million euro at December 31, 2015) and refer to payables to the tax authorities for VAT, excise and withholding taxes;
- payables for fiscal transparency for 8 million euro to the associate Ergosud S.p.A.;
- payables for electricity tariff components for 103 million euro at March 31, 2016 (105 million euro at December 31, 2015);
- payables to minority shareholders of EPCG for 20 million euro, reclassified in the previous year from “Minority interests”;
- payables for ATO for 7 million euro, unchanged over the previous year relating to the payment of the fee for concessions regarding the management of the water service;
- payables to customers for work to be performed for 14 million euro, unchanged over the year 2015. They refer to estimates already paid by customers for work that has not been completed yet;
- payables to customers for interest on security deposits accrued but not yet paid for 3 million euro, unchanged over the previous year;
- payables for the following year/period liabilities for 24 million euro (21 million euro at December 31, 2015) relating to the suspension of portions of costs and revenues relating to future periods;
- payables for ancillary services, amounting to 1 million euro, unchanged over the previous year, relating to the remaining debt on the dispute with the CSEA for ancillary services on the waste-to-energy plant in Filago.

23) Current financial liabilities

<i>Millions of euro</i>	Balance at 12 31 2015	Changes during the period	Balance at 03 31 2016	<i>of which included in the NFP</i>	
				12 31 2015	03 31 2016
Non-convertible bonds	571	(17)	554	571	554
Payables to banks	119	(45)	74	119	74
Finance lease payables	1	-	1	1	1
Financial payables to related parties	1	-	1	1	1
Total current financial liabilities	692	(62)	630	692	630

“Current financial liabilities” amounted to 630 million euro, compared to 692 million euro at December 31, 2015.

“Non-convertible bonds” refer to the bond maturing in November 2016 and coupon of 4.50%, the nominal value of which is currently equal to 503 million euro. Accounting is at fair value hedge; the bond is therefore measured at amortized cost, adjusted for the change in fair value of the risk hedged, which led to a decrease of 1 million euro in the period. Interest of 35 million euro (53 million euro at December 31, 2015) accrued on the bonds at March 31, 2016.

Current “Payables to banks” amounted to 74 million euro, a decrease of 45 million euro mainly related to the voluntary early repayment of a loan outstanding.

24) Tax liabilities

Millions of euro	Balance at 12 31 2015	Changes during the period	Balance at 03 31 2016
Tax liabilities	43	42	85

“Tax liabilities” amounted to 85 million euro (43 million euro at December 31, 2015) representing an increase of 42 million euro over the previous year-end.

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

Millions of euro	Balance at 12 31 2015	Changes during the period	Balance at 03 31 2016	of which included in the NFP	
				12 31 2015	03 31 2016
Liabilities directly associated with non-current assets held for sale	20	(20)	-	-	-

This item had a nil balance at March 31, 2016 and 20 million euro at December 31, 2015 and related mainly to the reclassification of deferred tax liabilities of Edipower S.p.A. in connection with the non-proportional demerger to Cellina Energy S.r.l..

Net debt

26) Net debt (pursuant to CONSOB Communication no. DEM/6064293 of July 28, 2006)

The following table provides details of net debt.

Millions of euro	Notes	03 31 2016	12 31 2015
Bonds - non-current portion	18	2,432	2,431
Bank loans - non-current portion	18	657	657
Finance leases - non-current portion	18	1	1
Other non-current liabilities	21	25	27
Total medium/long-term debt		3,115	3,116
Non-current financial assets - related parties	3	(5)	(5)
Financial assets - non-current portion	3	(63)	(52)
Other non-current assets	5	-	-
Total medium/long-term financial receivables		(68)	(57)
Total non-current net debt		3,047	3,059
Bonds - current portion	23	554	571
Bank loans - current portion	23	74	119
Finance leases - current portion	23	1	1
Current financial liabilities - related parties	23	1	1
Other current liabilities	22	8	7
Total short-term debt		638	699
Other current financial assets	9	(226)	(165)
Current financial assets - related parties	9	(7)	(6)
Other current assets	8	(16)	(16)
Total short-term financial receivables		(249)	(187)
Cash and cash equivalents	11	(559)	(636)
Cash and cash equivalents included in assets held for sale		-	(38)
Total current net debt		(170)	(162)
Net debt		2,877	2,897

Notes to the income statement

It is noted that the consolidation scope at March 31, 2016 changed compared to the corresponding period of the previous year for the following operations:

- at January 1, 2016, the partial non-proportional demerger of Edipower S.p.A. came into effect related to the “Cellina Unit” in favour of Cellina Energy S.r.l. (company wholly owned by Società Elettrica Altoatesina S.p.A.) in application of the agreement signed between the parties on December 28, 2015;
- the figures at March 31, 2016 include amounts relating to the companies Bellisolina S.r.l., Bergamo Servizi S.r.l. and SED S.r.l., which were fully consolidated from the second quarter of 2015;
- the relative income statement items for operating revenues and expense and the financial balance of the company SEASM S.r.l. held 67% by AzA S.p.A., previously fully consolidated, were reclassified, as it is a discontinued operation in accordance with IFRS 5, to “Net result from discontinued operations” following the management’s decision to divest. It is pointed out that the impact on the income statement of this reclassification is not significant as it is less than one million euro.

27) Revenues

Revenues for the period totalled 1,287 million euro (1,379 million euro at March 31, 2015) and therefore decreased by 92 million euro.

Details of the more significant items are as follows:

Revenues - Millions of euro	03 31 2016	03 31 2015	Changes
Revenues from the sale of goods	1,012	1,142	(130)
Revenues from services	197	192	5
Revenues from long-term contracts	3	5	(2)
Total revenues from the sale of goods and services	1,212	1,339	(127)
Other operating income	75	40	35
Total revenues	1,287	1,379	(92)

“Revenues from sales of goods and services” amounted in total to 1,212 million euro (1,339 million euro in the corresponding period of the previous year). The decrease of 127 million euro, was mainly due to the reduction in electricity sales revenues on wholesale markets. Despite the increased volumes sold, the decline in sale prices of both gas and electricity recorded on the retail market weighed heavy on the downturn to Group revenues.

“Other operating income” amounted to 75 million euro, an increase of 35 million euro over the corresponding period of the previous year.

Further details of the main items are as follows:

<i>Millions of euro</i>	03 31 2016	03 31 2015	Changes
Sale and distribution of electricity	602	701	(99)
Sale and distribution of gas	292	297	(5)
Sale of heat	75	82	(7)
Sale of materials	3	3	-
Sale of water	12	11	1
Sales of emission certificates and allowances	23	41	(18)
Connection contributions	5	7	(2)
Total revenues from the sale of goods	1,012	1,142	(130)
Services to customers	197	192	5
Total revenues from services	197	192	5
Revenues from long-term contracts	3	5	(2)
Total revenues from the sale of goods and services	1,212	1,339	(127)
Reintegration of costs plant S. Filippo del Mela (plant essential Unit)	23	27	(4)
Damage compensation	4	2	2
Contingent assets	5	8	(3)
Incentives for production from renewable sources	34	-	34
Other revenues	9	3	6
Other operating income	75	40	35
Total revenues	1,287	1,379	(92)

The item “Other operating income” shows an increase of 35 million euro arising mainly from the recognition as of January 1, 2016 of the incentives on net production from renewable sources, 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 operation by December 31, 2012 and that have acquired the right to use the Green Certificates).

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

28) Operating expenses

“Operating expenses” amounted to 817 million euro (885 million euro at March 31, 2015), therefore representing a decrease of 68 million euro.

The main components of this item are as follows:

Operating expenses - Millions of euro	03 31 2016	03 31 2015	Changes
Expenses for raw materials and consumables	593	656	(63)
Service costs	167	172	(5)
Total expenses for raw materials and services	760	828	(68)
Other operating expenses	57	57	-
Total operating expenses	817	885	(68)

“Total expenses for raw materials and services” amounted to 760 million euro (828 million euro at March 31, 2015), decreasing by 68 million euro.

This decrease is due to the combined effect of the following factors:

- a decrease of 45 million euro in the purchase of raw materials and consumables, due to a decrease of 68 million euro in costs for the purchase of power and fuel, an increase of 5 million euro for the purchase of materials, an increase of 17 million euro in costs relating to the purchase of emission certificates and allowances and the net effect of 1 million euro arising from hedging gains/losses on operating derivatives;
- a decrease of 5 million euro in costs for delivery, subcontracted work and services;
- the decrease in fuel inventories for 18 million euro.

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

<i>Millions of euro</i>	03 31 2016	03 31 2015	Changes
Purchases of power and fuel	472	540	(68)
Purchases of materials	21	16	5
Purchases of water	1	1	-
Hedging losses on operating derivatives	1	(1)	2
Hedging gains on operating derivatives	(1)	-	(1)
Purchases of emission certificates and allowances	27	10	17
Total expenses for raw materials and consumables	521	566	(45)
Delivery and transmission costs	72	71	1
Maintenance and repairs	32	35	(3)
Other services	63	66	(3)
Total service costs	167	172	(5)
Change in inventories of fuel and materials	72	90	(18)
Total expenses for raw materials and services	760	828	(68)
Leasehold improvements	23	18	5
Concession fees distribution networks Municipality of Milan and Brescia	2	2	-
Water derivation concession fees	14	15	(1)
Contributions to territorial entities, consortia and AEEGSI	2	4	(2)
Taxes and duties	10	13	(3)
Damages and penalties	1	1	-
Contingent liabilities	2	3	(1)
Other costs	3	1	2
Other operating expenses	57	57	-
Total operating expenses	817	885	(68)

Trading margin

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

Trading margin - Millions of euro	Notes	03 31 2016	03 31 2015	Changes
Revenues	27	372	374	(2)
Operating expenses	28	(373)	(368)	(5)
Total trading margin		(1)	6	(7)

The margin of Trading activities at March 31, 2016 was negative for 1 million euro, down by 7 million euro compared to the corresponding period of the previous year. This decrease was affected by the particularly negative trend of the reference market in the first quarter of 2016, characterized by a considerable and generalized reduction in prices of commodities in Italy

together with the reduction of price differentials with foreign countries, as well as the loss of some opportunities in the environmental certificates market (such as the conclusion of the mechanism of Green Certificates).

29) Labour costs

At March 31, 2016, labour costs, net of capitalized expenses of 9 million euro (7 million euro at March 31, 2015), totalled 156 million euro (157 million euro at March 31, 2015).

“Labour costs” may be analyzed as follows:

Labour costs - Millions of euro	03 31 2016	03 31 2015	Changes
Wages and salaries	103	105	(2)
Social security charges	40	40	-
Employee leaving entitlement (TFR)	6	6	-
Other costs	7	6	1
Total labour costs	156	157	(1)

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

	03 31 2016	03 31 2015	Changes
Executives	180	188	(8)
Managers	559	541	18
White collars	5,245	5,299	(54)
Blue collars	6,016	6,061	(45)
Total	12,000	12,089	(89)

30) Gross operating income

As a result of the above changes, consolidated “Gross operating income” at March 31, 2016 amounted to 314 million euro (337 million euro at March 31, 2015).

Further details may be found in the section “Results sector by sector”.

31) Depreciation, amortization, provisions and write-downs

“Depreciation, amortization, provisions and write-downs” totalled 118 million euro (109 million euro at March 31, 2015), representing an increase of 9 million euro.

The following table provides details of the individual items:

Depreciation, amortization, provisions and write-downs <i>Millions of euro</i>	03 31 2016	03 31 2015	Changes
Amortization of intangible assets	12	16	(4)
Depreciation of tangible assets	84	82	2
Write-downs of fixed assets	-	-	-
Total amortization, depreciation and write-downs	96	98	(2)
Provision for risks	16	5	11
Bad debt provision on receivables recognized as current assets	6	6	-
Total depreciation, amortization, provisions and write-downs	118	109	9

“Depreciation, amortization and write-downs” totalled 96 million euro (98 million euro at March 31, 2015), representing an overall decrease of 2 million euro.

The amortization of intangible assets decreased by 4 million euro mainly due to the adjustment of the amortization of the gas distribution networks following publication of the tender notice by the Municipality of Milan for the assignment in concession of the service gas distribution at local level. The depreciation of tangible assets increased by 2 million euro compared to March 31, 2015 as a result of higher depreciation, for 3 million euro, relating to the investments that entered production after the first quarter of 2015, higher depreciation for 4 million euro related to the increase in assets for registration of the decommissioning fund for the safety of the plants carried out at the end of the previous year and for 1 million euro relating to higher depreciation for the revision of the useful lives of certain plants carried out at December 31, 2015 adjusted by lower depreciation following write-downs of assets carried out at December 31, 2015, for 3 million euro, and lower depreciation, for 3 million euro, resulting from the demerger, which became effective from January 1, 2016, of the so-called “Cellina Unit” of Edipower S.p.A. in favour of Cellina Energy S.r.l..

Regarding the transposition of the “Growth Decree” which lays down procedures for calculating the surrender value of the water system works used to supply water under concession to hydroelectric power plants (the “wet works”), the calculation criteria (revaluation coefficients and useful lives) needed to quantify the surrender value at the end of the relative concessions have not been set yet by the relevant authorities. In the absence of a regulatory framework, the A2A Group carried out a series of simulations estimating the revaluations using ISTAT coefficients, which were found to be the only possible data

objectively usable, and made its own estimates of the economic and technical lives of the assets. The results of these simulations led to a very wide variability range, confirming that it is currently impossible to make a reliable estimate of the surrender values at the end of the concessions. Nevertheless, for concessions close to expiry the net carrying amount of the wet works was significantly lower than the range of results obtained. As a result, therefore, as of June 30, 2012, depreciation and amortization is no longer charged only for those concessions nearing expiry, while the same valuation methods continue to be applied to the remaining concessions.

The balance of “Provisions for risks and charges” shows a net effect of 16 million euro (5 million euro at March 31, 2015) due to allocations of 17 million euro made during the period, offset by the 1 million euro of risk provisions made in previous years, released in the current year since the original disputes have ceased to exist. Net provisions for the period concerned 1 million euro for allocations for tax provisions, 3 million euro for the allocation for legal disputes and litigations and personnel disputes provision, 10 million euro for allocations for contractual charges and 2 million euro for other risk provisions, as further described in note 20) Provisions for risks, charges and liabilities for landfills.

The “Bad debt provision” amounted to 6 million euro (6 million euro at March 31, 2015), consisting of the accrual for the period.

32) Net operating income

“Net operating income” amounted to 196 million euro (228 million euro at March 31, 2015).

33) Result from non-recurring transactions

The “Result from non-recurring transactions” is positive for 52 million euro (less than one million euro at March 31, 2015) and is related to the demerger of the “Cellina Unit” of Edipower S.p.A. in favour of Cellina Energy S.r.l., which took effect on January 1, 2016 following the agreement signed between the parties on December 28, 2015 as further specified in the paragraph “Significant events during the period”.

34) Financial balance

The “Financial balance” closed with net expense of 30 million euro (net expense of 41 million euro at March 31, 2015).

Details of the more significant items are as follows:

Financial balance - Millions of euro	03 31 2016	03 31 2015	Changes
Financial income	5	4	1
Financial expense	(37)	(46)	9
Affiliates	2	1	1
Total financial balance	(30)	(41)	11

“Financial income” amounted to 5 million euro (4 million euro at March 31, 2015) and may be analyzed as follows:

Financial income - Millions of euro	03 31 2016	03 31 2015	Changes
Bank income	2	2	-
Other financial income of which:	3	2	1
- Financial income from the Municipality of Brescia (IFRIC 12)	2	1	1
- Other income	1	1	-
Total financial income	5	4	1

“Financial expense”, which amounted to 37 million euro, decreased by 9 million euro over the balance at March 31, 2015, and may be analyzed as follows:

Financial expenses - Millions of euro	03 31 2016	03 31 2015	Changes
Interest on bond loans	31	32	(1)
Interest charged by banks	2	4	(2)
Interest on Cassa Depositi e Prestiti loans	-	1	(1)
Fair value of financial derivatives	-	6	(6)
Other financial expenses of which:	4	3	1
- IAS discounting charges	2	-	2
- Financial expenses Municipality of Brescia (IFRIC 12)	1	1	-
- Other expenses	1	2	(1)
Total financial expenses	37	46	(9)

The equity method valuation of shareholdings was positive for 2 million euro (positive for 1 million euro at March 31, 2015), and is mainly attributable to the valuation, according to the equity method, of the investment in ACSM-AGAM S.p.A. and other minor investments.

35) Income taxes

Income taxes - Millions of euro	03 31 2016	03 31 2015	Changes
Current taxes	43	44	(1)
Deferred tax assets	25	47	(22)
Deferred tax liabilities	(16)	(31)	15
Total income taxes	52	60	(8)

“Income taxes” for the period amounted to 52 million euro (60 million euro at March 31, 2015).

It is noted that the parent company A2A determines IRAP taxes for the period on the basis of application of art. 6, paragraph 9, of Legislative Decree December 15, 1997, no. 446 (“industrial holding” method), under which the taxable amount is determined by taking into account also financial income and expenses (excluding those related to shareholdings).

36) Result of minorities

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The “Result of minorities” is negative for the Group for 8 million euro and mainly includes the portion attributable to minority interests of the company EPCG. In the corresponding period of the previous year, the item showed a negative balance for the Group for 10 million euro.

37) Group result of the period

The “Group result of the period” was positive for 158 million euro (positive for 117 million euro at March 31, 2015).

Earnings per share

38) Earnings per share

	01 01 2016 03 31 2016	01 01 2015 03 31 2015
Earnings (loss) per share (euro)		
- basic	0.0509	0.0377
- basic from continuing operations	0.0509	0.0377
- basic from assets held for sale	-	-
- diluted	0.0509	0.0377
- diluted from continuing operations	0.0509	0.0377
- diluted from assets held for sale	-	-
Weighted average number of outstanding shares for the calculation of earnings (loss) per share		
- basic	3,095,458,548	3,105,987,668
- diluted	3,095,458,548	3,105,987,668

Significant non-recurring events and transactions

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

At January 1, 2016, the partial non-proportional demerger of Edipower S.p.A. came into effect related to the “Cellina Unit” in favour of Cellina Energy S.r.l. (company wholly owned by Società Elettrica Altoatesina S.p.A.) in application of the agreement signed between the parties on December 28, 2015.

Guarantees and commitments with third parties

<i>Millions of euro</i>	03 31 2016	12 31 2015
Guarantees received	580	460
Guarantees provided	1,638	1,545

Guarantees received

Guarantees received amounted to 580 million euro (460 million euro at December 31, 2015) and include 234 million euro for sureties and security deposits issued by subcontractors to guarantee the proper execution of the work assigned and 346 million euro for sureties and security deposits received from customers to guarantee the regularity of payments.

Guarantees provided and commitments with third parties

The guarantees provided amounted to 1,638 million euro (1,545 million euro at December 31, 2015), of which for obligations undertaken in the loan agreements of 134 million euro. These guarantees have been issued by banks for 484 million euro, insurance companies for 38 million euro and the parent company A2A S.p.A., as parent company guarantee, for 1,116 million euro.

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

Other information

1) Significant events for the Group after March 31, 2016

Reference should be made to the specific section of this interim report on operations for a description of subsequent events.

2) Information on treasury shares

At March 31, 2016, A2A S.p.A. held 61,917,609 treasury shares (26,917,609 at December 31, 2015), representing 1.976% of the share capital consisting of 3,132,905,277 shares. The increase in the number of treasury shares compared to December 31, 2015 is 35,000,000 shares purchased between February 16 and March 31, 2016 for a total of approximately 37 million euro. At March 31, 2016, 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)

“Non-current assets held for sale” and “Liabilities directly associated with non-current assets held for sale” at March 31, 2016 implement the reclassification of the assets owned by the company SEASM S.r.l. consisting of an electrical substation of 380 kV called “Voghera” and destined to connect to the national electricity transmission grid (RTN) the thermoelectric plant of Voghera Energia, while at December 31, 2015, they included some assets of Edipower S.p.A. and liabilities related to them as part of the non-proportional demerger, effective January 1, 2016, in favour of Cellina Energy S.r.l. (wholly owned by Società Elettrica Altoatesina S.p.A.), related to the “Cellina Unit”.

There was no need for the reclassified balances in either of the above transactions to be written down.

Summarized figures relating to these assets and liabilities are as follows.

Figures at March 31, 2016
Millions of euro

	Assets SEASM S.r.l.
ASSETS AND LIABILITIES HELD FOR SALE	
Non-current assets	2
Current assets	-
Total assets	2
Non-current liabilities	-
Current liabilities	-
Total liabilities	-

It is specified that the impact on the income statement of the reclassification of revenues, operating costs and financial balance of the company SEASM S.r.l. is not significant because less than one million euro.

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

Adequate provisions are provided where necessary for the disputes and litigation described below.

It is noted that if there is no explicit reference to the presence of a provision, the Group assessed the corresponding risk as possible without appropriating provisions in the financial statements.

EC infringement procedure

On June 5, 2002, the European Commission published Decision no. 2003/193/EC stating that the three-year exemption from income tax provided by article 3 paragraph 70 of Law no. 549/95 and article 66.14 of Decree Law no. 331/1993, converted into Law no. 427/93, is incompatible with community law, considering this to be “State aid” which is prohibited by article 87.1 of the EC Treaty.

The company appealed against this decision before the community jurisdictions but these appeals were rejected. The Italian State went ahead with the recovery of the aid in three separate stages, issuing different orders for the various tax period concerned.

The process followed by the various community and national appeals was described in the financial statements up until 2012 and in the quarterly reports up until the third quarter of 2013, to which reference is made for brevity. All the amounts requested for the principal and interest have been settled to avoid any executive action.

The situation regarding pending matters is as follows:

- Sentence regarding the First recovery. The verdict has been finalized following the sentence of the first instance rejecting the company's appeal.
- Sentence regarding the Second recovery. Following the adverse sentence of the Regional Tax Commission the company filed an appeal with the Supreme Court. The case is awaiting discussion.
- Sentence regarding the Third recovery. Following the adverse sentence of the Regional Tax Commission the company filed an appeal with the Supreme Court. The appeal was discussed on November 14, 2013 before the Tax Section. By way of an ordinance published on February 13, 2014, the court suspended the case and ordered that the records be passed to the European Court of Justice, raising a question of a preliminary ruling pursuant to article 267 of the Treaty of the Functioning of the European Union concerning the way in which the interest due on the recovery of the aid should be calculated. The company has made an appearance before the court and filed a brief; the Italian State and the European Commission have done the same, taking a position in opposition to the company. The related proceedings are registered under number C-89/14.

As of today, therefore, the question concerning the quantification of the interest due on the amounts to be recovered is still pending in cassation (whether the interest is compound or simple interest), related to the Second and Third recovery. On this point, the interpretation made by the European Court of Justice is binding on national courts. On March 26, 2015, the Attorney General at the Court of Justice, Melchior Wathelet, submitted his non-binding conclusions to the Court. According to the Attorney General, European legislation does not preclude that national legislation provides for the application of compound interest to a recovery action for illegal aid. However, the same Attorney General found that before 2008, neither European nor national legislation envisaged the application of compound interest for recovery activities.

By sentence ruled on September 3, 2015, the EU Court substantially transposed the opinion of the Attorney General, considering that a national legislation regarding interest on the recovery of State aid, which provides for the application of compound interest, is not contrary to European law. However, the Court highlighted that – before 2008 – no legislation (European and national) provided for the application of compound interest for the recovery of State aid relating to Decisions issued – as in this case – before the entry into force of Reg. no. 794/2004.

Following this binding sentence on the national court, the proceedings in cassation on the Third recovery suspended following the prejudicial referral to the Court of Justice, resumed its course. The defence of the Company filed a statement pointing out that - according to a correct reading of the EU court ruling - the application of compound interest can only occur

from November 2008. The hearing was held March 18, 2016; the Attorney General concluded for the dismissal of the appeal of the party. The sentence has not yet been filed.

In any case, concerning the position of A2A, as all the amounts requested were settled some time ago, it is believed that once the pending disputes are completed the company should not have to bear any further costs for the recovery of State aid.

Consult Latina/BAS S.p.A. (now A2A S.p.A.)

The purchase by BAS S.p.A. of the investment in HISA was made through a local consultant, Consult Latina.

As the wording of the contract was not totally clear and because BAS S.p.A. on its own did not buy 100% of HISA, BAS S.p.A. held that the contractual clause was not applicable and that the payment request made by Consult Latina was unjustified, and accordingly did not pay the fee due to Consult Latina, which in 1998 commenced legal action for payment.

Legal counsel has confirmed that the preliminary phase has been completed and that only the final sentence is awaited.

A2A S.p.A. has always instructed legal counsel to settle the case and has recently expressed its willingness to increase previous offers to cover the costs of the suit, although awaiting a specific figure that can then be assessed, also showing its availability to listen to and consider incremental requests. To date, specific requests are pending, considering that the Court urged the parties to find a settlement solution in recent months. Redengas, a subsidiary of HISA, the shares of which are subject to a lien by Consult Latina, has filed a new suit to call for the removal of the lien on the shares that remains in Consult Latina's favor; legal counsel has advised that the legal counsel of Redengas has announced that it will file a counter suit against A2A S.p.A. and Consult Latina, but several months later this has still to be notified. On June 3, 2014 the court rejected the suit filed by A2A S.p.A. and Consult Latina to remove the sequestration ordered by the judge at the request of Consult Latina on the present and future shares of Redengas, and A2A S.p.A. has filed an appeal.

The Court convened the parties in a council chamber which was held December 18, 2014 to verify the conditions of a conciliation or transaction; following the discussion, the Court has set a new discussion session for February 19, 2015 to receive indications from the parties; in view of subsequent postponements requested by Consult Latina, the parties are continuing to pursue settlement options without formal pleadings being carried out.

The Group has set aside a risk provision of 1.3 million euro.

Arbitration initiated by S.F.C. S.A. and Eurosviluppo Industriale S.p.A. against A2A S.p.A. and E.ON Europa S.L. for alleged non-fulfilment of the private deed for the purchase of the shares of Eurosviluppo Industriale S.p.A. (now Ergosud S.p.A.)

On May 2 and May 3, 2011 respectively, the Milan Arbitration Chamber sent A2A S.p.A. (the holder of an interest of 50% in the share capital of Ergosud S.p.A.) and E.ON Europa S.L. a request for arbitration in which Société Financière Cremonese S.A. in conjunction with Eurosviluppo Industriale S.p.A. initiated an arbitration procedure against such companies, requesting (i) ascertainment as to non-fulfilment by E.ON Europa S.L. and A2A S.p.A. of the obligations assumed in the agreements of December 16, 2004, October 15, 2004 and July 25, 2007 *inter partes* and (ii) by virtue of the effect, that they be ordered to pay the remaining part of the price for the sale of the shares making up the whole share capital of Ergosud S.p.A., amounting to 10,000,000 euro, as well as compensation for the damages suffered by Société Financière Cremonese S.A. and Eurosviluppo Industriale S.p.A. from the double standpoint of the consequential loss or damage and loss of profits in the amount of 126,496,496 euro, save better specification, plus damages for the stoppage at the worksite, interest and revaluation.

E.ON Europa S.L. and A2A S.p.A. duly appeared before the court calling for the request to be rejected in full and by cross-claim calling for the counterparties to be condemned to pay compensation for the damages suffered by the defendants as the result of the numerous examples of contractual non-fulfilment, quantified initially in the amount of 30,500,000 euro, or alternatively the greater or lesser sum considered equitable, quantified also pursuant to article 1226 of the civil code, plus interest, pursuant to article 1283 of the civil code, and monetary revaluation, pursuant to article 1284 of the civil code.

On September 7, 2011, the Chamber of Arbitration officially suspended arbitration due to the non-payment of the legal expenses by the claimant.

Lawyers for A2A S.p.A. and E.ON Europa S.L. have checked whether arbitration can be continued only for the counter-claim without having to take responsibility for the payment of the claimant's expenses.

With regard to payment of the legal fees by defendants A2A S.p.A. and E.ON Europa S.L., and the non-payment by claimants S.F.C. S.A. and Eurosviluppo Industriale S.p.A., on December 2, 2011 the secretary of the Chamber of Arbitration communicated that the claimants' applications had been extinguished and proceedings would continue only for the applications presented by A2A S.p.A. and E.ON Europa S.L.; in simultaneous letters, the secretary also advised that all documentation had been sent to the arbitrators to allow the proceedings to commence.

The Board is composed of Lawyer Prof. Giuseppe Portale (chairman), Lawyer Vincenzo Mariconda (arbitrator appointed by A2A S.p.A. and E.ON Europa S.L.) and Giovanni Frau (arbitrator identified by S.F.C. S.A. and Eurosviluppo Industriale S.p.A.).

On February 1, 2012 the first hearing was held after formalities had been completed regarding the setting up of the Board at which it was stated that the terms for the questions originally proposed by S.F.C. S.A. and Eurosviluppo Industriale S.p.A. had lapsed. In addition, the parties were assigned the dates by which pleading and replies should be filed and items of evidence produced. In particular, having become claimants from a substantial standpoint (wishing to continue with the case by counter-claim following the above-mentioned lapse of the counter-party's terms), E.ON Europa S.L. and A2A S.p.A. were invited to note their questions and indicate their evidence by March 15, 2012; the subsequent dates for filing pleading were set as April 16, 2012, May 8, 2012 and May 31, 2012.

The date of the hearing for the personal appearance of the parties was set for June 12, 2012 in order to make an attempt at reaching a settlement and for any informal questioning. At the hearing, adjourned to June 19, 2012, the Arbitration Board acknowledged the bankruptcy of Eurosviluppo Industriale S.p.A. which had occurred and set a date of October 30, 2012 for the appointment of a receiver and a date of November 20, 2012 for the hearing for the attempt to reach a settlement and carry out any informal questioning of the parties.

In view of the intervening bankruptcy of Eurosviluppo Industriale and the process issues raised during such declaration, the Board issued a decision dated November 13, 2012 ordering that the hearing set for November 20, 2012 should not be devoted to an attempt at reaching a settlement and, therefore, would not include the presence of the parties. At the hearing on November 20, 2012, the Board set the deadline for filing the award as July 4, 2013; also, the deadlines for the parties to file briefs were set as December 20, 2012 and January 31, 2013, and February 20, 2013 was set for the hearing date for discussion, to be held at the office of the Chairman of the Board. At the hearing of February 22, 2013 (the hearing was adjourned from February 20 to February 22 due to a commitment of the Chairman of the Arbitration Board), the Board issued an order requesting A2A S.p.A. and E.ON Europa S.L. to add to their respective attorneys to remedy all possible defects by March 20, 2013, and set March 20, 2013 and April 5, 2013 as the new final dates for the filing of briefs and replies to clarify and explain their respective positions. Subsequent to these obligations, the Board reserved the right to issue an order. On June 5, 2013, the Board filed an order in which it set July 22, 2013 as the date of the hearing for an attempt to reach a settlement and for questioning by the parties; given the deadline of July 4, 2013 previously set for the filing of the decision, the Board made an application to the Chamber for the granting of a reasonable extension.

At the end of the hearing of July 22, 2013, in which the questioning by the parties took place and the absence of the conditions for reaching a settlement was confirmed, the Chamber set a deadline of September 30, 2013 for filing documents and drawing up preliminary motions and October 21, 2013 for any submissions in reply from the lawyers. On October 2, 2013 the Chamber of Arbitration noted that S.F.C. S.A. and the bankruptcies had not paid the

contributions requested in July and as of today the proceeding is suspended. On October 22, 2013, S.F.C. S.A., in breach of the terms of the arbitration and the questions raised by the Arbitration Board, filed an appraisal arranged on its behalf having technical content. In a decision on November 27, 2013, the Board ordered an expert witness to verify the co-generation capabilities of the plant and appointed as the expert witness Mr. L. Guizzi. The company appointed Mr. Massardo as its own expert witness, S.F.C. S.A. Prof. Ambrogio and Eng. Lazzeri. After the hearing of January 22, 2014 for formalities relating to the appointment of the expert witnesses, the Board set a deadline of June 16, 2014 for the filing of the related report. The report was filed within the legal terms and contained confirmation of the arguments of A2A S.p.A. and E.ON Europa S.L.. The continuation of the arbitration may be affected by the fact the S.F.C. S.A., Eurosviluppo Industriale S.p.A. and Consorzio Eurosviluppo S.c.a.r.l.. On February 4, 2015, the Arbitration Board set new terms for the expert witness and the parties for replies following the filing of a further technical brief of S.F.C. S.A. to then set the hearing for April 23, 2015. The Chamber of Arbitration ordered the postponement of the deadline for filing the award. At the hearing on April 23, 2015, the Board set new terms for briefs and a hearing date if requested by the parties at September 23. A hearing was not requested and it is therefore necessary to wait for the filing of the award. The Chamber of Arbitration set a new deadline for the filing of the award on February 1, 2016, then postponed to March 2, 2016. On March 1, 2016, the Arbitration Chamber notified the filing of the award signed by the arbitrators on February 29, 2016. The award was approved unanimously and, after rejecting the issue of constitutionality raised by SFC and Eurosviluppo Industriale and the preliminary exceptions carried out by the Bankruptcy Eurosviluppo Industriale, ascertained the non-fulfilment of SFC and Eurosviluppo Industriale of the obligations of private agreements signed with A2A and E.ON, declared that E.ON and A2A are not required to pay the third instalment of the price established for the purchase of Ergosud shares (for 10 million euro) and ordered SFC and Eurosviluppo Industriale to pay jointly the total compensation for damages to A2A and E.ON of 8.1 million euro plus legal interest, rejects or declares absorbed any other issue and declares fully settled between the parties the costs of arbitration.

The Group has not allocated any provisions as it does not deem as probable the risk related to this pending lawsuit.

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

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

In the filing of appearance Ergosud S.p.A. and A2A S.p.A. called for the request to be rejected in full because it is unfounded in its merit and in its substance, and pointed out: (i) the lack of the right of the Consortium to institute proceedings as it is currently 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.

The first hearing has been fixed for October 30, 2011. This case has been assigned to the Second Civil Section of the Court, Single Judge Mr. Lorenzo Pontecorvo. The first appearance hearing was set for November 30, 2011 and the judge deferred decision concerning the legitimacy of the failed Consortium to establish a case.

On this occasion, Ergosud S.p.A. and A2A S.p.A. were not able to make any cross-claims as the competence for this lies with the bankruptcy judge.

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

The legitimization of S.F.C. S.A. is independent with respect to that of the Consortium, the original claimant, and should it be found that the request of the Consortium may not proceed further for lack of grounds (or because of the bankruptcy that has occurred), the judgment would continue between S.F.C. S.A. and Ergosud S.p.A.. In this scenario, A2A S.p.A. could ask to be excluded since no request would have been raised against the company, but for the purpose of simplicity the judge would probably remit the question to the final sentence.

Within the term set for the first hearing, the lawyers formulated conclusions on behalf of Ergosud S.p.A. in respect of the request made by S.F.C. S.A., then counter-claiming in a more complete manner in the subsequent preliminary pleadings pursuant to article 183, paragraph VI of the civil procedure code.

The judge found the bankruptcy was legitimate of S.F.C. S.A. and therefore set the end of the proceedings and the hearing for December 19, 2012, declaring the need to execute an expert opinion on a number of points, indicating the questions to put to the expert and setting May 23, 2013 as the date for the hearing to appoint the court’s expert witness. At that hearing the judge, changed in the meantime, confirmed the questions already formulated on December 19, 2012 and appointed the court experts Messrs. Pompili and Caroli, setting a term for the parties to appoint their own consultants. The start of the experts’ work was scheduled as June 18, 2013, with a deadline of 180 days after that date. A2A S.p.A. and Ergosud S.p.A. appointed as their experts Mr. Massardo and Mr. Gioffrè, persons who over the years have already drawn

up reports on the matters to which the questions refer. The deadline for the expert's filing was postponed. The court experts Messrs. Pompili and Caroli submitted their reports within the term set for their observations, confirming the defensive reasoning of Ergosud S.p.A. and A2A S.p.A.; the parties' experts had until June 30, 2014 to submit their observations and their reports were filed with the court on July 31, 2014. The hearing date was fixed for January 22, 2015 to review the expert's report and then postponed to April 1, 2015. At said hearing, the hearing for clarification of conclusions has been scheduled for November 30, 2016.

The Group has not allocated any provisions as it does not deem as probable the risk related to this pending lawsuit.

CIP 6 auxiliary services

This matter regards the usage of electricity for auxiliary services. According to the Electricity, Gas and Water Authority (AEEGSI), self-consumption by certain types of plant (waste-to-energy) should be considered in the same way as consumption for auxiliary services. It is noted that the Group has various plants that benefited from CIP 6/92 incentives and for which inspection visits have been carried out over the years. In certain cases, the Authority carried out said verifications by mandating the CSEA to act with respect to the Group; in other cases, the Authority has not taken any action; in others, the verifications are underway at the reporting date. To date, it is not deemed that there are potential contingent liabilities or significant in scope such as to require the recording of a provision in the financial statements.

With Sentences December 30, 2014 no. 6430 and December 1, 2014 no. 5946, the State Council confirmed the acts adopted by the AEEGSI towards the Group on the waste-to-energy plants of Cortelona and Filago, which prescribed the return of a portion of CIP 6/1992 incentives, as attributable - according to the non-shared reading of the AEEGSI and of State Council - to consumption for ancillary services. At the request of the CSEA, the Group paid the allegedly overpaid sums during the year.

With regard to the inspection visit in 2006 by the CSEA at the Silla 2 waste-to-energy plant, to date, no updates were found with respect to as already reported in the Notes to the financial statements of previous years. It is believed that, in the event of measures by the AEEGSI tending to the recovery of the CIP 6/92 facilitation, valid defensive objections can be adopted, even taking into account the peculiarities of the waste-to-energy plant in question. Given the above arguments, the Group believes that as of today the liability is possible but not probable. As a consequence, no amounts have been provided in the interim report on operations at March 31, 2016.

Union Temporal De Impresas vs. the Municipality of Calig (Spain)

This proceeding involves the Union Temporal De Impresas (UTE), set up between A2A Ambiente S.p.A., Azhar and Teconma, to build and manage an ITS treatment and disposal plant and composting line in Castellon de la Plana (Spain) as the result of being awarded the tender called by Zone 1 Consortium of Castellon. The Municipality of Calig, neighboring with Castellon, has appealed against the amendment to the agreement between the consortium and the UTE which provided for an increase in the fee of 121 million euro and 140 million euro for adjusting the plants to the specifications required in the AIA, requesting that it be annulled. In the sentence of the court of the first instance of May 21, 2013, the court upheld the appeal of the Municipality of Calig, additionally ordering, besides upholding the requests of the counterparty, the annulment of the original awarding of the tender to the UTE, with the resulting requirement for the consortium to find a new supplier.

Despite the fact that A2A Ambiente S.p.A. holds an interest of 1% in the UTE, under Spanish law, UTEs are characterized by the joint liability of their members.

The UTE, defended by the law firm Uria Menendez, has filed an appeal against the court's sentence of June 12, 2013.

On February 22, 2016, the sentence of the Superior Court of Justice of the Valencia Community, which was not further challenged, was notified to the UTE, which A2A Ambiente S.p.A. holds in the proportion of 1%.

The sentence partially upheld the appeal of the UTE, as it declared the concession null, but confirmed the remainder of the first degree sentence ordering the annulment of the change of the concession contract by which the Consortium (client) paid to the UTE in 2010 extra costs amounting to 19 million euro, due to the non-demonstration of public interest in the contract change.

Under Spanish law, the sentence will have to be implemented by the Consortium within two months of notification. During the transitional period, the conditions will continue to apply of the contract change annulled and the Consortium will have to define the methods for implementation of the provisions of the sentence.

To date, there are no indications regarding decisions of the Consortium in regard. The Spanish lawyer that defended UTE in court highlighted that if the consortium decides not to approve a new contract change that recognizes the UTE satisfactory economic conditions, the UTE may proceed to trial in order to obtain compensation for damages resulting from failure to recognize the investments made in execution of the second contract change subsequently annulled.

To complete this matter trade and financial receivables of approximately 2.7 million euro due from the UTE were recognized in the financial statements of A2A Ambiente S.p.A. at March 31, 2016.

Given the information available, as outlined above and considering the fact that the Spanish legislation of reference provides for the right of the contractor (UTE) to be compensated for any damages that may result from the annulment (also partial) or from contract termination for reasons not attributable to the latter, it is believed to date that the aforementioned trade and financial receivables are recoverable even if in the medium/long term.

Monfalcone Plant investigation

In November 2011, the Trieste Judicial Authority took restrictive action against several individuals in the Veneto, Friuli Venezia Giulia and Lombardy regions, including an employee of the Monfalcone thermoelectric plant, for criminal association aimed at defrauding the state and private persons and conceptual falsity, as well as activities organized for illegal trafficking in waste.

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

A2A S.p.A., the owner of the production site, ordered the precautionary suspension of the employee concerned and a freezing of the payments of the invoices issued by the biomass suppliers, which, to its knowledge, are involved in the investigations.

Nevertheless the A2A Group, and in particular A2A Trading S.r.l., may incur damages, at its sole expense, arising from the qualitative and quantitative differences in the biomasses, since there is the risk for the latter, as toller and in charge of the plant's dispatch, that on the completion of the preliminary stage it may incur increased costs for the biomasses not delivered and increased costs for (others) incorrectly stating the calorific value of the biomasses, delivered and not delivered.

To this should be added that the increased use of coal instead of biomasses could have as a consequence an increase in the environmental costs relating to the second half of 2009 and the whole of 2010, as well the need to reimburse the additional income or environmental allowances recognized with respect to the real income or allowances (the reference here is

to Green Certificates). In fact for 2009 and 2010 the company may have filed declarations generating environmental allowances that are greater than those actually produced, as the calculation may have been affected by considering biomass energy to conventional source energy ratio that is mistakenly higher than the real figure.

If this were the case, the company would have to file corrections to the above-mentioned past declarations and reimburse the income relating to environmental allowances that may have additionally been recognized. To date, the GSE, as it blocked the issuing of licenses for subsequent years, did not address return requests for previous annuities of competence of the A2A Group (second half of 2009-full-year 2010). If the GSE were to take action against the A2A Group, it will evaluate the appropriate actions, including damages, considering also the amount withheld from third-party suppliers.

Further, in accordance with the procedures and modalities required, A2A Trading S.r.l. has filed a request with the GSE to obtain Green Certificates relating to 2011 in which the calculation has been made on the basis of the real quantities of biomasses delivered to the power station and, in agreement with the Public Prosecutor, by taking into account a possible false increase of 20% in the calorific values of such. Despite the fact that the GSE has acknowledged the correctness of the calculations made by A2A Trading S.r.l. for 2011, as of today the above-mentioned 2011 Green Certificates have not yet been issued.

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

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

The Group has not allocated any provisions as it considers to be the aggrieved party in the proceedings.

ASM Novara S.p.A. dispute

On March 29, 2013, Pessina Costruzioni notified A2A S.p.A. of the appointment of the arbitrator and the deposition with the arbitrators to initiate the arbitration, in fulfilment of the shareholders' agreements signed in August 2007, with the scope of having A2A S.p.A. ordered to pay compensation for damages for the non-fulfillment of its obligations under the agreements.

A2A S.p.A. appointed its arbitrator within the established term of 20 days, rejecting the requests.

After discussion on the appointment, and after a request for the appointment of a sole arbitrator made by Pessina to the Court of Novara, the parties signed an agreement concerning the formation of the Arbitration Board.

The appointed arbitrators are the Lawyers Bruna Gabardi Vanoli, Marco Praino (designated by Pessina) and Salvatore Sanzo (designated by A2A S.p.A.); the hearing for the formal constitution of the board was on July 1, 2013. After this preliminary fulfilment, the parties will specify the applications for arbitration. As a result of the hearing, by means of a summary order, the board fulfilled the requirements for it to be formally established and be able to commence work, setting the deadlines for briefs and preliminary motions and the date of the first hearing. The dates set are October 15 and December 20, 2013 and February 21, 2014 for the submission of briefs and March 5, 2014 for the first hearing. By order of October 8, 2013, the Arbitration Board postponed the deadline for the submission of briefs respectively to October 9, 2013, January 21, 2014 and March 25, 2014. Consequently, the hearing set for March 2014 was postponed to April 10, 2014. The location for the arbitration was set as the offices of the President of the Arbitration Board in Milan. At the hearing of April 10, 2014, preceded by the submission of the parties' briefs, the Board set three new deadlines for the briefs (May 20 for A2A, June 17 for Pessina and June 26 for A2A) and set the date of the merit hearing as July 11, 2014. During the hearing, the plaintiff requested to fix a hearing for conclusions that by order outside the hearing filed on July 22 was set for September 16, 2014. At that hearing, the board set the terms for the filing of the final statements and the date of final hearing; at the request of the parties, such terms were postponed to December 3 and January 7, 2015 for the briefs and February 3, 2015 for the hearing. At that hearing, the board ordered an extension of the deadline for filing the award to 120 days. At the end of May 2015, A2A, having had news of habitual familiarity and commensality elements between the Chair of the Arbitration Board and the lawyer of the claimant, filed at the court of Milan application for recusal of the Chair of the Arbitration Board.

In view of the news of the appeal, with Ordinance 6 issued outside the hearing on June 3, 2015, the Board suspended the filing of the award until the end of the proceeding, or until the day following the notification of the outcome of the proceeding conducted by the most diligent party.

The Delegated Chair issued an order rejecting the request condemning A2A to litigation costs to the Chair of the Board and to Pessina.

On June 30, 2015, Pessina notified the Board, in execution of Ordinance 6/15 requesting the board to summarize the pending arbitration process.

On June 30, 2015, the Board, with the dissenting opinion of the arbitrator appointed by A2A filed its award that deems A2A responsible for violation of the shareholders' agreement signed

on August 4, 2007 and, consequently, the order to pay damages of 37,968,938.95 euro plus legal fees and arbitration expenses.

The company challenged the Award pursuant to art. 829 CPC before the Milan Court of Appeal. The challenge concerns: 1) nullity of the Award for violation of art. 829, paragraph 1, no. 2, CPC, in light of the lack of impartiality of the Chair of the Arbitration Board, the lawyer Bruna Gabardi Vanoli; 2) the nullity of the Award, pursuant to art. 829, no. 4, CPC, as the arbitration board pronounced outside the limits of the arbitration agreement; 3) nullity of the Award for violation of the adversarial principle, pursuant to art. 829, no. 9 CPC, in so far as the arbitration board based its decision on art. III of the Shareholders' Agreement; 4) failure to state reasons under art. 829, no. 5 and 823, no. 5 CPC, and violation of the adversarial principle pursuant to art. 829, no. 9 CPC, as the arbitration board took its decision, excluding, for no reason, the evaluation of the documentation filed in court by A2A; 5) nullity of the Award for violation of the adversarial principle, pursuant to art. 829, no. 9 CPC, as the arbitration board decided on the basis of accepting the importance of the office of an equitable settlement of the damage, without submitting the issue to a hearing of the parties; 6) nullity of the Award pursuant to art. 829, no. 5 and 823, no. 5 CPC, as the arbitration board assessed the damages on an equitable basis pursuant to art. 1226 Civil Code, without justifying the existence of the condition for the applicability of said provision, and without justifying the existence of the damage; 7) nullity of the Award pursuant to art. 829, no. 3, as the arbitration board assessed the damages on an equitable basis pursuant to art. 1226 Civil Code, without the necessary conditions, in violation of public order. After the first hearing held on December 16, 2015, a hearing was scheduled for the final judgement on May 3, 2016. At said hearing, the parties specified the conclusions and A2A also formulated a reasoned request for relief in terms. The Court adjourned the hearing to June 14.

Simultaneously, in July 2015, A2A filed an appeal for suspension of of enforcement of the Award. The Court of Appeal by a decree issued by the Chair of the 1st Civil Section on July 10, 2015, without hearing the parties, suspended the enforceability of the Award until the hearing before the Board set for September 15, 2015. On joint request of the parties on September 11, 2015, said hearing was postponed to November 10, 2015. By order issued outside the hearing on November 19, 2015, the decree issued on July 10 was revoked. By decision 3378 of December 18, the Court of Milan granted the enforceability of the Award requested by Pessina, immediately suspended the same day by order issued by the President of the First Section of the Court of Appeal at the request of A2A, scheduling a hearing on January 19, 2016. By order of January 26, 2016 notified on February 4, 2016, the Court of Appeals revoked the Presidential Decree of December 18, 2015 and rejected the request for suspension of the contested measure. On February 24, 2016, Pessina notified injunction and on March 7, 2016 notified garnishment (with a leading banking institution with which A2A opened a specifically dedicated bank account),

with the simultaneous assumption by the garnishee of the obligations that the law imposes on the keeper. On March 23, 2016, the garnishment was registered and the hearing for the third-party statement was fixed by the Court of Brescia for May 23, 2016. On April 15, the lawyers of Pessina notified A2A and the third-party bank garnishee the hearing anticipation decree issued on April 6, 2016 by the Court of Brescia, on the request of Pessina, which brought forward to April 27 the hearing for third-party declaration. Following said hearing, on May 2, Pessina notified to the third-party garnishee identification of the credit that was paid on May 11 for the value of 38,524,290.56 euro.

The Group has taken into account the outcome of the Award in the establishment of appropriations to provisions for future risks and charges, allocating the full amount of the Award plus expenses, despite the firm conviction of its positions.

Dispute over public water derivation fees

Derivations of public water for the production of hydroelectricity in Lombardy

Mese plant

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

Faced with the payment requests made by the Region for the years 2012 and 2013, Edipower S.p.A. therefore paid the fee considering solely the increase arising from the planned inflation rate as compared to the previous year.

As a consequence, for 2012 and 2013 the Region issued injunctions for the payment of the amount not paid by the company; Edipower S.p.A. appealed against these injunctions before the Regional Court of Public Waters of Milan, proposing the exception of unconstitutionality of the regional provision.

The same conduct was adopted by Edipower for the annuities of the 2014, 2015 and 2016 fees, for which the Region has not yet issued the related orders to pay the difference.

It is noted that the same issue also concerns the large-scale derivations in Lombardy of A2A, which, however, in view of its specific circumstances, fully pays the fee demanded by the Region and then sues for excess repetition.

For public water derivation fees, the Group set aside risk provisions for 20.7 million euro.

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

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

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

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

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

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

In light of said decision, the parties had increased the sale price of the shareholding in Edison based on the price of 0.89 euro per share, for a total increase of around 84 million euro. EDF launched the tender offer at 0.89 euro per share.

Carlo Tassara resorted to Consob in order to further increase the price of the tender offer, but Consob rejected the request.

In addition, pending the tender offer, Carlo Tassara challenged before the Regional Administrative Court the tender offer document and the related resolution of approval by Consob requesting suspensions thereof for reasons of urgency. However, the Regional Administrative Court 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 does not quantify the damages allegedly suffered by Carlo Tassara as a result of these transactions, referring for their determination to the outcome in the course of proceedings.

During the first hearing held on December 1, 2015, the prejudicial and preliminary exceptions were discussed (mainly, preclusion and admissibility of action and the lack of capacity to be sued of Tassara).

At the following hearing on January 26, 2016 for final judgement, solely to develop the aforementioned exceptions, the judge held the case to decision assigning to the parties the terms for the filing of final submissions and reply briefs.

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.

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

Abruzzoenergia S.p.A. - General IRES/IRAP/VAT audit for fiscal years 2014 and 2015

On January 19, 2016, the Finance Police - Chieti Tax Unit - initiated a general audit of Abruzzoenergia S.p.A. for IRES, IRAP and VAT purposes for fiscal years 2014 and 2015. The audit is still in progress. No provision was recognized as the audit is still in progress.

A2A Reti Gas S.p.A. – COSAP Municipality of Milan for the years from 2003 to 2015

On December 27, 2011 the Municipality of Milan served payment notices for COSAP (a fee paid for occupying public spaces and areas) for the years 2003 to 2011. An application was filed for annulment of these notices by internal revocation, which the Municipality rejected. The company filed a summons with the Court of Milan against this rejection on July 11, 2012 and on September 25, 2012 filed an appeal with the Regional Administrative Court. In December 2014, payment notices were notified for the years 2012 to 2014 and, in February 2016, a notice of assessment was served for the year 2015. In February 2015, a settlement agreement was entered into with the Municipality of Milan for the final conclusion of the COSAP litigation.

for the years 2003 to 2011 and a claim was filed before the Regional Administrative Court of Milan against the payment notices for the years from 2012 to 2014. In April 2016, appeal was submitted to the Regional Administrative Court for the year 2015. The company has set aside a risk provision for 2.4 million euro.

A2A Ambiente S.p.A. (formerly Aprica S.p.A.) - General IRES/IRAP/VAT audit for fiscal years 2009 and 2010

On January 24, 2013 the Finance Police - Brescia Unit commenced a general tax audit of Aprica S.p.A. (now A2A Ambiente S.p.A.) for IRES, IRAP and VAT purposes for fiscal 2009 and for fiscal 2010, an audit only to ensure that the requirements of Decree Law no. 78/2009 (the “Tremonti ter”) had been fulfilled. This audit was completed on March 25, 2014. The findings mainly related to violations regarding direct taxation. On July 31, 2014 an assessment was served for 2009 which the company accepted, paying the amount due on August 29, 2014 and thereby putting a final end to the authorities’ claim. For the year 2010, on October 6, 2015, the Regional Directorate of the Inland Revenue of Milan notified assessment notice and, on December 1, 2015, the company filed a request for assessment with adhesion defined, in March 2016, with the payment of sums due zeroing the provision for risks in the financial statements.

A2A Ambiente S.p.A. (formerly Partenope Ambiente S.p.A.) - General IRES/IRAP/VAT audit for fiscal year 2011

On September 4, 2014, the Tax Revenue Office - Brescia Provincial Department - began a general tax audit of Partenope Ambiente S.p.A. (now A2A Ambiente S.p.A.) for fiscal 2011 for IRES, IREP and VAT purposes. This audit was completed on October 6, 2014. The findings mainly related to violations exclusively regarding direct taxation. On July 7, 2015, a notice of assessment was served for the year 2011. On October 5, 2015, the company filed an application to the assessing office for settlement. On December 22, 2015, the company and the Office signed the contradictory report defining the tax claim. The company has set aside a risk provision for 0.3 million euro.

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

On March 7, 2013, the Brescia Customs Agency commenced a technical audit of the Brescia waste-to-energy plant owned by Aprica S.p.A. (now owned by A2A Ambiente S.p.A.). The audit was completed on January 16, 2014 with the serving of a formal notice of assessment for the years 2008 to 2011. For 2008 and 2009, the Customs Authority served payment notices on May 7 and 21, 2014 together with the respective penalties. The company appealed against

these two demands in July 2014. For the year 2009, in December 10, 2014, the company signed a conciliation agreement with the Customs Agency of Brescia for the final closure of the dispute and the consequent termination of the proceedings. For 2008, the litigation of first instance ended favorably for the company. On September 24, 2015, the Office appealed. The company filed counter-claims on November 17, 2015. On August 5, 2014, the Customs Authority served formal notices of assessment for 2012 and 2013. In March 2016, the company defined with the Customs Agency of Brescia the years from 2010 to 2013 with the payment of the amounts due on the basis of the criteria identified in the deed of reconciliation for the year 2009. The company has set aside a risk provision for 5.2 million euro.

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 favorable 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. filed a cross-appeal on November 9, 2012.

The outcomes of the 2002 and 2003 disputes were also favorable 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. 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. For 2001 and 2002, the hearing dates for discussion before the Supreme Court have not yet been set. The company has set aside a risk provision for 1.6 million euro.

A2A Trading S.r.l. - VAT assessments Green Certificates 2004 to 2010

On December 23, 2009 the Milan Tax Revenue Office served A2A Trading S.r.l. with a VAT tax assessment regarding fiscal 2004. This notice cited the company's failure to invoice taxable transactions and required the company to pay additional VAT as well as penalties and interest amounting to a total of 3.3 million euro.

In particular, under this assessment the Tax Revenue Office served a penalty on A2A Trading S.r.l. for not having invoiced the tollee (Edipower S.p.A.) for the Green Certificates allegedly transferred between the two.

After appropriate examination, which also included the other tollers, it was considered that the Tax Revenue Office's conclusions could not be accepted. In fact under tolling arrangements tollers are on the one hand the owners of the raw materials, including fuel, that they supply to the tollees to produce electricity, and on the other are the "ab origine" owners of the electricity produced. The delivery of Green Certificates to tollees by tollers can in no way be considered to be the transfer of title of such.

A2A Trading S.r.l. has therefore not committed any breach of law and accordingly no provision has been made in the financial statements for this matter.

On December 16, 2010, the Milan Tax Revenue Office served notice of a VAT tax assessment regarding fiscal 2005 and on October 31, 2011 notice of a VAT tax assessment regarding fiscal 2006 for the same reasons, with the resulting demands for additional value added tax plus penalties and interest totalling 5.2 million euro and 11.2 million euro respectively. As in the case of 2004, A2A Trading S.r.l. has not committed any breach of law and accordingly no provision has been made in the financial statements for this matter.

A2A Trading S.r.l. has filed an appeal with the relevant bodies against both notices, requesting that the claim for additional taxes be fully annulled.

The Milan Provincial Tax Commission upheld the company's appeals for all years under dispute.

On March 12, 2013 the Tax Revenue Office stated its acceptance, for 2006, of the sentence for the part relating to the dispute regarding the green certificates and filed an appeal with respect to the remaining findings (283,454.16 euro). The Regional Tax Commission rejected the appeal and the Office filed an appeal against this decision with the Supreme Court on August 5, 2014, which was followed by a cross appeal by the company. On May 6, 2013 the Tax

Revenue Office notified that it was waiving its appeal and applying for a dismissal of the case for 2004 and 2005.

Note that following the request for documentation regarding Green Certifications for the same tolling contract in tax years from 2007 to 2010, on October 28, 2011 the Italian Guardia di Finanza - Milan Office served notice of the Report on Findings, highlighting the same failure to bill taxable transactions for the years 2007, 2008 and 2010. No assessment notices have yet been notified.

No provision was ever allocated as the company considered unfounded the claims of the financial administration.

5) Contingent assets

The Group had an excess of environmental certificates (Green Certificates and White Certificates) at March 31, 2016.

The application of Resolution no. 447/13 of the AEEGSI could lead to benefits for the Group in future years, although the amount is currently not quantifiable.

Consob Recommendation no. 61493 of July 18, 2013

In response to Consob Recommendation no. 61493 published in July 2013, the A2A Group has carried out detailed analyses which have led to the identification of the hydroelectric production sector as the area applicable to the Group.

The investments made in this sector in 2015 were of a marginal amount and due to ordinary maintenance.

In addition, the A2A Group plans to make investments in the hydroelectric sector in the coming years and in particular to incur expenditure for maintenance and for increasing the energy efficiency of plants located in Lombardy and Calabria.

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

Attachments to the Notes to the Interim report on operations

1 - List of companies included in the consolidated financial statements

Company name	Registered office	Currency	Share capital (thousands)
Scope of consolidation			
A2A Reti Gas S.p.A.	Brescia	Euro	445,000
A2A Reti Elettriche S.p.A.	Brescia	Euro	520,000
A2A Calore & Servizi S.r.l.	Brescia	Euro	150,000
Selene S.p.A.	Brescia	Euro	3,000
A2A Servizi alla Distribuzione S.p.A.	Brescia	Euro	2,000
A2A Energia S.p.A.	Milan	Euro	2,000
A2A Trading S.r.l.	Milan	Euro	1,000
A2A Logistica S.p.A.	Brescia	Euro	250
A2A Ciclo Idrico S.p.A.	Brescia	Euro	70,000
A2A Ambiente S.p.A.	Brescia	Euro	220,000
Aspem Energia S.r.l.	Varese	Euro	2,000
A2A Montenegro d.o.o.	Podgorica (Montenegro)	Euro	100
A2A Energiefuture S.p.A.	Milan	Euro	50
Mincio Trasmissione S.r.l.	Brescia	Euro	10
Abruzzoenergia S.p.A.	Gissi (CH)	Euro	130,000
Retragas S.r.l.	Brescia	Euro	34,495
Aspem S.p.A.	Varese	Euro	174
Varese Risorse S.p.A.	Varese	Euro	3,624
Ostros Energia S.r.l. in liquidation	Brescia	Euro	350
Camuna Energia S.r.l.	Cedegolo (BS)	Euro	900
A2A Alfa S.r.l.	Milan	Euro	100
Plurigas S.p.A. in liquidation	Milan	Euro	800
Proaris S.r.l.	Milan	Euro	1,875
Edipower S.p.A.	Milan	Euro	905,711
Ecofert S.r.l. in liquidation	S. Gervasio Bresciano (BS)	Euro	100
A3A S.r.l.	Brescia	Euro	10
Ecodeco Hellas S.A. in liquidation	Atene (Greece)	Euro	60
Ecolombardia 18 S.r.l.	Milan	Euro	120
Ecolombardia 4 S.p.A.	Milan	Euro	13,515
Sicura S.r.l.	Milan	Euro	1,040
Sistema Ecodeco UK Ltd	Canvey Island Essex (UK)	GBP	250
Vespia S.r.l. in liquidation	Milan	Euro	10
A.S.R.A.B. S.p.A.	Cavaglia (BI)	Euro	2,582
Nicosiambiente S.r.l.	Milan	Euro	50
Bioase S.r.l.	Sondrio	Euro	677
Montichiariambiente S.r.l.	Brescia	Euro	10
Aprica S.p.A.	Brescia	Euro	20,000
Amsa S.p.A.	Milan	Euro	10,000
Bellisolina S.r.l.	Montanaso (LO)	Euro	10
SED S.r.l.	Robassomero (TO)	Euro	1,250
Bergamo Servizi S.r.l.	Brescia	Euro	10
Elektroprivreda Cnre Gore AD Niksic (EPCG)	Niksic (Montenegro)	Euro	907,108
EPCG d.o.o. Beograd	Beograd (Serbia)	Dinar RSD	3,101
Zeta Energy d.o.o.	Danilovgrad (Montenegro)	Euro	14,240
Equity investments held for sale			
SEASM S.r.l.	Brescia	Euro	700

	% of shareholding consolidated by Group at 03 31 2016	Shareholding %	Shareholder	Valuation method
	100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
	100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
	100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
	100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
	100.00%	100.00%	A2A Reti Gas S.p.A.	Line-by-line consolidation
	100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
	100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
	100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
	100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
	100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
	100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
	100.00%	100.00%	A2A Energia S.p.A.	Line-by-line consolidation
	100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
	100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
	100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
	100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
	91.60%	91.60%	A2A S.p.A. (87.27%) A2A Reti Gas S.p.A. (4.33%)	Line-by-line consolidation
	90.00%	90.00%	A2A S.p.A.	Line-by-line consolidation
	100.00%	100.00%	Aspem S.p.A.	Line-by-line consolidation
	80.00%	80.00%	A2A S.p.A.	Line-by-line consolidation
	74.50%	74.50%	A2A S.p.A.	Line-by-line consolidation
	70.00%	70.00%	A2A Trading S.r.l.	Line-by-line consolidation
	70.00%	70.00%	A2A S.p.A.	Line-by-line consolidation
	60.00%	60.00%	A2A S.p.A.	Line-by-line consolidation
	100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
	47.00%	47.00%	A2A S.p.A.	Line-by-line consolidation
	100.00%	100.00%	A2A Reti Gas S.p.A.	Line-by-line consolidation
	100.00%	100.00%	A2A Ambiente S.p.A.	Line-by-line consolidation
	100.00%	100.00%	A2A Ambiente S.p.A.	Line-by-line consolidation
	68.58%	68.58%	A2A Ambiente S.p.A.	Line-by-line consolidation
	96.80%	96.80%	A2A Ambiente S.p.A.	Line-by-line consolidation
	100.00%	100.00%	A2A Ambiente S.p.A.	Line-by-line consolidation
	99.90%	99.90%	A2A Ambiente S.p.A.	Line-by-line consolidation
	70.00%	70.00%	A2A Ambiente S.p.A.	Line-by-line consolidation
	99.90%	99.90%	A2A Ambiente S.p.A.	Line-by-line consolidation
	70.00%	70.00%	A2A Ambiente S.p.A.	Line-by-line consolidation
	100.00%	100.00%	A2A Ambiente S.p.A.	Line-by-line consolidation
	100.00%	100.00%	A2A Ambiente S.p.A.	Line-by-line consolidation
	100.00%	100.00%	A2A Ambiente S.p.A.	Line-by-line consolidation
	100.00%	100.00%	A2A Ambiente S.p.A.	Line-by-line consolidation
	80.00%	80.00%	A2A Ambiente S.p.A.	Line-by-line consolidation
	100.00%	100.00%	Aprica S.p.A.	Line-by-line consolidation
	41.75%	41.75%	A2A S.p.A.	Line-by-line consolidation
	100.00%	100.00%	EPCG	Line-by-line consolidation
	57.86%	51.00%	EPCG	Line-by-line consolidation
	67.00%	67.00%	A2A S.p.A.	Line-by-line consolidation

2 - List of shareholdings in companies carried at equity

Company name	Registered office	Currency	Share capital (thousands)
Shareholdings in companies carried at equity			
PremiumGas S.p.A.	Bergamo	Euro	120
Ergosud S.p.A.	Rome	Euro	81,448
Ergon Energia S.r.l. in liquidation	Milan	Euro	600
Metamer S.r.l.	San Salvo (CH)	Euro	650
SET S.p.A.	Toscolano Maderno (BS)	Euro	104
Azienda Servizi Valtrompia S.p.A.	Gardone Val Trompia (BS)	Euro	6,000
Ge.S.I. S.r.l.	Brescia	Euro	1,000
Centrale Termoelettrica del Mincio S.r.l.	Ponti sul Mincio (MN)	Euro	11
Serio Energia S.r.l.	Concordia sulla Secchia (MO)	Euro	1,000
Visano Soc. Trattamento Refflui S.c.a.r.l.	Brescia	Euro	25
LumEnergia S.p.A.	Lumezzane (BS)	Euro	300
Sviluppo Turistico Lago d'Iseo S.p.A.	Iseo (BS)	Euro	1,616
ACSM-AGAM S.p.A.	Monza	Euro	76,619
Futura S.r.l.	Brescia	Euro	2,500
Prealpi Servizi S.r.l.	Varese	Euro	5,451
COSMO Società Consortile a Responsabilità Limitata	Brescia	Euro	100
G.Eco S.r.l.	Treviglio (BG)	Euro	500
Bergamo Pulita S.r.l.	Bergamo	Euro	10
Tecnoacque Cusio S.p.A.	Omegna (VB)	Euro	206
Rudnik Uglja Ad Pljevlja	Pljevlja (Montenegro)	Euro	21,493
Total shareholdings			

	Shareholding %	Shareholder	Carrying amount at 03 31 2016 (thousands)	Valuation method
	50.00%	A2A Alfa S.r.l.	2,914	Equity
	50.00%	A2A S.p.A.	-	Equity
	50.00%	A2A S.p.A.	-	Equity
	50.00%	A2A Energia S.p.A.	1,560	Equity
	49.00%	A2A S.p.A.	724	Equity
	49.15%	A2A S.p.A. (48.77%) A2A Reti Gas S.p.A. (0.38%)	5,821	Equity
	44.50%	A2A S.p.A.	1,849	Equity
	45.00%	A2A S.p.A.	4	Equity
	40.00%	A2A S.p.A.	780	Equity
	40.00%	A2A S.p.A.	10	Equity
	33.33%	A2A Energia S.p.A.	227	Equity
	24.29%	A2A S.p.A.	769	Equity
	23.94%	A2A S.p.A.	38,679	Equity
	20.00%	A2A Calore & Servizi S.r.l.	638	Equity
	12.47%	Aspem S.p.A.	-	Equity
	52.00%	A2A Calore & Servizi S.r.l.	78	Equity
	40.00%	Aprica S.p.A.	3,400	Equity
	50.00%	A2A Ambiente S.p.A.	-	Equity
	25.00%	A2A Ambiente S.p.A.	238	Equity
	39.49%	A2A S.p.A.	12,067	Equity
			69,758	

3 - List of available-for-sale financial assets

Company name	Shareholding %	Shareholder	Carrying value at 03 31 2016 (thousands)
Available-for-sale financial assets (AFS)			
Infracom S.p.A.	0.44%	A2A S.p.A.	155
Immobiliare-Fiera di Brescia S.p.A.	5.83%	A2A S.p.A.	280
Azienda Energetica Valtellina e Valchiavenna S.p.A. (AEVV)	9.39%	A2A S.p.A.	1,846
Altre:			
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.	
Consorzio DIX.IT in liquidation	14.28%	A2A S.p.A.	
Consorzio Ecocarbon	n.s.	A2A Ambiente S.p.A.	
Consorzio Italiano Compostatori	n.s.	A2A Ambiente S.p.A.	
Consorzio L.E.A.P.	9.50%	A2A S.p.A.	
Consorzio Milano Sistema in liquidation	10.00%	A2A S.p.A.	
Consorzio Polieco	n.s.	A2A Ambiente S.p.A.	
Emittenti Titoli S.p.A.	1.85%	A2A S.p.A.	
E.M.I.T. S.r.l. in liquidation	10.00%	A2A S.p.A.	
Guglionesi Ambiente S.c.a.r.l.	1.01%	A2A Ambiente S.p.A.	
Isfor 2000 S.c.p.a.	4.94%	A2A S.p.A.	
S.I.T. S.p.A.	0.26%	Aprica S.p.A.	
Stradivaria S.p.A.	n.s.	A2A S.p.A.	

Company name	Shareholding %	Shareholder	Carrying value at 03 31 2016 (thousands)
Tirreno Ambiente S.p.A.	3.00%	A2A Ambiente S.p.A.	
Prva banka Crne Gore A.D. Podgorica (*)	19.76%	EPCG	
DI.T.N.E.	1.45%	Edipower S.p.A.	
SIRIO S.C.P.A.	0.02%	Edipower S.p.A.	
ORIONE S.C.P.A.	0.22%	Edipower S.p.A.	
Total other financial assets			5,989
Total available-for-sale financial assets			8,270

(*) It is noted that the shareholding in Prva banka Crne Gore A.D. Podgorica, also taking into account the preference shares with no voting rights amounts to 24.10% of share capital.
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.

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

Generation and Trading Business Unit

Remuneration of production capacity availability

The mechanism currently in force in Italy for the remuneration of production capacity is the Capacity Payment that was introduced in 2003 by Legislative Decree no. 379 as an administered, transitional system the purpose of which is to ensure the adequacy of the electricity system especially in the days, identified by Terna and defined as critical, where the difference between supply and demand could be at minimum levels.

Since 2004, the Authority's regulation provides for the establishment of *ex ante* revenue collected from electricity bills and disbursed via two payments (called CAP1 and S) to existing plants authorized to provide dispatching services.

Legislative Decree no. 379 stated that, under regime, the capacity remuneration shall be based on a market mechanism (capacity market), which was subsequently defined by Resolution ARG/elt 98/11.

The final design involves an auction in which operators awarded acquire the right to receive a bonus (in €/MW/year) and the obligation to offer the capacity awarded in the energy and services markets and return to the counterparty Terna the difference between the benchmark prices and the strike prices. Initially, the Capacity Market involved three-year auctions with a four-year planning horizon. By way of Resolution 95/2015/l/eel, the Authority proposed to the Ministry of Economic Development (MiSE) to reduce to a year the period between the conduct of the auction and delivery, also introducing contracts with one-year duration (first implementation phase).

In August 2015, the Italian Government pre-notified the DG Competition of the operational mechanism, but not the transient one. In these months, the Commission requested a series of further information.

Pending the verifications by the EU on the compatibility of the Italian mechanism with the discipline of State aid, some measures of the Authority have not yet been implemented (Resolution 320/2014/R/eel and Resolution 95/2015/R/eel).

In April 2016, the European Commission published an interim report following the survey initiated by the latter in 2015 on the capacity remuneration mechanisms in 11 Member States. The discussion in Brussels revealed the need to integrate the current market design, based exclusively on spot markets, with instruments that also allow providing term signals: the model designed by the Italian regulator (which has profiles that are more competitive than the English one already approved by the Commission) meets these requirements and could be taken as best practice also by other countries.

It is likely that now, in line with the observations of the interim reports, there will be the rapid start of the capacity market in Italy the effects of which, however, are not expected before 2018.

Meanwhile, by means of Resolution 134/2016/R/eel, the Authority imposed on Terna the recalculation, by April 30, 2016, of the S amount for the years 2010 and 2011. The previous Terna adjustments had, in fact, been determined only partly taking into account the amendments introduced by resolutions 564/2012/R/eel and 208/2013/R/eel in order to make revenue distribution more consistent with the purposes of the S amount. The net balance for the A2A Group companies (Edipower S.p.A. and A2A Trading S.r.l.) is equal to about 2.1 million euro and will be paid in 12 equal monthly instalments starting from April 29, 2016.

Remuneration of plants essential for the safety of the electricity system

Law no. 116/14, converting Decree Law no. 91/04 provided, among the other measures designed to reduce electricity bills for end customers with a low and medium voltage supply that until the 380 kV “Sorgente-Rizziconi” power line connecting Sicily with the mainland becomes operational, all the production units having power exceeding 50 MW situated in Sicily, with the exclusion of non-programmable renewable plants, shall be considered to be “essential” for the safety of the electricity system, with the requirement for offering on the market of the previous day.

From January 1, 2015, the bid and remuneration procedures of said units were therefore defined by the Authority.

Referring to the Edipower S.p.A. plant in San Filippo del Mela (Messina), Resolution 663/2015/R/eel recognized the essentiality of the 150 kV group for all of 2016 and the 220 kV group until the entry into operation of the Sorgente-Rizziconi cable, currently scheduled for June.

The settlement of 2013 and 2014 balances by Terna for the reinstatement of the costs of San Filippo del Mela due to the essentiality of regime in those years is expected in 2016.

Conferment of gas capacity for thermoelectric plants (CCGT)

The conferment of the gas transport capacity, today allocated on an annual basis for each thermal year, represents one of the most significant fixed costs that the CCGTs shall incur. The amount is divided into two parts: Exit from the regional network and Redelivery Point (PdR). In 2015, the cost of the conferment for the CCGTs of the A2A Group amounted to 25 million euro (about 6,000 €/MW).

By means of DCO 409/2015 and 613/2015, the Authority proposed a revision of the conferment criteria in force, initially only for electricity generation plants and, if necessary, at a later stage, also for other types of PdR (industrial).

Said intervention is necessary to meet the increased demands for flexibility of thermoelectric plants linked to the growth of renewables. In addition, the annual conferment, together with the onerousness of the criminal system, creates distortions because it favours the production of plants that have conferred capacity available rather than the more efficient ones.

DCO 613/2015 provides for the CCGTs the variabilization of the amount in a daily *ex-post* conferment regime (cost of 0.8-0.9 €/cents/Scm only for Redelivery), however keeping unchanged the balance in terms of coverage of service costs for the transporter. The variabilization would also have effects in terms of more facilitated cost transfer on the electricity wholesale price.

The new regulation was to be implemented in 2016 but, to date, there are no predictions regarding its adoption by the Authority.

Valorization of electrical imbalances for the period July 2012 - August 2014 (excluding June 2014)

Resolution no. 111/06 defines the rules and calculation methods for the valorization of electrical imbalances, i.e. the differences between the feed-in and consumption plans and the actual production and withdrawals.

The minimization of these imbalances is desirable because it allows a reduction in costs that fall on the bill of end customers as Terna - in the face of more accurate forecasts by dispatching users - uses fewer resources for balancing the system in real time. For this reason, the discipline of these imbalances has been the subject of several amendments by the Authority in order to align the regulation to the need for an efficient market configuration so as to push operators to always make the best forecasts of production and consumption, avoiding arbitrage between prices on different markets.

Following the appeal filed by some operators, Resolutions no. 342/2012, no. 239/2013 and no. 285/2013 amending the above discipline were annulled by the administrative judge for the period July 2012 - August 2014 (excluding June 2014) for non-justification on the urgency and for non-consultation.

Terna made recalculations according to the discipline in force before the resolutions annulled and the adjustment invoices - despite the objections by the A2A Group companies - were directly compensated at June 30, 2015 (for a gross amount of approximately 6.8 million euro).

In response to the solicitations of some dispatching users, the Authority initiated a process for the valorization of the actual imbalances between 2012 and 2014, by means of resolution 333/2015/R/eel.

A2A Trading S.r.l., Edipower S.p.A. and A2A Energia S.p.A. appealed to the Lazio Regional Administrative Court against Terna as it did not take into account the adjustments of the start of this proceeding (in fact, Terna deems that the resolution did not amend the regulatory framework; thus, for the moment, it has not yet returned the items compensated and is waiting for the end of the proceeding).

In 2015, the Authority published two DCO, no. 445 and no. 623, not only in order to implement the indications of the State Council but also to protect dispatching users which, in the period of application of the annulled regulation, had implemented a program in line with the current regulatory framework and consistent with the purposes and functions of the dispatching service.

The final publication of the discipline is expected for the first half of 2016, followed by the redefinition of economic items with Terna, with the return preferably of the entire amount compensated at June 30, 2015.

Incentives to production from renewables and conversion of the Green Certificate into tariff

In implementation of Directive 2009/28/EC with Legislative Decree no. 28/2011, the incentive schemes have been defined aimed at achieving the production targets from renewable sources by 2020, then implemented by Ministerial Decree of July 6, 2012, which applies in respect of electricity plants powered by renewable sources other than photovoltaic plants.

The aforementioned decree establishes that for plants below a certain power threshold, tariffs shall be recognized (feed-in premium) with direct access or through subscription to records, while for those with higher powers, an auction procedure is established.

The decree also provides, in relation to plants from renewable energy that began operating before December 31, 2012 and that have gained the right to use the Green Certificates (GC), the recognition of an incentive paid by the Energy Services Manager (GSE) on net production for the entire remaining period of the right to GCs after 2015 and that is added to the production sales revenues on the market.

Said incentive (I) is equal to:

- $I = k \times (180 - Re) \times 0.78$;
- k = technological coefficient of 1 for plants that entered into operation by December 31, 2007 and for subsequent ones, it assumes the values defined by Law 244/2007;
- Re = is the sale price of electricity on the market, recorded in the previous year and communicated by the Authority.

Therefore, as of January 1, 2016, incentives are paid quarterly by the GSE by the second quarter following the reference one and on the basis of the signing of an agreement (not yet completely defined) and upon registration of the plants on the GRIN portal.

On March 25, 2016, GSE published a disclosure on the expiries of 2014 GCs and 2015 GCs in respect of which a request may be made to GSE for withdrawal, respectively, by March 31, 2017 and March 31, 2018. This clarification, strongly supported by operators, allows confirming the possibility of storing and using the GC warehouse until their expiry.

The Group has Green Certifications as detailed below:

Availability Industrial Securities Account	Maturity	MWh
GC 2014	03/31/2017	441,369
GC TLR 2014	03/31/2017	34,313
GC 2015	03/31/2018	581,390
GC TLR 2015	03/31/2018	68,003
Total		1,125,075

Large hydroelectric derivation concessions

Changes in legislation over the past few years, despite having introduced rules to allow the conduct of tenders, have in real terms led to the continuation by the present holders of the exercise of existing large derivation hydroelectric concessions even if they have formally expired, including certain of these held by A2A S.p.A.⁽¹⁾.

(1) The concessions of Grosotto, Lovero and Stazzona expired 12/31/2010 while the one of Premadio 1 07/28/2013 (Premadio 2 has validity until 12/31/2043). The concession of Grosio will expire 11/16/2016 while the other concessions A2A (Calabria Unit) and Edipower (Friuli and ValChiavenna) will expire 12/31/2029 (pursuant to Legislative Decree no. 79/1999).

Article 37, paragraph 4 of Law 134/2012 converting Decree Law no. 83/2012, the “Growth Decree”, confirmed the period of 5 years before the expiry of the concession as being the time limit within which a tender must be called for reassignment and set the term of new concessions in 20 years, extendible to 30 years depending on the size of the investments according to the criteria established by an implementing Ministerial Decree, not yet issued. In addition, a special transitional regime (accelerating) is established for calling tenders for concessions which have already expired or which expire on or before December 31, 2017 (those which were unable to comply with the 5 years for calling the tender). These tenders must be called within 2 years of the effective date of the above implementing Ministerial Decree.

The non-issue, to date, of the “Tender Ministerial Decree” inevitably results in an actual extension of the management by the current concessionaires also of these derivations past due beyond the term of 2017.

The Government, as part of the formal default notice received from the European Commission affirming the opposition of Italian legislation with the principles and rules of EU law, decided to report to the Commission a future amendment to said rules, as part of an overall regulatory reorganization of the sector.

In terms of regional regulations, the Lombardy Region, first by Law no. 19/2010 and then by Law no. 35/2014 amended Regional Law no. 26/2003, inserting article 53-*bis*, which governs the temporary continuation of the exercise for expired concessions and the imposition of an additional fee.

Following the entry into force of the aforementioned regional laws, Lombardy extended, by means of DGR, the duration of the “*temporary continuation of the exercise*” of large derivation concessions that have already expired of Edison, Italgas, LGH-Linea Energia (Resio) and A2A (Grosotto, Lovero, Stazzona and Cancano-Premadio I) until December 31, 2017, subject to earlier (and highly unlikely) conclusion of the public assignment procedure.

It is noted that for the concession of Cancano-Premadio I, the Lombardy Region expects to cancel, with effect as of the expiry of July 28, 2013, the partial exemption from the state fee from which said concession benefits. The relative DGRs were therefore challenged in an appeal that is still pending before the Superior Court of Public Waters.

Lastly, by means of art. 62 of the Law 221/2015 (“Collegato Ambientale”), the legislator equalized upward the unit value of the BIM supra-fee due from concessionaires of small derivations above 220 kW of nominal power, making it identical to the one due by the holders of large derivations above 3 MW.

The 2015 Stability Law provided, in art. 1, paragraph 671, the reimbursement of additional hydroelectric concession fees paid to the State in 2006-2007, for renewal of concessions. This provision was, in fact, declared unconstitutional by the Constitutional Court.

The additional fees paid by A2A S.p.A. and Edipower S.p.A. in 2006 and 2007 amounted to about 11.5 million euro including payments to the State (9.6 million euro including interest) and municipal administrations (1.9 million euro). The sums paid to the State are being recovered; the State will use the proceeds of the CO₂ unit auctions to make the repayments hopefully in 2016.

Efficient Utility Systems

Efficient Utility Systems (SEU and SEESEU) are Simple Production and Consumption Systems consisting of at least one production plant and one consumption unit directly connected through a private link without obligation of connection to third parties, and connected directly or indirectly, through at least one point, to the public network.

Attainment of qualification as SEU or SEESEU, issued by the GSE, allows the recognition of facilitated tariff conditions on the electricity consumed and not withdrawn from the network, limited to the variable parts of the general system costs, as required by Legislative Decree no. 115/08.

Decree Law 91/14, Law 116/14 and the Authority's Resolution 578/2013/R/eel define the framework of the SEUs that can be referred to a scheme in which there is a single unit Consumption Unit and Production Unit which, if recognized as such, allow for the payment of general expenses equal to 5%.

To be eligible for this benefit as of January 1, 2014, the SEUs that began operating before December 31, 2014 must be qualified by GSE according to one of the possible types by September 30, 2015. It is also possible to qualify the system after said date; however, the benefits will be calculated starting from the month following the qualification. For systems that became operational after January 1, 2015, it will be necessary to request qualification after the entry into operation.

By clarification of June 12, 2015, the Authority specified that the generation auxiliary services refer to the ancillary services as per the Unipede definition (now Eurelectric) and therefore also plants subservient to production such as, for example, fuel handling, heating, lighting and office systems directly related to the exercise of the power plant. The value of the SEUs and the Authority's clarification on auxiliary services is twofold because it allows:

- the plants of the A2A Group to benefit on self-consumption from the exemption from the payment of 95% of the system costs on self-produced and consumed energy;
- formulating investment proposals, within the Group or to third-party customers, aimed at realizing, at industrial users of electricity, production plants from renewable sources.

However, it is noted that revisions of the SEU legislation - and associated benefits - are possible in light of the EU Guidelines on State Aid.

REMIT - Regulation on the integrity and transparency of wholesale energy markets

Regulation (EU) No. 1227/2011 of the European Parliament and of the Council of October 25, 2011 (REMIT) on the integrity and transparency of the wholesale energy market, has established common rules to prevent abusive practices in electricity and natural gas wholesale markets. This regulation imposes an obligation on market operators to:

- a) publish privileged information pertaining to them;
- b) send to ACER (*Agency for Cooperation among National Energy Regulators*), directly or through third parties, the data concerning the operations carried out on wholesale energy products both sale and purchase orders presented and transactions concluded (reporting obligation).

Regarding privileged information since 2011, A2A Trading S.r.l. and Edipower S.p.A. have published on websites the unavailability of generation plants above 100 MW. Adhesion is underway to the PIP platform implemented by the Energy Markets Operator (GME).

In terms of reporting, the Commission, in implementation of the REMIT, adopted Implementing Regulation no. 1348/2014 (Implementing Acts), which established procedures and timing for fulfilment. The data to be reported concern standard contracts concluded on organized markets and non-standard ones concluded bilaterally outside the organized markets, contracts relating to the transport of electricity and gas and the fundamental data related to storage systems. The market operators involved must send the data to ACER through the organized markets where the operation was performed (ex. GME) or through brokerage the platforms that include trade of electricity and gas.

In order to proceed with the communications to ACER, it is necessary to register with the National Register of market operators set up at the Authority. The following have been registered in the Register of the Authority:

- since October 7, 2015: A2A Trading S.r.l. and Edipower S.p.A. for which the reporting obligation was effective from said date (operations on organized markets);
- since April 7, 2016: A2A Energia S.p.A., A2A S.p.A., A2A Calore e Servizi S.r.l., A2A Ambiente S.p.A., Aspem Energia S.r.l., Metamer S.r.l., Premiumgas S.p.A. and Retragas S.r.l. for which the reporting obligation was effective from said date (non-standard contracts).

There will be a pecuniary administrative sanction from 10,000 to 200,000 euro for each operator acting in wholesale energy markets subject to the obligation without being registered.

Article 22 of Law October 30, 2014, no. 61 also attributes to the Authority powers of investigation and sanction on the application of the REMIT.

Commercial Business Unit

Competition Bill SIMILE Protection: termination of price protections

At the hearing of October 7, 2015 the Chamber approved the annual Bill for the market and competition (Competition Bill), which is still under discussion at the Senate as part of the process of conversion into Law, which provides, inter alia, superseding the protection (gas) and greater protection (electricity) regime with effect from January 1, 2018. The operational structure of said superseding will be outlined by a subsequent MiSE Decree.

The process of conversion into law underwent many delays, including the recent resignation of the responsible Minister.

However, in parallel, the Authority proceeded with its own reform process undertaken by means of Resolution 271/2015/R/com (Roadmap) in order to promote the superseding of the greater protection regime, publishing DCOs 421/2015/R/eel and 75/2016/R/eel, by means of which it illustrated the transitional mechanism of the SIMILE Protection (as “Protection Similar to a provision of the Free Market of Electricity”) to be implemented in 2017 in relation to LV other use customers and domestic customers (about 25 million POD for 58 TWh).

With reference to this type of customer, the evolution is proposed of the current service of greater protection to universal service (of last resort), characterized by innovation of price mechanisms, determined by referring to the forward prices of MGP. The supplier would remain Sole Buyer. The level of rising prices should be an incentive to the transition to the free market.

Simultaneously, the Authority proposes to introduce a new service called *Similar Protection*, non-renewable with annual duration, in which the Regulator would continue to monitor the contractual conditions and price structures (discount on the price of the universal service) but not on the level of the latter. This service would be provided by free market providers selected by the Sole Purchaser.

Functional Unbundling and Brand Unbundling

By means of Resolution 296/2015/R/com, the Authority required, among other things, that the commercial activities related to the sale of electricity in the free market and the exercise of the greater protection service shall be carried out through the use of information channels, physical spaces and separate staff.

A2A Energia S.p.A. appealed the decision, limited to art. 17.9 (for which it also called for a suspension) that introduces an obligation for sellers to use information channels, physical and personal spaces separated between sale on the free market and greater protection service without providing mechanisms to cover the costs arising therefrom. The merit hearing has been set for May 12, 2016.

Regarding the cost coverage, Resolution 659/2015/R/eel, however, provided that, under the first annual update of the RCV component (from 2017), account will be taken of the costs related to debranding between free and protected market.

Charge of the RAI fee in the electricity bill

Law no. 208/2015 on “Measures for the preparation of the annual and multi-annual financial statements of the State” (2015 Stability Law), in paragraphs 152-164 of article 1 regulated the charging of the RAI fee by means of the invoices issued by the electricity companies to their customers. The total amount of the fee will be divided into 10 monthly instalments that will be charged as part of the invoices sent to customers to which tariffs are applied for residents (if not exempt) as of July.

For the full implementation of the provisions above, the MiSE, jointly with the Ministry of Finance, has drafted a Decree scheme, which shall be reviewed in light of the critical issues noted by the opinion of the State Council.

The companies impacted by the activity of fee collection will be recognized the related costs to the extent of 14 million euro for 2016 and another 14 million euro for 2017. These costs will be reimbursed by the Revenue Agency and will be divided among the various operators on the basis of criteria to be defined by the Authority, which will also determine the content and the ways in which companies must make available information on the costs/investments incurred.

In an ad hoc Table, constituted between the operators’ associations, the Sole Purchaser, and the Revenue Agency, the operational procedures and information flows were identified functional to the implementation of the provisions of the Decree scheme, and particularly the methods and timing for communication by the Revenue Agency of the list of citizens to which the fee will be charged.

From the end of April, the first transfers of the set of information are expected through the Integrated Information System implemented by the Sole Purchaser.

Gas protection service:

a) revision of the economic conditions

Resolution 166/2016/R/ gas has established procedures for determining the economic conditions of the gas protection service for the period October 2016 - December 2017 (date beyond which, under the Competition Bill, there may be termination of price protections).

The component covering wholesale procurement costs (C_{mem}) will remain defined under current formula for updating, i.e. on the basis of quarterly OTC forward prices recorded at the TTF hub, maintaining the current procedures for the recognition of logistics costs.

The CCR component to cover the costs for activities related to the wholesale procurement and coverage of certain risks was revised upward reformulating the recognition of certain risks. Lastly, the extension to December 31, 2017 is expected of the application of the GRAD component, reformulated in order to maintain the expected revenue unchanged.

The revision of the CCR and GRAD components has a positive impact of around 730,000 euro on the 2016/2017 biennium. Finally, indirect benefits are expected on the free market contracts from 2018 for the price benchmark increase.

b) A_{PR} incentive mechanism for the renegotiation of long-term gas contracts

By resolution 447/2013/R/gas, the Authority introduced a mechanism to promote the renegotiation of long-term contracts for the procurement of natural gas under which the vendors admitted to the mechanism acquire the right to the recognition of a “compensatory” amount that will be quantified in October 2016, and recognized on the volumes delivered to customers under protection served with long-term contracts over the thermal year 2010-2011 and 2011-2012 (A_{PR}).

The unit value of the element A_{PR} was initially quantified equal to 0.856801 €/GJ; it is subject to annual update by the Authority on the basis of the trend in the spread between P_{top} (procurement cost from long-term contracts) and C_{mem} (spot price).

At the moment, the first 2 prepayments have already been defined, each equal to 40% of the total amount, but it is also necessary to estimate the risk of reducing the amount recognized and reimbursement of the amounts already collected.

As resulting from resolution 556/2015/R/gas, the Account set up at the Equalisation Fund to cover the mechanism A_{PR} , by the C_{PR} component paid by end customers, is not sufficient for the disbursement of the second prepayment and, therefore, the Authority conferred mandate to proceed with pro-rata payments.

c) application of a reduction coefficient to the QE component

By means of Resolution ARG/gas 89/10, the Authority, in the face of changes in the reference scenario determined by a cyclical phase of reduction in consumption, by an excess of supply and a downward renegotiation of take-or-pay gas contracts, considered it appropriate to transfer to end customers the potential benefits introducing, for thermal year 2010-2011, a reductive coefficient k applied to the indexed component of the QE (variable fee to cover the cost of procurement).

This revision was confirmed by the subsequent Resolution ARG/gas 77/11, which provided for an extension until September 30, 2012 of said mechanism, revising slightly upward the value of the coefficient k (from 0.925 to 0.935).

A2A Energia, ASMEA, BAS Omniservizi and Plurigas filed an appeal against Resolution ARG/gas 89/10 contesting the arbitrariness of the value of the coefficient k . The appeal was also extended to Resolution ARG/gas 77/11.

In March 2013, the Regional Administrative Court ruled in favour of the requesting companies, cancelling the provisions of resolution ARG/gas 89/10 and related subsequent (233/10, 77/11, 84/11 and 132/11), judgement then appealed before the Council of State by the Authority.

By means of Board Ordinance no. 288/2016, the State Council requested further information, deeming it necessary to carry out further analyses with respect to the Authority and requesting operators. The merit hearing has been set for September 22, 2016.

In any case, even if the case of victory of the applicants to the State Council it is, however, likely to expect an order of the Authority redetermining the tariffs for those years.

Environment Business Unit

Consolidated Act on Local Public Services of General Economic Interest

On January 20, the Council of Ministers adopted the Legislative Decree scheme laying down “*Consolidated act on local public services of general economic interest*”. The text was sent to the Parliament for non-binding opinions of the Commissions (probably Constitutional Affairs). Subsequently, the Government will issue the final text for publication in the Official Journal.

Article 16 confers powers of regulation, control and sanction to the Authority for electricity, gas and water system on the waste cycle, also differentiated, urban and similar, in order to ensure accessibility, usability and homogeneous distribution in the territory national and adequate levels of quality in terms of efficiency and cost-effectiveness of management, harmonizing economic-financial objectives with general social-environmental objectives and proper use of resources.

Following said attribution, the name of the AEEGSI will change to *Regulation Authority for Energy, Networks and Environment* (ARERA).

To this end, by resolution 78/16/A, the Authority has initiated proceedings for the reorganization following the attribution of the new functions in the environment.

Biomethane

Biomethane is a gas that contains at least 95% of methane and is produced from renewable sources: it can, in fact, arise from the biogas produced by the anaerobic digestion of biomass in a controlled environment (digester) or in a landfill, following the decomposition of waste, or gas from biomass gasification. Subjected to a process of purification and upgrading, it reaches the quality of natural gas and, respecting the physical-chemical characteristics specified in the Authority’s directives, it is suitable to the subsequent phase of use.

For the Group A2A, issues related to the uses of biomethane are divided into two categories:

- A) Technical standards that discipline: (a) connection to the grid of production plants (i.e. pressure, measurement); (b) quality of biomethane that producers must respect in order

not to cause damage to the grid and users; (c) equal treatment and responsibilities with respect to the design of the market (i.e. rules on the handling of the feed-in points of the grid, the calorific value, etc.). In this regard, the following are being approved: (a) the transport grid Code by the Authority; (b) 2 technical documents prepared by Category Associations (implementation pursuant to art. 6 of resolution 46/2015 and another one on the “standard” of connection rules). In addition, the CIG must publish the technical standard update on biomethane for feed-in into the grid.

B) Incentive system that depends on the use of biomethane:

- 1) cogeneration
- 2) feed-in
- 3) automotive use.

There will be a review of Ministerial Decree December 5, 2013 that defines the incentives framework for automotive use through the recognition of certificates referred to as CIC (Certificates of Release into Consumption of biomethane) in the direction of an extension and greater benefit of the incentive.

The oversight of the two issues, technical and ministerial, is necessary to support the investments being defined by the Group.

Energy for auxiliary services for waste-to-energy plants in Cip 6/92 regime

On the completion of some inspections initiated by the Authority through GSE at some of the Group's waste-to-energy plants under CIP 6/92, a request was made for the return of a part of the incentives received, considered unduly credited in the years in which the relative withdrawal conventions with the GSE were in force.

The issue concerns the method of calculation of consumption of electricity for the plant auxiliary services that were considered undervalued with respect to the flat rate defined in the agreement with consequent higher energy sold/paid to/by the GSE.

The companies concerned appealed against the reimbursement claims; however, both the Lombardy Regional Administrative Court and the Council of State rejected the appeals, confirming the obligation to return part of the CIP 6 incentives disbursed to the subsidiaries Ecodeco S.r.l. - now AzA Ambiente S.p.A. - and Ecolombardia 4 S.p.A..

For Ecolombardia 4 S.p.A., following further investigations carried out, the Authority by resolution March 10, 2016 no. 94/2016/E/efr, redetermined downwards (about 0.8 million euro) the amounts due by the company.

However, some investigations are still open:

- a) in February 2015, the GSE conducted an audit at the waste-to-energy plant of Bergamo (Goltara) in CIP 6 regime until June 2015. In light of the elements obtained during the audit, the GSE in a letter dated August 5, 2015 considered, among other things, that the incentivized energy was overestimated in relation to the period 2010-2014 due to an underestimation of energy used for the auxiliary services (the latter calculated as a flat rate under the agreement and not taking into account actual consumption of auxiliary services charged to production). The results of the audit were sent to the Authority for the subsequent actions of competence. In the meantime, the company has requested the GSE for access to the acts;
- b) as a result of the audit carried out by the GSE on July 5 and 6, 2012 at the site of Corteolona (PV), some issues arose relating to Biogas 1 (CIP 6 regime) and Biogas 2 (GC regime). Investigations are underway for both, respectively, by the Authority and by the GSE.

Regulation of local public services and expiry of concessions

Local public services are now regulated not only by the relevant industry regulations (such as, as far as concerned, Legislative Decree 152/06) but also by article 34, paragraphs 20-26 of Decree Law no. 179 of October 18, 2012 on “Further urgent measures for the country’s growth” (“Growth Decree 2.0”), converted by Law no. 221 of December 17, 2012 and amended by Law no. 9/2014 and Law no. 15/14. In particular, this legislation requires that direct assignments agreed at October 1, 2003 for publicly held companies already listed at that date and for subsidiaries of these pursuant to article 2359 of the Civil Code should cease at the expiry date specified in the service agreement or other documents governing the relationship. On the other hand assignments not having an expiry date terminate on December 31, 2020, without the possibility for any extension and without the need for the body to adopt a specific resolution.

By Law July 29, 2015, no. 115, art. 8, paragraph 1, paragraph 22 was amended setting new rules for companies that have become subsidiaries of listed companies after December 31, 2004 - case not applicable to Aprica S.p.A. - in execution of corporate transactions carried out in the absence of procedures consistent with the principles and provisions of the EU applicable to the assignment, providing termination of the assignment at December 31, 2018 or at the deadline specified in the service contract or in the deeds that regulate the relation if signed before. It is also noted that Law August 7, 2015 no. 124 in articles 18 and 19 establishes delegation criteria respectively to revise the discipline on equity investments and public administrations and to revise the discipline regulating local public services of general economic interest; once said legislative decrees have been issued, they will be evaluated for definition of the related impacts.

Consolidated Environment Law

Legislative Decree no. 152 of April 3, 2006 (“Regulations on environmental matters”) as subsequently amended, most recently by Legislative Decree no. 205/10 which dictates measures implementing Directive 2008/98/EC on waste, acts as the reference legislation for the environment sector. The most recent substantial amendment to parts II, III, IV and V of Legislative Decree 152/2006 was made by Legislative Decree March 4, 2014, no. 46 laying down provisions on industrial emissions in implementation of Directive 2010/75/EU and Integrated Pollution Prevention and Control (IPPC). In particular, AIA activities have been extended and the decree envisages, as specified in Ministerial Decree no. 272 of November 13, 2014, the obligation, if the preliminary Subsistence Verification requires so, to prepare a report with reference to any request for new activity or any substantial authorization changes, that depict the situation of the impacts on the environment and health of the activity, in order to assess the status of the production site before, during and at the end of activities. It is noted that in this regard, the Note was recently published of the Ministry of Environment of June 17, 2015, no. 12422 - Integrated Environmental Authorization (AIA) - “Additional criteria on application of the guidelines in light of the amendments to Legislative Decree 46/2014”.

In Official Journal January 18, 2016, no. 13, Law December 28, 2015, no. 221 was published regarding “Environmental provisions to promote green economy measures and for containment of the excessive use of natural resources” (*Collegato Ambientale* - Environmental Connection). Regarding in particular the management of waste, conferment to landfills is discouraged and separate collection is awarded, also through “returnable” and the reduction of non-recycled waste is promoted.

Industrial emissions

Legislative Decree March 4, 2014 no. 46 on provisions on industrial emissions implementing Directive 2010/75/EU (also referred to as IED – Industrial Emission Directive) introduced new regulations having an effect on all industrial plants, with new limits on atmospheric emissions and increased and tighter controls. By way of implementing this provision, starting January 1, 2016, also the regulations to be followed by waste-to-energy plants, currently dictated by Legislative Decree 133/05, will be introduced by Legislative Decree 152/06 in the text dictated by Legislative Decree 46/14.

With reference to proceedings initiated by managers of existing plants which, following the introduction of the amendments introduced by the Decree, were within the scope of the AIA discipline and therefore had to submit the request *ex novo*, Decree Law 92/2015 amended article 29 of Legislative Decree 46/2014 providing that “The competent authority concludes

the proceedings initiated in response to the requests referred to in paragraph 2, by July 7, 2015. In any case, pending the conclusion of proceedings, plants can continue operation in accordance with the existing authorizations, if appropriate duly updated by the authorities that granted them, under the condition of fully implementing, in accordance with the timing envisaged in the requests referred to in paragraph 2, the adjustments proposed in the aforementioned requests, as necessary to ensure compliance of plant operation with Title III-bis, of the second part of legislative decree of April 3, 2006, no. 152”.

As of January 10, 2016, the provisions shall apply of Title III-bis of Part IV of Legislative Decree 152/2006, as amended by Legislative Decree 46/2014, for the incineration and co-incineration of waste.

The “Unblock Italy” Decree Law – provisions on waste-to-energy

The Official Journal no. 212 of September 12, 2014 published Decree Law 133/2014 (“Unblock Italy” Decree) on “Urgent measures for the opening of worksites, the construction of public works, the digitalization of the country, bureaucratic simplification, the emergency of hydro-geological instability and a pick-up in industrial activities”. Among the provisions of interest is article 35 regarding waste-to-energy plants, related to which the Prime Minister’s Decree is pending, which identifies the plants for the recovery of energy and the disposal of urban and special waste and some categories of special waste, already existing or yet to be constructed, which are needed to implement a modern integrated system for managing this waste which can achieve national security in self-sufficiency, in order to supersede the infringement procedures for the failure to implement European legislation for the sector.

These plants will constitute infrastructure of pre-eminent national interest. For existing plants the legislation provides that it will be necessary to plan to work at thermal load saturation, with the resulting amendment of the authorizing provisions where this is not already prescribed. The new plants must be constructed to comply with the classification of energy recovery plants (energy efficiency formula for R1 activities).

Finally, since there are no catchment area restrictions, priority will be given as far as energy recovery plants are concerned to the processing of urban waste for the specific region, while urban waste produced in other regions will only be processed up to the authorized residual availability.

Ministerial Decree March 30, 2015 Environmental Impact Assessment (EIA)

In Official Journal April 11, 2015, no. 84, Ministerial Decree March 30, 2015 was published concerning the “Guidelines for the verification of subjection to environmental impact assessment of the projects of competence of the autonomous regions and provinces, provided for in article 15 of Decree Law June 24, 2014, no. 91, converted with amendments by Law August 11, 2014, no. 116”.

These guidelines provide instructions and criteria for the execution of the procedure for verification of subjection to EIA (art. 20 of Legislative Decree no. 152/2006) of projects, related to works or new realization interventions, listed in annex IV to part two of legislative decree no. 152/2006, in order to ensure uniform and correct application throughout the national territory of the provisions laid down in Directive 2011/92/EC.

The guidelines integrate the technical-dimensional and localization criteria used for determining the thresholds already laid down in annex IV to part two of Legislative Decree no. 152/2006 for different project categories, identifying additional criteria contained in annex V to part two of Legislative Decree no. 152/2006, considered relevant and pertinent for identifying the projects to be verified for subjection to EIA. These guidelines apply to all projects for which the procedure for verification of subjection or the authorization procedure is in progress at the date of entry into force of this decree.

Law May 22, 2015, no. 68 (Crimes against the environment)

Law May 22, 2015, no. 68 introduces new offences in environmental matters. In summary, the measure includes in the Penal Code the new Title VI-*bis* “Provisions on crimes against the environment”, which includes, among other things, the following new offences: environmental pollution, environmental disaster, traffic and abandonment of high radioactivity material, control impediment, non-reclamation.

Other new additions include environmental aggravating, applicable to all the facts already included as offences and the so-called active repentance, which involves a reduction of the sentence for one who takes action concretely for the safety, reclamation and where possible, restoration of the condition of the premises.

Legislative Decree July 4, 2014 no. 102 (Energy Diagnosis)

Article 8 of Legislative Decree July 4, 2014 no. 102, implementing EU Directive 27/2012, introduces the obligation of the Energy Diagnosis, for high energy consumption activities and

for Large Companies. The diagnosis must be performed according to the criteria contained in Annex 2 of the decree and the results must be communicated to Ispra and Enea, for the first time, by December 5, 2015 and subsequently, every 4 years.

The Companies subject to the obligation are:

- high energy consumption companies (energy-hungry according to Decree Law 83/2012, Ministerial Decree April 5, 2013) regardless of their size. High energy-consumption companies, pursuant to Decree Law 83/2012, include companies for which, in the year of reference, both of the following conditions occurred:
 - they used, for the conduct of their activities, at least 2.4 GWh of electricity, or at least 2.4 GWh of energy other than electricity;
 - the ratio between the actual cost of the total amount of energy used for the conduct of activities, determined in accordance with article 4, and the value of turnover, determined in accordance with article 5, was not below 3%.
- Large companies (companies employing more than 250 people, with an annual turnover exceeding 50 million euro, or annual financial statements exceeding 43 million euro).

Companies certified ISO 50001, EN ISO 14001 or EMAS have no obligation of energy diagnosis, if their system provides an energy audit performed in accordance with the dictates of annex 2 to Legislative Decree no. 102/14.

Decree August 7, 2015 – Classification of radioactive waste

In Official Journal no. 191 of Wednesday, August 19, 2015, the Decree of August 7, 2015 of the Ministry for the Environment and protection of land and sea and the Ministry of Economic Development was published, entitled “Classification of radioactive waste in accordance with art. 5 of Legislative Decree March 4, 2014 no. 45”. This decree replaces Technical Guide 26 of 1987, which was based on the radioactive properties of waste. This new decree also considers the specific exemption conditions that will be present in the new rules of radiation protection to be implemented by February 6, 2018 transposing Directive 2013/59/Euratom.

“Environmental management systems”: new ISO 14001:2015 standard dated September 15, 2015

On September 15, 2015, the International Organization for Standardization (ISO) published the new 2015 edition of ISO 14001 “Environmental management systems - Requirements with guidance for use”, which replaces ISO 14001:2004.

As in the previous revisions of the standard, there shall be a transitional period of 3 years from the date of publication, during which companies can update their management system.

The new edition of the standard introduces significant changes from the previous year. The new elements are intended to supplement the Environmental Management System with business strategies and guide the organization to sustainable management, within the context in which the company operates, additions are related to the concept of risk, which is integrated within environmental quality and management and involves all sectors of the company.

Regarding the ISO 14001 standard ed. 2015, the need is confirmed to further develop control over the environmental aspects considering the perspective of the “life cycle” of the product, for example, considering the implications arising from the use of the product and the end of life of the same.

Resolution Register of Environmental Managers September 16, 2015 no. 2 - Changes to category criteria

The Resolution of the Register of Environmental Managers of September 16, 2015, no. 2 “Criteria for the application of article 8, paragraph 2 of the Decree of June 3, 2014, no. 120, of the Minister of Environment and Protection of Land and Sea, jointly with the Ministers for Economic Development and Infrastructure and transport” establishes criteria for the application of the provisions of art. 8, paragraph 2 of Ministerial Decree June 3, 2014, no. 120.

According to this resolution, registration in categories 4 and 5 allow the exercise of the activities of categories 2-*bis* and 3-*bis* if the performance of these activities does not involve changes in the category, class and type of waste for which the company is registered; the criteria for the application of this provision shall be established by the National Committee.

Article 1 states that the company authorized to exercise the road transport profession on behalf of third parties and provided with vehicles registered for use by third parties that intend to register in category 5 may, consistent with the technical characteristics and any authorization constraints of vehicles, be registered to transport, in addition to special hazardous waste produced by third parties and special hazardous waste of which the company is the initial or new producer, also:

- a) special non-hazardous waste produced by third parties and special non-hazardous waste for which the company is new producer of category 4 or initial producer of category 2-*bis*;
- b) special hazardous and non-hazardous waste for which the company does business or that it requires for transport functional to the plant or plants that make up its main economic activity;

- c) the WEEE of category 3-*bis* for transport activities carried out on behalf of electrical and electronic equipment distributors within the limits of the provisions of articles 2 and 6 of the Decree of the Minister of Environment and Protection of Land and Sea, jointly with the Ministers for Economic Development and Health, March 8, 2010, no. 65. In such cases, the registration measure contains, next to the waste code, the following indication: “with the transport limitations provided by Ministerial Decree 65/2010”.

Instead, article 2 states that the company authorized to exercise the road transport profession on behalf of third parties and provided with vehicles registered for use by third parties that intend to register in category 4 may, consistent with the technical structures and any authorization constraints of vehicles, be registered to transport, in addition to special non-hazardous waste produced by third parties and special non-hazardous waste of which the company is the new producer, also:

- d) special non-hazardous and hazardous waste of category 2-*bis* of which the company is the initial producer;
- e) the WEEE of category 3-*bis* for transport activities carried out on behalf of electrical and electronic equipment distributors within the limits of the provisions of articles 2 and 6 of the Decree of the Minister of Environment and Protection of Land and Sea, jointly with the Ministers for Economic Development and Health, March 8, 2010, no. 65. In such cases, the registration measure contains, next to the waste code, the following indication: “with the transport limitations provided by Ministerial Decree 65/2010”.

Directive December 16, 2015 no. 274 – New AIA Directive

On December 29, 2015 on the website of the Ministry of the Environment, Directive December 16, 2015, no. 274 was published on “Guidelines to regulate the conduct of procedures for granting, review and updating of the measures of integrated environmental authorization of competence of the Ministry of the Environment and protection of land and sea”.

As stated in article 1 of the same document, the Directive aims to regulate certain aspects of the conduct of the procedures for granting, review, update and verification of implementation of the integrated environmental authorization measures (IEA) for which the Ministry of the environment and protection of land and sea is the Competent Authority, in order to encode some good operational practices, based on experience acquired over the past decade by this Ministry as IEA competent authority.

Law February 25, 2016 no. 21 – Extension SISTRI

In Official Journal no. 47 of February 26, 2016, the Law of February 25, 2016, no. 21 was published on “Conversion into law, with amendments, of Decree-Law December 30, 2015 no. 210, introducing an extension of the terms set by legislative provisions”.

By means of this law, the terms of the application of the SISTRI were confirmed as established by Laws 122/2012, 6/2014 and 11/2015. As a result, from January 1, 2016, the obligation remains of registration with the SISTRI (with the consequent sanctions for non-fulfilment) while the terms for the application of sanctions relating to the failure to use the SISTRI is extended to December 31, 2016.

However, with the conversion into law of Decree-Law 210/2015, the sanctions for failure to register with the SISTRI are reduced by 50%.

Other measures of interest

In December 2014, two EU regulatory acts relating to waste classification were issued: Regulation 2014/1357/EU (in force since June 1, 2015) and Decision 2014/955/EU.

It is also noted that Ministerial Decree June 24, 2015, which amends the previous Ministerial Decree September 27, 2010, concerning the definition of the criteria for admissibility of waste in landfills, which introduces new criteria for the management of hazardous waste, as well as further regulations on the applicability of certain parameters (TOC, DOC, TSD).

Lastly, Decree Law June 19, 2015, no. 78, containing urgent measures concerning local authorities, converted into Law no. 125 on August 6, 2015, article 7, paragraph 9-ter has provisionally set the criteria for the attribution of the eco-toxic hazardous characteristic to waste and confirmed the adoption of the criteria set out in the ADR.

In Official Journal no. 302 of December 30, 2015, Decree Law December 30, 2015, no. 210 was published regarding “Extension of terms set by laws” converted with Law February 25, 2016 no. 21. Regarding the environment, the main updates and deferrals relate to the SISTRI, the postponement to January 1, 2017 of the adaptation term for large combustion plants for which requests were submitted for exemption and lastly, the postponement to February 29, 2016 of the prohibition of conferment of municipal waste, with calorific power of less than 13,000 kJ/kg, to landfills.

Networks and Heat Business Unit

Functional Unbundling and Brand Unbundling

By means of resolution 296/2015/R/com, the Authority confirmed its guidance on brand unbundling by attributing to the Independent Operator the responsibility for the proper implementation of regulation in regard including, in particular, the obligation of separation of the brand and communication policies (including the company name, the company, sign and any other distinguishing element) with respect to the sale company (avoiding the risk of confusion in the end customer) and the use of information channels, physical and personal spaces separate from those of the sales activity.

In accordance with the provisions of art. 8, paragraph 1 of resolution 296/2015/R/com that allows the shared management by the vertically integrated company of infrastructure activities carried out under monopoly or assignment, the company Unareti S.p.A. was established, operative since April 1, 2016, which now manages the distribution and metering of electricity and gas, as well as the activities previously carried out by A2A Servizi alla Distribuzione S.p.A. and A2A Logistica S.p.A..

Assignment and performance of the natural gas distribution service

Following the reform of the means of allocating the natural gas distribution service, 177 “Minimum Territorial Ambits” were defined (Ministerial Decree January 19, 2011 and Ministerial Decree October 18, 2011), for which tenders will be called for the allocation of the service in accordance with the requirements of the Tender regulation (Ministerial Decree November 12, 2011 no. 226, as subsequently integrated and amended). Regulations have also been adopted to protect the jobs of the employees of the operators involved in the restructuring of the sector (Ministerial Decree April 21, 2011).

In recent years, several provisions have intervened amending Legislative Decree 164/2000 and Ministerial Decree 226/2011 with particular reference to the procedures for determining the reimbursement to be paid to the outgoing manager (VIR) and calling tenders.

Ministerial Decree May 22, 2014 approved the guidelines regarding the criteria and means of application for determining the VIR, while Ministerial Decree May 20, 2015, no. 106 amended Ministerial Decree 226/11 so as to implement the regulatory amendments on the calculation of the VIR calculation (especially as regards the treatment of contributions), the application of the guidelines, the maximum percentage of the fee, the recognition of the underlying costs of the energy efficiency projects to be realized in the context and offered during tenders.

The recent Decree Law 210/2015 (Milleproroghe 2016), granted a further extension of deadlines for the publication of tender notices by Contracting Stations and the penalizations previously envisaged of the defaulting ones were eliminated.

As part of the tasks entrusted by the legislator to the regulator, the Authority, by Resolution 571/2014/R/gas amended the service contract scheme for the distribution of natural gas, and lastly, by Resolution 407/2015/R/gas, amended the provisions adopted by Resolution 310/2014/R/gas in the determination of the VIR, in relation to the methodological aspects for identifying cases with discrepancy between VIR and RAB greater than 10%.

A Ministerial Decree of MiSE is anticipated on white certificates, which should take account of the objectives resulting from gas tenders, a condition that would allow increasing to 100% the value of the fee contribution received by the awarded parties for the realization of efficiency measures as part of the tender.

Area tenders for the natural gas distribution service

At the end of 2015, the first tenders were published for the concession of the natural gas distribution service on the basis of areas. Among these, some are related to areas in which A2A is the current manager, i.e. the area Milan 1 - City and Plant of Milan, published in the EU Official Journal on December 26.

The contract amount for the entire period of the assignment indicated in the above tender amounted to 1,369 million euro for 12 years. The tender notice outlines the disagreement between the Contracting Authority and A2A Reti Gas S.p.A. regarding the amount of the VIR of the plants because of the treatment of contributions regarding which a dispute is pending. A2A Reti Gas has, in fact, challenged the Guidelines and all the acts of the Contracting Authority regarding the definition of the VIR, as well as Ministerial Decree May 20, 2015, no. 106 (otherwise the appeal against the Guidelines would have become inapplicable).

The deadline for receipt of tenders by the Contracting Station was set for June 13, 2016 with opening of envelopes on July 12, 2016. On May 7, 2016, the deadlines were extended to

October 17, 2016 for the submission of tenders and to November 11, 2016 for the opening of the envelopes. The offer submitted will be valid for 360 days.

Tenders will be assessed in accordance with the criteria laid down by Ministerial Decree 226/11, as amended: the economic tender will have a weight of 28 points out of 100, while the technical tender 72 points out of 100.

Electricity distribution and metering service Integrated Electric Quality Text 2016-2023

Resolution 646/2015/R/eel (TIQE 2016 - 2023) contains numerous provisions aimed at selective promotion of investments in distribution networks. However, almost all of these mechanisms are present only in terms of general objectives and guidelines regarding their operation shall be developed through appropriate shared work tables attended by distributors, the Authority and Terna (it is recalled also the one on resiliency of the electrical system, initiated on April 1, 2016).

In particular, art. 134 of the TIQE envisages the modernization of the obsolete risers in urban areas with plants designed according to a “future proof” logic capable of supporting any increases of the contemporary use of power following the change of the domestic tariff. The Authority has provided a regime of output-based rewards/penalties related to the capacity difference between before and after the remediation of the risers.

In the coming months, further meetings are planned with the Authority for the definition of the main characteristics of the plan and incentives, aimed at the publication of the criteria for drawing up the plan and the awards-penalty mechanism valid until 2019.

Articles 129, 130, 131, 132 of the TIQE provide the innovative features of the medium-voltage distribution networks in areas with high penetration of distributed generation from renewable sources: observability of power flows and the state of resources disseminated on MV networks, voltage regulation of distribution networks.

Regarding the “smart city” experimentations (art. 135) with innovative features on the LV networks, distributors in urban areas with minimum 300,000 inhabitants will have access to the town scale pilot projects with innovative management logic of the LV network, possibly multi-service (smart water grid, integration with advanced mobility systems, etc.). Each distributor selected will be granted a contribution for the cost incurred.

LV electricity 2.0 meters and related metering systems

By resolution 87/2016/R/eel, the Authority defined the:

- a) functional requirements or specifications enabling the immediately available version (or version 2.0) of electricity meters in LV (Annex A)
- b) expected levels of performance of the related second-generation smart metering systems (2G metering systems) (Annex B)

in view of the replacement of first-generation meters (1G) that have completed their expected useful life for regulatory purposes.

In collaboration with the AGCOM, the Authority will assess the actual availability of standardized technological solutions that allow defining incremental functionalities for meters to be installed following the definition of the functional specifications enabling version 2.1 (Annex C).

The measure constitutes the implementation of Legislative Decree July 4, 2014, no. 102, and follows DCO 416/2015 in which A2A also took part. The A2A Group intends the meter as a tool not only to enable greater awareness by users on their energy consumption but also in the future to enable new services (i.e. Demand Response) and for better management of the grid (i.e. meter as sensor of the grid).

The installation process of the current approximately 37 million 1G meters started in 2001 by Enel Distribuzione and involved distributors for many years and with different timing. In compliance with the provisions of Resolution 292/06, A2A Reti Elettriche S.p.A. realized the installation plan of approximately 1.2 million meters in the period 2004-2014 and has a park with an average remaining useful life of approximately 6 years. Most of our meters will be replaced in the period 2020-2025.

The replacement process envisages the installation of the new meters to take place following the conduct of a cost-benefit analysis with positive results and that, in any case, in principle, the Authority will not recognize depreciation costs in the event of early replacement of the previous meters.

In the coming months, a resolution will be published concerning the methodology for the conduct of the cost-benefit analysis. Following said resolution and analysis that will be conducted, the possibility of early replacement of meters can be assessed.

Integrated Water Service:

a) duration of assignments

Following the referendum, which took place on June 12 and 13, 2011 the legislative provisions referred to in the questions involved were repealed, including article 23-*bis* of Decree Law 112/2008 on the assignment of local public services of economic importance.

Regarding existing management, as enshrined in art. 34 of Decree Law 179/12 converted into Law 221/12 and supplemented by Law July 29, 2015, no. 115, art. 8 paragraph 1, assignments of services to listed companies and subsidiaries of listed companies, such as those relating to the assignments to A2A, will remain active until natural expiry.

Also in execution of the amendments of Legislative Decree 152/06 made by art. 7 Decree Law 133/14 as amended, at the meeting of September 17, 2015, the Board of Directors of the Ambit Government Entity (EGA), by Resolution no. 14, chose as form of single management of the Integrated Water Service in the Optimal Territorial Ambit of the Province of Brescia, the mixed company, with the consequent elimination (subject to the safeguards of law) of the other various forms of management in the meantime present on the territory of competence.

On October 9, 2015 the Conference of Commons expressed binding opinion and on October 19, the Provincial Council adopted Resolution no. 38 on the form of management, thus completing the approval process. The name of the new company is Acque Bresciane S.r.l..

b) Tariff regime

By means of Resolution 664/2015/R/ldr, the Authority defined the criteria for the regulatory period 2016-2019 (MTI-2) confirming the asymmetric regulation in force in the previous period (MTI-1):

- tariff multipliers (theta) are determined according to a matrix of 6 schemes based on the value of the OPEX (109 €/inhabitant average) and the investment requirement (discriminating value of 0.5 confirmed);
- the multipliers apply to the fixed and variable portions of the 2015 tariff; however, the mechanism of the “maximum annual increase limit” (cap) is confirmed. The cap with respect to MTI-1 decreased (in the case of A2A Ciclo Idrico S.p.A. from 6.5% to 5.5%). However, the possibility is also provided to submit over-cap requests by the EGA to the Authority;
- update every two years of the RAB value and OPEX components qualified upgradeable;
- update every two years for the changes relating to the calculation of the components of financial expenses: the component covering financial and tax expenses went from 6.01%

to 5.33% and for financial expenses, in line with the electricity and gas services, the WRP parameter (Water Utility Risk Premium) was introduced.

On February 29, 2016, A2A Ciclo Idrico S.p.A. appealed to the Lombardy Regional Administrative Court against Resolution 664/2015/R/idr developing the following 3 reasons of law:

- 1) in the formula of “financial expenses”, a lower value of the Equity Risk Premium was defined with respect to that of other infrastructure sectors in violation of the principle of full cost recovery;
- 2) the adjustments are recognized, by means of inclusion in the tariff, only the second year following that in which the costs they have to cover were incurred. In relation to this time lag, the mechanism does not take account of inflation, nor the financial expense;
- 3) the adjustments recognized to the Manager also come as a component of the Constraint to Revenues (VRG) contributing to the quantification of the annual tariff increase due.

c) Contractual quality

By means of resolution 655/2015/R/idr, the Authority, as is already provided for in the electricity and gas sectors, introduced with effect from July 1, 2016 the provisions concerning the contractual quality to users.

For each service, quality levels were defined (improvement compared to the Charter of Services) in terms of general and specific standards, in addition to the related monitoring and verification systems. Communication channels (physical counters, website, e-mail, call center, fax, etc.) are also provided through which users can make requests to the Operator for services.

The new legislation on quality requires an important organizational and “behavioural” revision.

d) Convention types

Resolution 656/2015/R/idr provides the minimum essential content of the “standard agreement” for the regulation of relations between awarding entities and Operators.

As to the scope of application, the Authority states that *“with regard to Municipalities and service segments where managers are operating - different from area managers - and that exercise the service under an assignment acquiesced in accordance with regulations currently in force and undeclared ceased by law, the standard agreement provisions apply as compatible”*.

The signing of the standard agreement is an essential prerequisite for the approval of the 2016-2017 tariffs.

e) Accounting Unbundling Integrated Text

Resolution 137/2016/R/com integrates the current system of accounting separation required by TIUC (Accounting Unbundling Integrated Text) for the electric and gas sector with the introduction of accounting separation obligations on operators of the SII, or of each of the individual services that make it up and the related reporting requirements.

In particular, the following accounting separation regimes are envisaged:

- ordinary regime that applies to companies operating in the electricity and gas sectors and the SII operators that serve more than 50,000 inhabitants;
- simplified regime that applies to the SII operators that serve fewer than 50,000 inhabitants and smaller entities.

The regulation provides that the SII operators are required to draw up Separate Annual Accounts (CAS) articulating the accounting separation for each EGA in the activities identified (Aqueduct, Sewerage, Purification, Other water activities, various activities) and in the related sectors.

At the end of April 2016, the schemes were published and the first data communication will be in 2017 on the year 2016.

f) Metering activities

By means of DCO 42/2016/R/ldr, the Authority continues in the identification of the information needed to accurately monitor the effectiveness of the water service in its main outputs. Subsequently, a specific incentive regulation will be defined aimed at more direct empowerment (also economic) of the entity assigned the delivery of the metering service.

The DCO explains the regulation guidelines on responsibilities and obligations of the SII operator in all phases and sub-phases that characterize the metering activities (installation and maintenance, verification and measurement of meter data - self-reading) within process and user management operations, for each of the individual services that make up the SII (condo meters).

The aim is the certain determination of water consumption by users (including meters of individual condo owners) and the subsequent definition of cost reflective prices that empower customers and safeguard the resource. To this end, there are obligations of registration and communication to the customer of information on the metering service.

For metering services of sewage and purification (with particular reference to industrial users) determination is planned through adequate meters of pollution produced by users also in order to explain the principle of “polluter pays.”

Appropriate efficiency indicators of the metering service are defined with particular attention to the age of the installed meters (estimated 80% meters with life of less than 15 years).

Proposed law “Principles for the protection, governance and public management of water and provisions for republication of the water service, and delegation to the Government for the adoption of taxes for funding thereof”

The Chamber approved the proposed law that passes for second reading to the Senate laying down principles for the protection, governance and public management of water.

In relation to article 7, laying down the right to water, arrears innocent and water saving, the current text provides for an assurance, even in case of default, as a fundamental right of every individual, of the free delivery of a minimum vital quantity of water to be determined with DPCM, up to a maximum of 50 litres per day per person.

To this end, the provision envisages that the predisposition of tariff levels for the delivery of the SII shall be carried out in order to ensure adequate compensation of the costs of the service by means, *inter alia*, of the application of the progressivity criterion (from the consumption exceeding the daily vital minimum quantity) in the determination of the fee thereof. In this regard, the Budget Committee asked the Government to acquire clarification regarding the actual possibility of ensuring, under the tariff revenue, adequate compensation of the service costs, taking into account the constraints related to the respect of rights relating to the daily minimum quantity as governed by the aforementioned article.

Two Ministerial Decrees are also being defined on the introduction of the “Water social bonus” and the procedures and criteria for participation in the guarantee fund for water infrastructure introduced by art. 58 of the Collegato Ambientale.

Data collections by the Authority in district heating/cooling

Legislative Decree no. 102/2014 implementing Directive 2012/27/EC on energy efficiency attributed to the Authority functions also in the district heating/cooling sector for the provision of measures on: ways in which managers make public the prices applied to the provision of heat, connection, disconnection, as well as regarding safety, continuity, commercial quality, billing of consumption, also by sending reports to the competent authorities.

In 2015, the Authority, after an initial recognition in 2014 (resolution 411/2014/R/tlr), proceeded with 2 data collections relating to:

- district heating and cooling infrastructure through the establishment of a Territorial Registry of operators active in the sector as well as district heating and cooling infrastructure (Resolution 339/2015/R/tlr);
- methods for determining and updating prices in the district heating and cooling sector (Resolution 578/2015/R/tlr) requiring:
 - prices/tariffs currently applied for each type of contract;
 - determination methodology (described in detail) and parameters that make it up (ex. returns, method of determining the avoided cost of fuel, etc.);
 - updating methodology;
 - comparisons between monomial, binomial and trinomial tariffs.

In February 2016, A2A Calore e Servizi S.r.l. received a further request for information on the costs of heat metering and accounting systems.

White Certificates and district heating incentives

In September 2015, the MiSE, jointly with the MATTM, placed in consultation the *New Guidelines on White Certificates* that will replace the previous ones issued by the Authority and dating back to 2011 (EEN 9/11). Their publication is expected in the first half of 2016.

By means of MiSE Decree of December 22, 2015, Form 22T was modified indicating the methodology for calculation of incentives for the development of district heating networks: the new form may no longer be used if the network is powered by a plant having combined production of electricity and heat.

Technical working tables are ongoing for the definition of the technical-regulatory conditions applicable to investments made by the A2A Group in the district heating sector.

EPCG Business Unit

Production

One of the energy policy objectives of the Montenegro government is an increase in the use of renewable energy by the country.

More specifically, in September 2011 the government introduced an incentivizing tariff (by way of the “Decree on the Tariff System for the Establishment of Preferential Prices of Electricity from Renewable Sources of Energy and Efficient Co-generations”) to support the production of energy from renewable energy sources (FER). Power Purchase Agreements with the market operator CGES having a 12 year term are envisaged for purchasing the energy produced, at prices annually adjusted for inflation.

In October 2012, with the approval of provisions designed to implement Directive 2009/28/EC by the Energy Community, Montenegro also accepted the setting of a binding objective of 33% for the production of energy from renewable sources as a percentage of total consumption.

Transmission and distribution tariffs/sales prices

The second regulatory period started on August 1, 2014 and ended in late 2015 to realign the new regulatory period, which was expected to start on January 1, 2016, with effect from the calendar year.

At the end of 2015, the RAE (the Regulation Agency) determined the tariffs for a new transitional period lasting one year, starting from January 1, 2016 until December 31, 2016. The level of regulated tariffs for domestic customers provides for a reduction of about 1%. Subsequently, the tariff methodologies will be redefined for a three-year regulatory period (2017-2019).

It is noted that at the end of December 2013 the RAE unexpectedly approved a provision to amend the current tariff methodology, impacting the method of calculating the fees for using

the transmission grid borne exclusively by the electricity generation operators, with effect originally planned from January 1, 2014 to the end of July 2015 and subsequently became definitive.

EPCG has filed an appeal for the annulment of this decision, which it believes is based on premises which are not in line with the principles of transparency and non-discrimination that should form the basis of the regulation, and which appear to be extremely detrimental to the economic and financial balance of the company. The appeal was upheld in the first instance, although the RAE has opposed this judgement. A final ruling by the courts is currently awaited in this respect.

Scenario and market

Macroeconomic scenario

Balance first quarter 2016

In the first quarter of 2016, the weakness of the global economy and international trade accentuated but with significant differences between areas: in the United States and in advanced countries the expansion continues, while emerging economies remain a risk factor for global growth highlighting signs of fragility.

Among emerging countries, there has been a worsening of the recession in Brazil, partly as a result of the political crisis, while in Russia there have been some signs of mitigation.

In the first quarter of 2016, the Chinese economy grew at a slower rate than in previous years but the signs of recovery suggest that the slowdown may have reached the minimum point. According to data released by the National Office of Statistics, in the first three months of the year, China's GDP grew by 6.7% on an annual basis; in the same period, fixed investment rose by 10.7% compared with estimates of +10.3%. Industrial production and retail sales are better than expectations. The credit sector remains worrying: according to the International Monetary Fund, the Chinese banking system holds about 1.3 billion dollars of non-performing loans that could expose the entire sector to potential losses equal to 7% of GDP.

The economic recovery in Europe is continuing, although at a slower pace than expected earlier this year. The Eurozone GDP, as published by Istat, is supported by domestic demand and is expected to stand at +0.4% in the first quarter of 2016.

In a context of weakening of global recovery, the Italian economy is expected to evolve at a moderate pace in the first quarter of 2016. The latest ISTAT figures estimate a slightly positive economic change in real GDP of 0.1%, with a confidence interval of between -0.1% and +0.3%. GDP growth was reflected by positive contributions from private consumption, compared with a negative contribution of net foreign demand and public consumption while the investment dynamics, gross of inventories, is expected to be substantially unchanged.

Inflation is affected by global factors but also by national determinants. In February, the increase in the consumer price index remained near zero in Japan and the United Kingdom (0.3% in both countries), while in the United States, it amounted to 1.0% (2.3% net of energy

and food products). In the main emerging countries, inflation remains low in China (2.3%) and India (5.3%); very high in Brazil (10.4%) and Russia (8.1%), where, however, it markedly reduced compared to January (source: IMF).

In March, the consumer price index in the twelve months of the Eurozone stood at zero values (compared to -0.2% recorded in February). The accentuation of the fall in energy goods prices has been accompanied by the continued underlying weakness of economic recovery, which is still affected by large margins of unused production and employment capacity (source: ECB).

At the meeting in early March, the ECB's Governing Council adopted a specific series of measures to support recovery and drive a return of inflation to levels close to 2%: official interest rates reduced and the Expanded Asset Purchase Programme (APP) has been strengthened. To facilitate the flow of credit to households and businesses, it was also decided that, starting from next June, four new targeted long-term refinancing operations under extremely favourable conditions will be introduced.

With regard to Italy, in March 2016, the national index of consumer prices for the entire community (NIC), gross of tobacco, increased by 0.2% on a monthly basis and fell 0.2% compared to the same period of the previous year. The inflation acquired for 2016 amounted to -0.4% (-0.6% in February) (source: Istat). The persistence of the downward trend in prices is influenced by a framework of substantial stability of the annualized performance of the various product types with the exception of the further decline of energy products.

In the first quarter of 2016, the euro exchange rate has appreciated against the dollar by 3%; while it depreciated against the yen by 6%. The appreciation against the dollar has increased since mid-March due to expectations of a more gradual normalization of monetary conditions in the United States.

The average value of the euro in January amounted, as at December 2015 to 1.09 dollars before rising again in February and March to 1.11 dollars. The average value of the euro for the first quarter of 2016 amounted to 1.10 dollars.

At a meeting held at the beginning of March, the ECB's Governing Council adopted new expansionary monetary measures including a reduction of 5 basis points of the rate both on the main refinancing operations and on the marginal refinancing operations, bringing the rates respectively to 0.0 and 0.25%, and has operated a reduction of 10 basis points of the interest rate on deposits with the Eurosystem bringing the value to -0.40%.

The Federal Open Market Committee (FOMC) of the Federal Reserve has kept official rates unchanged in the first quarter of 2016 and has revised downwards its ratings on the pace of normalization of monetary orientation also due to uncertainties about the prospects of the global economy.

Outlook

Global growth remains “moderate” and “uncertain”, supported by a recovery in the advanced economies but slowed down by braking emerging ones. According to the International Monetary Fund, the world economy will grow in 2016 by 3.2%, with a further strengthening to 3.5% in 2017. However, the values are 0.2 and 0.1 percentage points lower than the January forecast. Also weighing on the decline are a variety of factors: the renewed market volatility, a certain loss of momentum in the advanced economies, the continuing “headwinds” that blow in emerging countries. This is in addition also to non-economic pressures such as the persistence of the terrorist threat and the possibility of *Brexit* (the term *Brexit* indicates the possible exit of Great Britain from the European Union).

The International Monetary Fund predicts that the US will grow as much as the previous year and then accelerate slightly. In 2016, US GDP will grow by 2.4%, 0.4% less than the forecast in October, and 2.5% in 2017.

Inflation in the US is expected at 0.8% in 2016, compared to +0.1% in 2015 even though the appreciation of the dollar and the decline in crude oil prices are exerting downward pressure on prices.

The complex of emerging economies reveals a growing differentiation within it, starting with the systemic economies of the BRIC (Brazil, Russia, India, China). India remains the country from which we expect the highest growth in 2016 (+7.5%); China continues its restructuring phase with an expansion rate which, although lower than the historical values, will continue to remain above 6% (+6.5%). In Brazil and Russia, a decline in GDP respectively of 3.8% and 1.8% is expected for 2016.

The macroeconomic projections for the Eurozone formulated by ECB experts in March 2016 expect annual growth of real GDP of 1.5% in 2016, 1.6% in 2017, a decrease compared to the estimates elaborated in January. The risks on the recovery in the Eurozone are affected by the uncertainty related to the slowdown in demand from emerging economies, the heightened geopolitical tensions and the increased volatility in financial markets observed since the beginning of the year.

With regard to Italy, the IMF expects growth of 1% in 2016, to then accelerate to 1.1% in 2017. Unemployment will continue to decline to a visible extent, with a decline that in the two years is estimated at one percentage point, from 11.9% in 2015 to 10.9% expected for 2017 with a passage to 11.4% in 2016: this is a decline of similar size to that of the Eurozone, which will reach 9.9% in 2017.

Macroeconomic projections for the Eurozone compiled in March 2016 by ECB experts forecast an annual inflation rate of 0.1% in 2016, 1.3% in 2017 and 1.6% in 2018. The prospects have been revised downwards, mainly reflecting the decline in oil prices observed in recent months.

With regard to Italy, the ECB expects growth of 0.2% in consumer prices in 2016 thanks to a gradual recovery in household and business consumption.

Since the beginning of 2016, the euro-dollar exchange rate rose by more than 5%. The role of the ECB on the value of the European currency will be fundamental because it could introduce further stimulus policies such as a further reduction in interest rates and increased liquidity in the market. On the other hand, it will be conditional on the pace at which the Federal Reserve will increase rates during the year with reference to the performance of the US economy and thus trigger a probable rise in the dollar against major currencies.

Energy market trends

In the first quarter of 2016, the price of Brent continued the downward trend highlighted in the last part of the previous year, reaching an average value of 35.1 \$/bbl (corresponding to 31.8 €/bbl), down by about 36.4% compared to as recorded in the same period in 2015. The decline in January, determined primarily by the growing world supply and the concomitant weak demand, has led oil prices of reference for the European market to 31.9 \$/barrel, the lowest since June 2004. In February, there was a slight recovery with an average price of 33.6 \$/bbl while in March, there was an increase that led to an average price of 39.8 \$/bbl. On the demand side, the oil market was affected by the slowdown in emerging economies, primarily China, while on the supply side, it was affected by the choice of Saudi Arabia not to cut its production in an attempt to put shale oil out of the US market and at the same time hinder the return on the international market of oil from Iranian source after the end of sanctions against this country.

The Doha summit, which took place April 17, 2016 between the oil producing countries of both the OPEC cartel and those external to it, relative to the freeze in production and the consequent stabilization of prices, ended in a stalemate. Expectations are now postponed to the next summit, scheduled in June.

The Energy Information Administration forecasts that the price of Brent will average about 40 \$/bbl in 2016 and about 50 \$/bbl in 2017.

Coal was affected by a still weak demand. The average price of coal with delivery to the Amsterdam-Rotterdam-Antwerp ports (Coal CIF ARA) was 45.0 \$/tonne in the first quarter of 2016, a fall of around 25.2% over the same period the previous year. The price in the first three months of the year remains below the average 2015 value of over 10 \$/tonne.

Electricity

In Italy in the first quarter of 2016, there was a net requirement of 77,632 GWh (source: Terna), with a decrease of 1.5% compared to the first quarter of 2015; on a seasonally adjusted basis, the change is equal to -2.3%. In the first quarter of 2016, the increased demand for electricity came from the northern regions, with demand amounting to 47.2% of the national total.

Net production of electricity remains weak, amounting to 65,309 GWh, down 0.7% on an annual basis. The normalization of water availability led to a fall in production from hydroelectric sources, which stood at 7,907 GWh, a decrease of 17.6% (1.7 TWh less) compared to the same period in 2015 and 60% compared to the first quarter of 2014.

Even the photovoltaic sector recorded a decrease of 11.3% compared to the first quarter of 2015. From January to March 2016, the electricity produced by photovoltaic covered 5.1% of demand, compared with 5.7% covered the previous year.

All other types of generation from renewable sources increased: wind +11.1%, geothermal +3.5%. We highlight the decrease in thermoelectric production in March that showed -2.4% compared to the corresponding month of 2015, while the quarter recorded +2.5% compared to the first quarter of 2015. Average hours of operation estimated at national level for all thermoelectric technologies for the first quarter of 2016 were up 2% compared to the same period in 2015.

National production, excluding pumping, accounted for 83.5% of the demand for electricity, while net imports satisfied the remainder.

In terms of prices, the Base Load PUN (Single National Price) in the period January-March fell by 24%, amounting to 39.6 €/MWh against 51.9 €/MWh in the first quarter of 2016. In March, the PUN has marked a new record decrease of 35.2 €/MWh.

Downward trend also for the price in high load time slots (-23% for the Peak Load PUN at 45.4 €/MWh). The price in low load time slots recorded a decrease of 24% in the first quarter of 2016 compared to the same period the previous year (-24% for the Off-Peak PUN at 36.37 €/MWh). For the second quarter of 2016, forward curves still indicate prices down; a rise is expected as of the third quarter with values above 40 €/MWh.

Natural Gas

In the first quarter of 2016, the demand for natural gas increased by 0.4% compared with the corresponding period in 2015, amounting to 23,564 Mcm (source: Snam Rete Gas).

The recovery only concerned consumption in the thermoelectric sector marking +12.1% compared to the first quarter of 2015, also benefiting from the decline in renewable energy production. In March, demand amounted to 1,794 Mcm, the highest level in the last three years for the reference month. Instead, the long recession phase is confirmed, since May 2015, for consumption of the industrial sector, which in March marked a 1.3% decrease compared to March 2015, amounting to 1,199 Mcm. In the first quarter of 2016, instead, it showed a more moderate decline (-0.1%) compared to the same period of 2015. Due to the milder temperatures, the residential and commercial segment recorded a decrease of 4.3% compared to the first quarter of 2015.

Imports represented around 91% of requirements net of changes in stocks while national production covered the remainder. On the supply side, domestic production fell to record lows, amounting to 1,501 Mcm (-5.2% compared to the first quarter of 2015).

The bearish phase continues of Spot and Futures prices on the main European hubs. In particular, the gas price on the PSV (the benchmark spot market for gas in Italy) for the quarter was 14.5 €/MWh, a fall of 40.0% over the first quarter of 2015, while the gas price on the TTF (the benchmark spot market for gas in northern Europe) was 12.8 €/MWh, a decrease of 39.6% over the same period the previous year.

The amount of declines resulted in a PSV-TTF differential of 1.62 €/MWh for the first quarter of 2016, down about 1.0 €/MWh compared to the 2015 differential of 2.80 €/MWh.

Results

sector by sector

Results sector by sector

The A2A Group operates in the following “Business Units”:

Generation and Trading Business Unit

The activities of the Generation and Trading Business Unit are related to the management of the generation plant portfolio⁽¹⁾ of the Group. The “Generation” sector has the specific goal of maximizing plant availability and efficiency, minimizing operating and maintenance (O&M) costs. Instead, the “Trading” sector has the task of maximizing the profit from the management of the energy portfolio through the purchase and sale of electricity, fuel (gaseous and non-gaseous) and environmental certificates on domestic and foreign wholesale markets. The Trading Business Unit also includes the activity of trading on domestic and foreign markets of all energy commodities (gas, electricity, environmental certificates).

Commercial Business Unit

The activities of the Commercial Business Unit Sales are aimed at the retail sale of electricity and natural gas to customers in the free market and sale to customers served under protection scheme.

Environment Business Unit

This Business Unit’s activity relates to the management of the integrated waste cycle, which ranges from collection and street sweeping to the treatment, disposal and recovery of materials and energy.

In particular, collection and street sweeping mainly refers to street cleaning and the collection of waste for transportation to its destination.

Instead, waste treatment is an activity that is carried out in dedicated centers to convert waste in order to make it suitable for the recovery of materials.

Lastly, disposal of urban and special waste in combustion plants or landfills ensures the possible recovery of energy through waste-to-energy or the use of biogas.

(1) Total installed capacity of 8.8 GW.

Networks and Heat Business Unit

This Business Unit's activity mainly consists of the technical and operational management of networks for the distribution of electricity, the transport and distribution of natural gas and the management of the entire integrated water cycle (water captation, aqueduct management, water distribution, sewerage network management, purification). It is also aimed at the sale of heat and electricity produced by cogeneration plants (mostly owned by the Group), through district heating networks and ensures the operation and maintenance of cogeneration plants and district heating networks. Also included are activities relating to the management service of third-party heating plants (heat management services) and public lighting, traffic regulation systems, the management of votive lights and systems design services.

EPCG Business Unit

The Business Unit includes the activities carried out by the investee company Elektroprivreda Crne Gore AD Nikšić (EPCG)⁽²⁾ in relation to the production and sale of electricity in Montenegro and the operational technical management of the related electricity distribution networks.

Other Services and Corporate

Other services include video-surveillance, data transmission, telephony and internet access services.

Instead, Corporate services include the activities of guidance, strategic direction, coordination and control of industrial operations, as well as services to support the business and operating activities (ex. administrative and accounting services, legal services, procurement, personnel management, information technology, communications etc.) whose costs, net of amounts recovered from accrual to individual business units based on services rendered, remain the responsibility of the Corporate.

(2) Total installed capacity of 0.9 GW.

Generation and Trading Business Unit

The following is a summary of the main quantitative and economic data relating to the Generation and Trading Business Unit.

Quantitative data - electricity sector

GWh	03 31 2016	03 31 2015	Changes	% 2016/2015
SOURCES				
Net production	3,406	3,125	281	9.0%
- thermoelectric production	2,463	2,000	463	23.2%
- hydroelectric production	942	1,124	(182)	(16.2%)
- photovoltaic production	1	1	-	0.0%
Purchases	10,484	9,833	651	6.6%
- exchange	2,284	1,936	348	18.0%
- wholesalers	1,030	1,504	(474)	(31.5%)
- Trading/Service portfolio	7,170	6,393	777	12.2%
TOTAL SOURCES	13,890	12,958	932	7.2%
USES				
Sales to Group retailers	1,467	1,325	142	10.7%
Sales to other wholesalers	1,507	2,369	(862)	(36.4%)
Sales on the exchange	3,746	2,871	875	30.5%
Trading/Service portfolio	7,170	6,393	777	12.2%
TOTAL USES	13,890	12,958	932	7.2%

Note: the sales figures are stated gross of any losses.

In the first quarter of 2016, 3,406 GWh of electricity was produced and 10,484 GWh was purchased to provide an overall availability of 13,890 GWh.

Production grew by 9.0% over the first quarter of the previous year. More specifically, the reduction of hydroelectric production (-16.2%), due to the disposal of the hydroelectric plants of the Udine unit (apart from Ampezzo and Somplago) to Cellina Energy as from January 1, 2016 and the lesser hydraulicity recorded during the period, was more than offset by an increase in thermoelectric production (+23.2%) brought about by a greater intermediation on the ancillary services market and the restart of the Chivasso plant.

Purchases of electricity amounted to 10,484 GWh (9,833 GWh at March 31, 2015): fewer purchases on the wholesale markets were more than offset by higher volumes traded on the stock exchange as part of trading activities.

In the same period, lower sales on wholesale markets (-36.4%) were more than offset by higher volumes sold on spot markets (+30.5%) and to the Commercial Business Unit (+10.7%).

The amount of electricity traded in the trading context recorded an increase of 12.2%.

Overall in the first quarter of the year, electricity sales of the Generation and Trading Business Unit reached a total of 13,890 GWh (12,958 GWh at March 31, 2015).

Quantitative data - gas sector

<i>Millions of cubic metres</i>	03 31 2016	03 31 2015	Changes	% 2016/2015
SOURCES				
Procurement	632	484	148	30.6%
Withdrawals from stock	347	389	(42)	(10.8%)
Internal consumption/GNC	(2)	(2)	-	0.0%
Trading/Service Portfolio	362	388	(26)	(6.7%)
TOTAL SOURCES	1,339	1,259	80	6.4%
USES				
Commercial Business Unit uses	520	495	25	5.1%
Thermoelectric uses	261	194	67	34.5%
Heat and Environment Business Unit uses	41	49	(8)	(16.3%)
Wholesalers	155	133	22	16.5%
Trading/Service Portfolio	362	388	(26)	(6.7%)
TOTAL USES	1,339	1,259	80	6.4%

Quantities are stated at standard cm at an HCV of 38100 MJ on delivery.

The volume of gas sold in the first three months of 2016 amounted to 1,339 million cubic meters, up 6.4% over the corresponding period of 2015 (1,259 million cubic meters). There was an increase in sales volumes for thermoelectric uses (+34.5%) and sales volumes on wholesale markets (+16.5%), while there was a decrease in gas volumes traded as part of the Trading Portfolio (-6.7%).

Economic data

Millions of euro	01 01 2016 03 31 2016	01 01 2015 03 31 2015	Changes	% 2016/2015
Revenues	723	799	(76)	(9.5%)
Gross operating income	95	113	(18)	(15.9%)
% of revenues	13.1%	14.1%		
Depreciation, amortizations, provisions and write-downs	(55)	(44)	(11)	25.0%
Net operating income	40	69	(29)	(42.0%)
% of revenues	5.5%	8.6%		
Investments	3	10	(7)	(70.0%)
FTE	1,139	1,258	(119)	(9.5%)
of which delta perimeter	-	27	(27)	n.s.
FTE net of the delta perimeter	1,139	1,231	(92)	(7.5%)

Revenues came to 723 million euro, down 76 million euro compared to the first quarter of the previous year, mainly due to the reduction in prices of electricity and gas, both contracted and recorded on the spot markets, to be attributed to the decline in prices recorded on the energy scenario.

The Gross operating income equalled 95 million euro, a decrease of 18 million euro compared to the first three months of the previous year.

As compared with the first quarter of 2015, the 2016 result benefits from greater non-recurring items of approximately 8 million euro, whilst, for approximately 2 million euro, it suffers the negative effect of changes in perimeter relating to the sale of the hydroelectric plants of the Udine unit (apart from Ampezzo and Somplago) to Cellina Energy. Net of these non-recurring items, the Gross Operating Income of the Generation and Trading Business Unit was down by about 24 million euro.

This reduction is mainly due, both in the electricity and gas segments, to the negative performance by the energy scenario. With specific reference to the electricity sector, the margins of the hydroelectric plants were penalised (both for the downturn of prices and the lesser production in the period) and those of the Monfalcone coal plant.

This effect was partially mitigated by the greater quantities intermediated by the CCGT plants on the ancillary services markets (from 443 GWh to 569 GWh).

During the quarter examined, moreover, the market performance, the compression of the spreads with the foreign market and the loss of certain market opportunities for environmental certificates (such as the conclusion of the Green Certificates mechanism), penalised the trading result.

Instead, the good performance recorded on the environmental certificates market and the savings deriving from the operating efficiency plan, have partially offset this trend.

Depreciation, amortization, provisions and write-downs totalled 55 million euro (44 million euro at March 31, 2015). The increase of 11 million euro is mainly due to higher provisions for risks made to cover contractual expenses.

As a result of the above changes the sector earned net operating income of 40 million euro (69 million euro in the first quarter of 2015).

During the reporting period, investments amounted to 2.6 million euro and mainly concerned extraordinary maintenance at the hydroelectric units in Mese, Calabria and Valtellina for 1.6 million euro thermoelectric plants in Monfalcone, Chivasso and Sermide for about 0.8 million euro.

Commercial Business Unit

The following is a summary of the main quantitative and economic data relating to the Commercial Business Unit.

Quantitative data

	03 31 2016	03 31 2015	Changes	% 2016/2015
Electricity sales				
Electricity sales Free Market (GWh)	1,525	1,350	175	13.0%
Electricity sales under Greater Protection Scheme (GWh)	560	602	(42)	(7.0%)
Total electricity sales (GWh)	2,085	1,952	133	6.8%

	03 31 2016	03 31 2015	Changes	% 2016/2015
Gas sales				
Gas sales Free Market (Mcm)	275	239	36	15.1%
Gas sales under Greater Protection Scheme (Mcm)	235	249	(14)	(5.6%)
Total gas sales (Mcm)	510	488	22	4.5%

Note: the amounts of sales are stated net of losses.

In the first three months of 2016, there was an increase in electricity sales (+6.8%) and gas sales (+4.5%) compared to the same period of the previous year.

The growth in the electricity sector is due to the greater sales made on the free market with regards to large customers and mass market, partly offset by the decline in quantities sold to customers served under the protected regime.

Growth in the gas sector, on the other hand, is mainly due to a greater number of delivery points served on the free market and higher volumes sold to large customers.

Economic data

Millions of euro	01 01 2016 03 31 2016	01 01 2015 03 31 2015	Changes	% 2016/2015
Revenues	401	435	(34)	(7.8%)
Gross operating income	33	28	5	17.9%
% of revenues	8.2%	6.4%		
Depreciation, amortizations, provisions and write-downs	(4)	(4)	-	-
Net operating income	29	24	5	20.8%
% of revenues	7.2%	5.5%		
Investments	-	-	-	-
FTE	466	428	38	8.9%

Revenues stood at 401 million euro (435 million euro at March 31, 2015), down on the first three months of the previous year, mainly due to the reduction in unitary prices in both the electricity and gas segments.

The Gross operating income of the Commercial Business Unit equalled 33 million euro, up by 5 million euro compared to the first quarter of 2015.

Net of the positive items of non-recurring income noted during the first three months of 2016, approximately 2 million euro, the Gross operating income for the Business Unit is up 3 million euro on the same period of 2015, mainly following the growth in results recorded in the electricity sales sector.

This trend involved both the free market following the increase in volumes sold and the greater number of points serviced, and the protected market, by virtue of the increased tariff portion to cover the costs of marketing (despite the decline in quantities sold to customers served under the protected regime described above).

Amortization, depreciation and provisions and write-downs totalled 4 million euro, in line with those at March 31, 2015.

As a result of the above changes, Net operating income amounted to 29 million euro (24 million euro in the first quarter of the previous year).

In the reporting period, Investments of the Commercial Business Unit amounted to approximately 0.4 million euro and mainly concerned development and evolution maintenance on hardware and software platforms to support marketing and invoicing activities.

Environment Business Unit

The following is a summary of the main quantitative and economic data relating to the Environment Business Unit.

Quantitative data

	03 31 2016	03 31 2015	Changes	% 2016/2015
Waste collected (Kton)	316	307	9	2.9%
Waste disposed of (Kton)	614	670	(56)	(8.4%)
Electricity sold (GWh)	258	264	(6)	(2.3%)
Heat sold (GWht)*	520	484	36	7.4%

(*) Quantities at the plant entrance.

In the first three months of 2016, the quantities of waste collected, amounting to 316 thousand tonnes, were up compared to the first quarter of 2015 (+2.9%). The quantities of waste disposed of show a decrease (-56 thousand tonnes) compared to the first three months of 2015, mainly attributable to the lower amounts of waste disposed of at the inert waste landfill in Corteolona due to the interruption of contributions, by ARPA, for environmental analyses of the water table, the lower amounts disposed of at the Cavaglià and the Montichiari landfill (the latter being exhausted in December 2015).

The quantities of electricity sold were down slightly compared to the same period the previous year (-6 GWh), while heat production rose (+36 thermal GWh) due to higher quantities required by the district heating sector.

Economic data

Millions of euro	01 01 2016 03 31 2016	01 01 2015 03 31 2015	Changes	% 2016/2015
Revenues	200	202	(2)	(1.0%)
Gross operating income	59	61	(2)	(3.3%)
% of revenues	29.5%	30.2%		
Depreciation, amortizations, provisions and write-downs	(15)	(17)	2	(11.8%)
Net operating income	44	44	-	-
% of revenues	22.0%	21.8%		
Investments	11	7	4	57.1%
FTE	4,741	4,702	39	0.8%
of which delta perimeter	157	54	103	n.s.
FTE net of the delta perimeter	4,584	4,648	(64)	(1.4%)

During the quarter, the Business Unit recorded revenues of 200 million euro (202 million euro at March 31, 2015).

The Gross operating income of the Environment Business Unit was 59 million euro, down 2 million euro on the same period of last year, substantially following the reduction of the quantities disposed of at the landfill of inert lots of Corteolona (from May 2015) and the landfills of Cavaglià and Montichiari (mentioned above).

In the quarter examined, lower revenues are also recorded from the sale of electricity from the waste-to-energy plant in Acerra (following the reduction of the CIP 6 payment caused by the drop in prices of the reference fuels) and the Group's other waste-to-energy plants (due to the drop in electricity and heating prices).

This trend was partially offset by the increased margins due to the greater production of heat by the waste-to-energy plants (following the greater demands by the Group district heating sector), the reduction of costs for the disposal of waste from the Brescia and Silla2 waste-to-energy plants and the increased margins in the collection segment following the greater quantities collected and the greater number of homes served.

Depreciation, amortization, provisions and write-downs amounted to 15 million euro (17 million euro in the first quarter of the previous year).

As a result of these changes, Net operating income amounted to 44 million euro, in line with the first three months of 2015.

Investments in the reporting period totalled 11 million euro and were mainly related to maintenance and development work on waste-to-energy plants (2 million euro), treatment plants and landfills (1 million euro) and the purchase of collection vehicles and containers (7 million euro).

Networks and Heat Business Unit

The following is a summary of the main quantitative and economic data relating to the Networks and Heat Business Unit.

Quantitative data - Networks

	03 31 2016	03 31 2015	Changes	% 2016/2015
Electricity distributed (GWh)	2,766	2,788	(22)	(0.8%)
Gas distributed (Mcm)	850	890	(40)	(4.5%)
Gas transported (Mcm)	137	147	(10)	(6.8%)
Water distributed (Mcm)	16	14	2	14.3%

Electricity distributed in the first quarter of 2016 was 2,766 TWh, down (-22 GWh) compared to the first three months of 2015, following the downturn to consumption mainly as a result of use in high voltage.

The quantities of gas distributed and transported were also slightly down compared to the first quarter of 2015 (respectively 4.5% and 6.8%).

Water distributed instead amounted to 16 Mcm, up 2 Mcm compared to the corresponding period of the previous year.

Quantitative data - Heat

<i>GWh</i>	03 31 2016	03 31 2015	Changes	% 2016/2015
SOURCES				
Plants at:	565	610	(45)	(7.4%)
- Lamarmora	255	289	(34)	(11.8%)
- Famagosta	59	82	(23)	(28.0%)
- Tecnocity	36	35	1	2.9%
- Other plants	215	204	11	5.4%
Purchases from:	715	649	66	10.2%
- Third parties	185	156	29	18.6%
- Other Business Units	530	493	37	7.5%
TOTAL SOURCES	1,280	1,259	21	1.7%
USES				
Sales to end customers	1,148	1,128	20	1.8%
Distribution losses	132	131	1	0.8%
TOTAL USES	1,280	1,259	21	1.7%

Notes:

- The figures only refer to district heating. Sales relating to heat management are not included.
- Purchases include the quantities of heat purchased from the Environment Business Unit.

In the first three months of 2016, sales of heat to end customers showed an increase of 1.7% compared to the first three months of the previous year, thanks to the acquisition of new customers.

Heat production decreased by 45 thermal GWh, while purchases increased by 66 thermal GWh.

Economic data

<i>Millions of euro</i>	01 01 2016 03 31 2016	01 01 2015 03 31 2015	Changes	% 2016/2015
Revenues	241	266	(25)	(9.4%)
Gross operating income	112	115	(3)	(2.6%)
% of revenues	46.5%	43.2%		
Depreciation, amortizations, provisions and write-downs	(33)	(29)	(4)	13.8%
Net operating income	79	86	(7)	(8.1%)
% of revenues	32.8%	32.3%		
Investments	33	30	3	10.0%
FTE	2,180	2,156	24	1.1%

Revenues of the Networks and Heat Business Unit during the first three months of 2016 stood at 241 million euro (266 million euro at March 31, 2015). This performance is due to reduction of unitary sales prices of heat as a consequence of the reduction of the gas price, the lesser revenues connected with the production of electricity following both the reduction in unitary prices of sales and the lesser

quantities produced (-35 GWh), as well as the lesser allowed revenues for the electricity and gas distribution as a consequence of the AEEGSI resolution 583/2015/R/com as subsequently amended and supplemented in relation to the updated rate of return on invested capital.

The Gross operating income of the Networks and Heat Business Unit equalled 112 million euro, a decrease of 3 million euro compared to the first quarter of 2015. This performance is substantially attributable to:

- greater revenues relating to the aqueduct, purification and sewage service for approximately 3 million euro, following the tariff increases acknowledged by AEEGSI and greater quantities distributed during the period examined;
- lesser allowed revenues expected for the electricity and gas distribution, primarily following the update, as from 2016, of the WACC (Weighted Average Cost of Capital) by the AEEGSI and lesser revenues for connections and services overall, for a total of approximately 8 million euro;
- lesser margins connected with public lighting and other services for approximately 2 million euro;
- lesser margins connected with district heating and heat management for approximately 2 million euro;
- lesser fixed costs for the entire Networks and Heat Business Unit for approximately 6 million euro deriving partly from the Group's current operative efficiency plan.

Depreciation, amortization, provisions and write-downs amounted to 33 million euro, slightly up compared to the first quarter of the previous year (29 million euro at March 31, 2015).

In light of the performances discussed above, Net operating income after interest and tax reached 79 million euro (86 million euro in the first quarter of 2015).

Investments for the reporting period amounted to 33 million euro and regarded:

- in the electricity distribution subsector, development and maintenance work on plants and in particular the connection of new users, maintenance work on secondary cabins, the extension and refurbishment of the medium and low voltage network and the maintenance and upgrading of primary plants (11 million euro);
- in the gas distribution subsector, development and maintenance work on plants relating to the connection of new users and the replacement of medium and low pressure piping and smart gas meters (10 million euro);
- in the integrated water cycle, work carried out on the water transportation and distribution network and the sewerage networks (6 million euro);
- in the public lighting sector, work carried out to replace lighting systems with LED equipment in the Municipalities managed (1 million euro);
- in the district heating sector, maintenance and development work on district heating networks (about 3 million euro, of which 2 million euro in the city of Milan) and new district heating plants (2 million euro), in the Milan, Brescia, Bergamo and Varese areas.

EPCG Business Unit

The following is a summary of the main quantitative and economic data relating to the EPCG Business Unit.

Quantitative data - Electricity Production and Sale

GWh	03 31 2016	03 31 2015	Changes	% 2016/2015
SOURCES				
Production	816	994	(178)	(17.9%)
- thermoelectric production	248	410	(162)	(39.5%)
- hydroelectric production	568	584	(16)	(2.7%)
Imports and other sources	232	121	111	91.7%
- import	206	108	98	90.7%
- other sources	26	13	13	100.0%
TOTAL SOURCES	1,048	1,115	(67)	(6.0%)
USES				
Domestic market consumption	671	762	(91)	(11.9%)
Distribution losses	130	157	(27)	(17.2%)
Transmission losses	38	39	(1)	(2.6%)
Other uses	10	6	4	66.7%
Export	199	151	48	31.8%
TOTAL USES	1,048	1,115	(67)	(6.0%)

The total availability of the EPCG Group in the first three months of 2016 was 1,048 GWh (1,115 GWh at March 31, 2015).

Demand was covered by the EPCG plants that produced a total of 816 GWh (-17.9%), of which 248 GWh from thermoelectric source (-39.5%) and 568 GWh from hydroelectric source (-2.7%): the reduction in thermoelectric production at the plant in Pljevlja is due to the non-supply of a large energy-hungry customer (Montenegro Bonus) as of March 2016, while the reduction in hydroelectric production is attributable to the lack of rainfall recorded in the first quarter of the year.

The period in question also recorded an increase in imports and other purchases of energy (+111 GWh), as well as a slight increase in quantities exported (+48 GWh).

EPCG group electricity sales on the domestic market stood at a total of 671 GWh, down 11.9% on the corresponding period of the previous year, mainly following the interruption of the supply of electricity to the major energy-hungry customer mentioned above and the mild temperatures recorded during the first quarter of the year, which affected the consumption of end customers.

Quantitative data - Electricity distribution

GWh	03 31 2016	03 31 2015	Changes	% 2016/2015
Electricity distributed*	573	584	(11)	(1.9%)

(*) Data net of distribution losses

The particularly mild climate experienced also affected the quantities of electricity distributed on the medium and low voltage Montenegrin network, which in the period in question were equal to 573 GWh (-1.9% on March 31, 2015).

Economic data

Millions of euro	01 01 2016 03 31 2016	01 01 2015 03 31 2015	Changes	% 2016/2015
Revenues	60	66	(6)	(9.1%)
Gross operating income	20	25	(5)	(20.0%)
% of revenues	33.3%	37.9%		
Depreciation, amortizations, provisions and write-downs	(8)	(10)	2	(20.0%)
Net operating income	12	15	(3)	(20.0%)
% of revenues	20.0%	22.7%		
Investments	2	1	1	100.0%
FTE	2,406	2,530	(124)	(4.9%)

The Revenues amounted to 60 million euro (66 million euro at March 31, 2015). The reduction in period revenues is mainly due to the lesser sales of electricity to direct customers (for the reasons given above) and to other end users, as well as to a reduction in sales and distribution tariffs, which averaged 1% as compared with the first quarter of last year.

The Gross operating income of the EPCG Business Unit amounted to 20 million euro, down 5 million euro over the first three months of the previous year. This trend, which is mainly due to the energy sector, is primarily a result of the increased import prices (+11%) along with the drop in export prices (-36% in a quarter in which the company recorded higher imports and a slight increase to exports), as well as to the downturn to volumes and tariffs for the sale of electricity to end users.

Depreciation, amortization, provisions and write-downs equalled 8 million euro (10 million euro at March 31, 2015).

As a result of these changes, Net operating income was positive for 12 million euro, a decrease of 3 million euro over the first quarter of 2015.

Investments amounted to about 1.6 million euro and mainly refer to work to replace traditional meters with remote controlled meters (approximately 0.7 million euro), maintenance of the primary and secondary distribution network (approximately 0.4 million euro), work on the central information systems (approximately 0.2 million euro), as well as maintenance work on the thermoelectric plant in Pljevlja and on the hydroelectric plants in Perucica and Piva (a total of approximately 0.3 million euro).

Other Services and Corporate

Economic data

Millions of euro	01 01 2016 03 31 2016	01 01 2015 03 31 2015	Changes	% 2016/2015
Revenues	43	44	(1)	(2.3%)
Gross operating income	(5)	(5)	-	-
% of revenues	(11.6%)	(11.4%)		
Depreciation, amortizations, provisions and write-downs	(3)	(5)	2	(40.0%)
Net operating income	(8)	(10)	2	(20.0%)
% of revenues	(18.6%)	(22.7%)		
Investments	2	1	1	100.0%
FTE	996	981	15	1.5%

Other Services and Corporate earned revenues of 43 million euro in the first three months of 2016 (44 million euro at March 31, 2015).

Gross operating income was negative for 5 million euro, in line with as recorded in the same period of the previous year.

Depreciation, amortization, provisions and write-downs equalled 3 million euro (5 million euro at March 31, 2015).

After depreciation, amortization, provisions and write-downs there was a Net operating loss of 8 million euro (a net operating loss of 10 million euro at March 31, 2015).

Investments for the period amounted to 2 million euro and mainly refer to investments in information systems and telecommunication networks.

Risks and uncertainties

Risks and uncertainties

The A2A Group has a risk assessment and reporting process which is based on the Enterprise Risk Management method of the Committee of Sponsoring Organizations of the Treadway Commission (CoSO report) and best risk management practice and is in compliance with the Corporate Governance Code as updated by Consob in 2011, which states: “...Each issuer shall adopt an internal control and risk management system consisting of policies, procedures and organizational structures aimed at identifying, measuring, managing and monitoring the main risks....”.

This process requires a risk model to be set up that takes account of the Group's characteristics, its multi-business vocation and the sector to which it belongs. This model, is not a static reference, it is subject to periodic revision consistent with the evolution of the Group and the context in which it operates. The methodology adopted is characterized by the regular identification of the risks to which the Group is exposed. In this context, an assessment process is carried out which, through the involvement of all its structures, allows the Group to identify the most important risks and establish the relative controls and mitigation plans. At this stage, the involvement of risk owners is essential as responsible for the identification, assessment and update of risk scenarios (specific events in which risk can materialize) related to activities of its competence. This phase is carried out with the support and coordination of the Group Risk Management structure through operating methods that allow clearly identifying risks, the related causes and management methods.

The methodology adopted is modular and leverages on the fine-tuning of the experience gained and methods of analysis used: on the one hand, it aims to develop the risk assessment further with specific reference to the consolidation of the mitigation process and on the other to develop and integrate risk management activities in business processes. This evolution is carried out consistent with the gradual increase in the awareness of management and the business structures about risk management issues, achieved among other things through the use of specific training support provided by Group Risk Management.

Set out below is a description of the main risks and uncertainties to which the Group is exposed.

It is noted that in terms of greater impact on the Group's results, the main risks are the following, in order of importance:

- regulatory changes;
- energy scenario;
- Business Interruption;
- climatic changes.

Legislative and regulatory risk

The A2A Group operates in highly regulated sectors whether they are managed under natural monopoly (such as infrastructure for the distribution and transport of electricity and gas, the integrated water cycle and district heating) or under free market regime (such as energy management, trading and sale of energy carriers and other services to customers).

Among the risk factors, therefore, the constant and not always predictable evolution of the legislative and regulatory framework of reference shall be considered.

For these risk factors, the Group adopts a regulatory risk monitoring and management policy in order to mitigate, to the extent possible, the effects through oversight on various levels, which primarily involves collaborative dialogue with the institutions (Ministry of Economic Development, Authority for Electricity, Gas and Water System, the Competition and Market Protection Authority, Authority for Communications Guarantees) and technical bodies of the sector (GSE Energy Services Operator, GME Energy Markets Operator, Terna) as well as active participation in category associations and working groups established at said entities.

To address these issues, in 2015, the top management set up a specific organization structure called "Regulatory Affairs and Market", reporting directly to the CEO, broadening the mandate, strengthening the link with the business and exceeding the vision for which the relationship with the regulator shall be interpreted as compliance (or litigation).

Also the view to European regulations, following the work of Brussels through participation in the tables of Eurelectric and Cedec, allows seeing "in advance" the subject of transposition into Italian law (in some cases automatic as per regulations).

Constant dialogue with Business Units is also envisaged, not only for the simulation of impacts on current activities but also for the evaluation of their requests in terms of support to new initiatives.

The Institutional and Regulatory Committee was also set up, composed of the Chairman and CEO of the Group, as well as the Institutional Relations Manager and the Regulatory Affairs and Market Manager. This committee meets periodically involving from time to time the Managers

of the Business Units concerned, and the Managers of the staff structures in order to transfer to them the new regulations, take a corporate position on evolving standards and collect the requests of the business to convey them to the stakeholders of reference.

Constantly updated monitoring and control tools have been implemented (ex. Regulatory Review produced on a quarterly basis), in order to consider the potential impacts on the regulation on the company.

The main topics involved in current changes in legislation, with major potential effects on the Group, are as follows:

- the rules governing the terms and conditions of large hydroelectric derivation concessions;
- tenders concerning the granting of concessions for the gas distribution service;
- the integrated water service reform not only from the tariff point of view but also for aspects of service quality, measurement and unbundling;
- regulation of local public services;
- the regulatory provisions concerning the abandonment of the protection regimes for customers of the electricity and gas sectors;
- the implementation of the capacity market discipline;
- the achievement of energy savings under the White Certificates mechanism;
- the payment of the RAI fee in the electricity bill.

Energy scenario risk (commodity price risk)

Given the features of the sectors in which it operates, the Group is exposed to energy scenario risk, namely the risk linked to changes in the price of energy raw materials (electricity, natural gas, coal and fuel oil) and the exchange rates connected with these. Significant, unexpected and/or structural changes in commodity prices, especially in the medium term, may result in a reduction in the Company's operating margins.

The Group has approved an Energy Risk Policy that regulates the procedures by which commodity risk are monitored and managed, or the highest level of variability to which the result is exposed with reference to the trend of prices of energy commodities.

Consistent with the provisions of the Policy, the commodity risk limits of the Group are defined and approved annually by the Board of Directors.

Market risk is managed by constantly monitoring the total net exposure of the Group's portfolio and addressing the main factors affecting the trend. Appropriate hedging strategies are defined, where necessary, designed to maintain this risk within the established limits, typically through hedging at 12 months and partially at 24 months.

The objective of stabilizing the cash flows generated by the asset portfolio and outstanding contracts is thus pursued through the management of physical contracts and derivative financial instruments, limiting to the extent possible, the volatility of the Group's economic and financial results following changes in commodity prices.

Business interruption risk

All of the Group's Business Units of activity involve managing production sites which are technologically and operationally complex (electric power stations, waste disposal plants, cogeneration plants, distribution networks, etc.), where a breakdown or accidental damage could lead to a lack of availability and in turn to financial losses and possibly harm to the Group's reputation due to the interruption of the services provided.

These risks are linked to a variety of factors which, in the case of certain plants, could what is more be accentuated by changes in the competitive context and in the reference markets. To the extent that the risk of unavailability of the plants may be considered an inherent part of the business and a risk that is impossible to eliminate entirely, the Group sets up preventive risk mitigation strategies at all of its Business Units to reduce the probability of such risks occurring and action strategies aimed at limiting any impact.

Safeguarding the Group's plants and infrastructure involves adopting and continuously updating procedures for scheduled maintenance, of both an ordinary and preventative nature, aimed at identifying and preventing potential critical situations, identified amongst other things on the basis of specific engineering analyses carried out by dedicated technical staff, all in line with best practices. It also involves periodically reviewing the plants and networks as well as providing specific training courses for technical personnel. In addition, the A2A Group makes widespread use of instruments for the control and remote control of technical parameters for the monitoring and timely detection of any anomalies as well as having a back-up of the components needed to guarantee operational continuity, where possible. The integration process between the specialist engineering teams in the A2A Group has led to a strengthening of the skills relating to plant performance analyses.

In addition, the progressive adoption of advanced software and sensors is planned at all of the Group's plants for calculating the actual yield of the plants, aimed at enabling an approach to be taken that is even more preventive compared to the past as far as the planning and performance of maintenance is concerned. The gradual adoption of the above controls is also envisaged in the case of the acquisition of new production sites, to facilitate their alignment to the Group's standards.

In view of the current context of the energy markets in which the energy production plants operate, with particular reference to thermoelectric plants, it is noted that activities and projects have been planned and undertaken to ensure operational flexibility, efficiency and availability at times when said requirements are requested of them, such as the programming of flexibilization investments of the combined cycle plants, modernization of plants and machinery or the redesign of plant parts that over time have highlighted structural problems, the renegotiation of service contracts with manufacturers of turbogas machinery, the integration and the constant recourse to specialized resources available within the Group, a program to reduce structural costs of thermoelectric plants.

Moreover, to control the risks arising from the present way in which the thermoelectric plants work, arising from trends in the energy markets, a process for revising, uniforming and fully adjusting the maintenance contracts and specific actions to rationalize the management of spare parts warehouses are currently in progress. Also regarding the production of energy from thermoelectric sources, it is noted that the Group pays particular attention, by means of stable and cooperative dialogue, through the organizational structure Institutional and Territorial Relations, with institutions, local authorities and communities, to the issues of risk regarding the manufacturing sites that use fossil fuels (Monfalcone, Brindisi , S. Filippo del Mela). Said oversight aims to promote a proper and positive perception of the plants as well as to pursue the possibility of a future realization of adaptation and conversion projects according to innovative and cutting-edge technologies, thus guaranteeing adequate employment levels and avoiding incurring potential costs for the decommissioning of sites.

In the Environment Business Unit, specific activities are in place and monitoring tools have been installed to prevent any possible risk of interruption to the waste transportation and disposal service. In particular, specific controls have been implemented to detect the presence of unsuitable substances in waste destined for incineration, as well as plants, systems and specific operating procedures for loading and output of materials deposited at storage sites and waste treatment aimed at limiting the risk of development of fire. The Business Unit is additionally introducing steps to optimize the management of certain sites in order to make the disposal process more efficient. Furthermore, it is noted that structural interventions were planned on all plants of the Group, and in particular on the large waste-to-energy plants, designed to ensure a higher reliability and perspective of operability over time, such as the realization of electrical backup lines, replacing thermomechanical components that have reached the end of their technical life, renovation of structures designed to reduce deteriorations, the adaptation of plants to recover the remaining fractions of solid waste in view of their subsequent contribution to waste-to-energy plants, extraordinary maintenance also aimed at increasing the thermal potential of these plants. To mitigate any repercussions on the Group's reputation due to a temporary impossibility to transport waste, mutual

assistance exists between the Group's plants and there is centralized coordination of planned stoppages for maintenance. Lastly, we note the emerging issue related to potential impacts on the profitability of the Acerra plant as a result of possible criticality that may arise, pending the agreement between the Campania Region and A2A Ambiente, in the definition of mechanisms to guarantee the revenues of the plant after the conclusion of the CIP 6 tariff regime.

With reference to the issue of interruption of waste collection and urban cleaning services in the municipalities served by the Group companies, there are specific management and programming procedures of the related activities, the availability of means held as reserve for situations of emergency, control and monitoring of vehicles in service in the areas served (also online through a control room equipped with cutting-edge technical equipment), spare parts warehouses managed and structured in order to deal with the statistically most recurring failures.

Within the transport and distribution networks of energy and gas, it is noted that interventions were planned and started designed to increase the reliability of services and to ensure the ongoing appropriateness of the infrastructure with the evolution and expansion of urban areas and territories served by the various Group companies, such as the implementation and expansion of automation systems and remote control of stations and cabins, the construction of new cabins for electricity and gas. As part of the operating activities of the electricity grids, the issue of continuity of service during periods of special climatic conditions with potential reputational risks arising from possible interruptions of service delivery is confirmed as particularly relevant. To deal with these situations, in addition to the usual maintenance activities, the Group has planned and started the enhancement of actions to streamline the meshing of electricity grids and extraordinary plans for reclamation of the components considered critical for the continuity of operation. There are also remote operational controls, advanced technical safety tools, emergency intervention teams as well as specific safeguards for infrastructure which, during exceptional phenomena difficult to predict in terms of location of the same and assessment of their effects, are more exposed to risks of interruption in the delivery of services.

Further potential risks for the Group are related to possible accidents in the management of traffic lights and street lighting that involve staff of the company or third parties. To mitigate this risk issue, activities have been planned for replacement of the most outdated electrical circuits, test campaigns and, if necessary, replacement of older supports, implementation of new systems for remote control of lighting points.

The Group takes an active part in projects for the development of the electricity network from a "smart grid" standpoint, meaning by this a network with which it is possible to exchange information on energy flows and manage demand peaks more efficiently, thus reducing the

risk of interruption. In particular, the Networks Business Unit is engaged in the development of new solutions for the so-called smart grids, where through the introduction of digital technology new features are realized to address the increasing complexity resulting from the deployment of distributed generation sources connected to the LV networks and to better meet the demands of the Regulator and the expectations of customers.

Operative means of regulating the customer's consumption during specific time bands have been successfully tested in the district heating sector; these are designed to avoid excessive peaks in the use of installed power with the resulting possibility of critical matters arising regarding the optimal working of the networks. Actions are being studied to upgrade supply facilities of the district heating network that are most exploited, as well as construction of new heat transport routes for the improvement of the structural organization of the network. These operations are supplemented, as part of the maintenance of the network, by continuous engineering analysis supporting interventions for repairs. Measures to be implemented over the following three years and designed to ensure the continuity of the district heating service are also underway for situations in which there is a temporary interruption of the supply of heat to the network by the waste-to-energy plants of the Group.

A risk issue that is always important concerns the unauthorized access of external personnel to the Group's plants and infrastructure, which could impede the smooth running of operations, with potential impact on the safety of operating personnel, unauthorized third parties, the sites and their surroundings, as well as economic impacts resulting from the need to interrupt production activities. To mitigate these possible events, development activities are ongoing of guidelines to manage the issue within the Group to regulate in a unitary manner, the operating procedures for access to the plants and supervision services, also in coordination with the police, for control of sites that are more vulnerable to intrusions or which may be potential targets of acts of sabotage. Further interventions are also being evaluated such as studies on the situation of gas plants to increase their safety level, improvement of existing passive fences, strengthening of anti-intrusion alarm system and the installation of control systems for badge access, infra-red cameras and systems.

Finally, the Group takes out insurance cover against any direct and indirect damage which may arise from other types of risk. The contractual conditions that characterize these policies were revised to align them to the way in which the plants work and to energy market conditions.

Climate change risk

Risks related to climate change refer to the possibility that the production and consumption of products (electricity, gas for heating) and services (district heating) provided by the

Group may be negatively affected by unfavourable conditions, such as the scarcity of rainfall or particularly mild temperatures in the hot season, with consequent negative effects on expected profitability. With reference to the Generation and Trading Business Unit, low rainfall would result in a reduced availability of water resources with respect to expected values that arise from statistical evaluations; to ensure the optimal use of available water resources, there is an organizational oversight constituted by the presence of company units dedicated to the development of analyses and engineering models to support the programming of hydroelectric plants both in the medium and short term. As regards the Networks and Commercial Business Units, milder winter temperatures than expected would result in lower demand on the part of end users, of gas and heat used for heating. The oversight consists of the presence of company units dedicated to the formulation of demand forecasts in relation to temperatures expected and the consequent management and optimization of the production/supply of heat.

Interest rate risk

Interest rate risk is related to the uncertainty associated with the trend in interest rates, changes in which can result in, given a certain amount and composition of debt, an increase in net financial expenses or an increase in the fair value of the debt. The volatility of financial expenses associated to the performance of interest rates is therefore monitored and mitigated through a policy of interest rate risk management aimed at identifying a balanced mix of fixed-rate and floating rate loans and the use of derivatives that limit the effects of fluctuations in interest rates.

In order to analyze and manage the risks relating to interest rate risk the Group has developed an internal model enabling the exposure to this risk to be calculated using the Montecarlo method, assessing the effect that fluctuations in interest rates may have on future cash flows.

Credit risk

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

This risk is overseen by both the Credit Management function allocated centrally (and the corresponding functions of the operating companies) and the Group Risk Management Organizational Unit responsible for supporting the Group companies with reference to both commercial and trading activities.

Specifically, with regard to trading activities and in compliance with the procedures in place (Energy Risk Policy, Risk Management, Deal Life Cycle), Group Risk Management, based on proprietary systems, assesses the Rating of Counterparties, defines the Probability of Default and attributes the Maximum Exposure to Risk, systematically verifying compliance with the limits of Counterparty Risk and Credit Risk.

A further parameter monitored, which helps to limit the risk of concentration on the individual counterparty, is represented by the Credit VaR, namely the assessment of risk in terms of potential loss, with a certain confidence level, associated to the entire loan portfolio.

In relation to commercial counterparties and in compliance with the procedures in place (Credit Risk Policy), risk is mitigated through preventive assessment, attainment of guarantees and collateral, compensation management, optimization of credit reminders and recovery processes as well as the use of monitoring and reporting tools. Group Risk Management intervenes in the management of commercial credit both directly and indirectly, through a specific proprietary model, in defining the creditworthiness and credit limit of business customers, for which derogation to guarantee release is required.

Liquidity risk

Liquidity risk regards the Group's timely ability to meet its payment commitments. To hedge this risk, the Group ensures the maintenance of adequate financial resources, as well as a liquidity buffer sufficient to meet unexpected commitments. At March 31, 2016, the Group contracted revolving committed credit lines for 800 million euro, unused. It also has unused long-term bank financing for a total of 139 million euro and cash and cash equivalents totalling 559 million euro.

Liquidity risk management is also pursued by directly accessing the capital market, particularly through the Bond Issue Program (Euro Medium Term Note Programme), extended to 4 billion euro, as approved by the Board of Directors on November 6, 2014 and by programming an appropriate distribution of maturities aimed at mitigating the risk of refinancing.

Covenants compliance risk on debt

This risk exists if the loan agreements provide for the option by the lender, upon the occurrence of certain events, to request early repayment of the loan, thus entailing a potential liquidity risk for the Group.

At March 31, 2016, the Group had bonds for a total book value of 2,985 million euro.

The terms and conditions of these bond issues are in line with the market standard for this type of financial instrument. All the bonds issued by the parent company as part of the EMTN Programme (amounting in total to 2,350 million euro at March 31, 2016) contain a change of control put clause in favour of investors for any changes in control which lead to a resulting downgrading of the rating to sub-investment grade in the following 180 days. If the rating returns to investment grade within the 180-day period, the put option is not exercisable.

The private bond in yen (book value of 98 million euro) falling due in 2036 contains a put right clause in favour of the investor, which triggers if the rating falls below BBB- or equivalent level (sub-investment grade).

The loan agreements entered into with the European Investment Bank (book value of 559 million euro, excluding EPCG) contain a credit rating clause guarding against a rating of below BBB- or equivalent level (sub-investment grade). In the event of a change in control of the parent company, the loan agreements entered into with the European Investment Bank falling due after 2024 for a total book value of 405 million euro at March 31, 2016, grant the bank the right to invoke early repayment of the loan on providing notice to the company containing an explanation of the underlying reasons.

The agreement entered into by the parent company with UniCredit, brokered by the EIB, for a book value of 16 million euro falling due in June 2018 contains a credit-rating clause that provides for a commitment by the company to maintain an investment grade rating for the whole loan term. In the event of non-compliance there are a number of annual financial covenants to be respected based on the ratios of debt to equity, debt to gross operating income and gross operating income to interest expense.

The lines of revolving committed credit in Club Deal for 600 million euro expiring November 2019, and bilateral revolving committed credit lines for a total of 200 million euro falling due in 2017, currently unused, include 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 early repayment of any amounts drawn. In addition, the revolving facility in Club Deal is subject to the financial covenant NFP/EBITDA.

The following can be found in the agreements for the bond loans, the loans mentioned above and the lines of revolving committed credit: (i) negative pledge clauses under which the parent company undertakes not to pledge, with exceptions, guarantees on its assets or those of its directly held subsidiaries over and above a specific threshold; (ii) cross- default/acceleration clauses which entail immediate reimbursement of the loans in the event of serious non-performance; and (iii) clauses that provide for immediate repayment in the event of declared insolvency on the part of certain Group companies.

With regard to subsidiaries, the loan to Abruzzoenergia S.p.A. is backed by a secured guarantee (mortgage) for a maximum of 264 million euro and the related agreement contains two covenants based on the ratios NFP to shareholders' funds and NFP to gross operating income.

With reference to the subsidiary EPCG, there are two loans signed with EBRD (European Bank for Reconstruction and Development, which envisage certain financial covenants): the first signed in November 2010, fully used for 35 million euro, and the second signed in April 2014, amounting to 30 million euro used for 20 million euro at March 31, 2016.

At March 31, 2016, the residual book value of the loans that contain financial covenants amounted to 99 million euro.

Lastly, at March 31, 2016, there was no situation of non-compliance with the covenants of the A2A Group companies.

Environmental risk

The risks associated with events that impact the environment or the health of the population living in the areas affected by the Group's activities are the object of increasingly close attention by public regulators and ever more stringent legislation. This type of risk covers all activities of the Group, with particular reference to the disposal of production waste, emissions resulting from the production processes, the management of the collection, storage, treatment and disposal of waste, the supply of basic goods such as drinking water, waste water treatment, the management of emptying and maintenance of the reservoirs for the collection of water resources for the production of electricity.

To monitor these potential risk events, the Group has implemented various actions: procedures for design and construction of storage sites of waste materials, monitoring systems and the presence of static and dynamic barriers enabling to detect pollution phenomena attributable to the same sites, systems for continuous detection and monitoring of emissions, systems for detection and abatement of polluting concentrations, water purification plants for discharges of waste treatment plants. Further interventions are being studied for the realization of plants for the storage and subsequent treatment of the wet fraction of waste materials intended for waste-to-energy.

With reference to the issue of waste water treatment, actions are being studied for the upgrading and enhancement of existing infrastructure. With regard to the issue related to the management of the reservoirs, with specific reference to maintenance of the same and the corresponding possible negative effects on water and on the local area determined by emptying, it is noted that partial drainage of basins is being evaluated in relation to the type of interventions as well as the use of different methods for removal of the sediments.

Finally, we note the organization of Environment and safety site structures that support employees, officers and management in the management of the HSE system for specific risks, monitoring of changes in legislation on environmental issues, as well as the ongoing dialogue and transparency in relations with authorities, the communities of reference and stakeholders, also made explicit through instruments such as the Sustainability Report.

The Group is significantly involved in preventing such risks and has adopted a policy document entitled “Policy for the Quality, Environment and Safety of the A2A Group” which is the tool which now sets out the Group’s approach to such questions. This document, which is widely distributed both internally and externally, explains the values which underlie the Group’s operations and which the Environment, Health and Safety Organizational Structure is committed to disseminating and sharing as guidance for the day-to-day work of all concerned. The Environment, Health and Safety Organizational Structure also supports senior management in establishing company policy in these areas, checking that this is implemented properly in compliance with the rules applicable in all areas and internal processes. The A2A Group is constantly committed to supporting dialogue aimed at a maximum collaboration with local bodies and communities on environmental issues.

The process of updating the Organizational and Management Model as per Legislative Decree no. 231/2001 for the introduction of environmental offences is in progress, with specific emphasis on implementation at the individual Group companies. In addition, the Environment, Health and Safety Organizational Structure has been rearranged from both an organizational and procedural standpoint as the first stage in a process of revising and updating the way in which the risk issues in question are managed, and this will involve all of the Group’s employees and business processes.

The Group carries out direct control of the way in which the risk issues in question are managed through the structures of the Environment, Health and Safety Organizational Structure at the individual sites, which provide the necessary support to employees, officers and management in running the HSE (Health Safety Environment) system.

The operational implementation of the policy is carried out through the use of an Environmental Management System (EMAS) by those operating entities of the Group which are more exposed to both direct and indirect potential environmental impact. This system provides for a program of progressive extension and upgrading to the standards of ISO14001 certification for the Group’s main activities having a greater impact on the environment, as well as for obtaining EMAS certification for the Group’s main plants. In order to arrive at a single model, a revision and updating process is currently taking place which will enable all the Group’s operating companies to refer to a single integrated Quality, Environment and Safety management system.

With the aim of achieving constant improvement in control and moving in line with best practices, the Group takes part through industry associations in discussion groups held to draft BREFs (Best Available Techniques Reference Documents) for LCPs (Large Combustion Plants) and waste management.

Organizational control units have been set up which among other things carry out periodic environmental analyses together with regular audits to detect and prevent any conduct that does not comply with the environmental procedures established for all of the Group's operating companies. From the perspective of having a constant evolution of the systems controlling environmental risk, the Group has joined the ARPA (Regional Agency for the Protection of the Environment) Lombardy Project, whose purpose is to improve the efficiency of the system for controlling the more significant emissions, also in the light of technical developments in the sector, by connecting all the Emission Monitoring Systems (SMEs) to a single control center. The A2A Group has taken out insurance cover against damage arising from both accidental and gradual pollution in order to cover any residual environmental risk, meaning against events caused by a sudden and unpredictable fact, and against the environmental damage inherent in continuing operations.

Each year, the Group publishes a Sustainability Report which reports key data and information on the environmental and social aspects connected with the Group's activities. The Sustainability Report conforms to standard GRI-G3.1 issued by the Global Reporting Initiative and since 2010 has been certified by the auditors.

Information technology risks

The activities of the A2A Group are managed through ICT systems which support the main business processes: operational, administrative and commercial. Potential risk factors include the inadequacy, fragmentation of existing platforms of such systems compared to business needs or the failure to keep these updated, possible "downtime" making the systems unavailable and the inadequate handling of the aspects linked to the integrity and confidentiality of information. These risk factors are mitigated by controls governed by the Group Information & Communication Technology (ICT) Organizational Structure.

The process within the Group of integrating and consolidating its ICT systems, determined on the basis of the changes in corporate structures which have taken place in previous years, has led to a number of important objectives being reached. Following the integration of distribution support systems on a single platform, the program for the convergence of the main systems supporting commercial activities has also been completed. In areas where there is still inadequacy fragmentation of systems and platforms used, in consequence of which there

may be inefficiencies in the implementation of business processes such as billing and credit management, it is noted that activities have been started for the definition and subsequent implementation of plans to integrate the platforms used. The Group will continue to develop its information system structure and improve its efficiency by drawing up a dedicated general architectural strategic plan.

The Group, in addition to defining outsourcing contracts for ICT services that envisage clearly defined service level agreements, has a Disaster Recovery procedure that, albeit not fully tested, in case of unavailability of one of the two CEDs (Data Processing Centre), guarantees the partial recovery of data and information relating to business activities on the alternative CED. It is also highlighted that oversights are currently present for availability of suppliers and resources within the Group to deal with logical attacks, virus attacks and system crashes. Further activities were also initiated aimed at increasing the reliability and continuity levels of provision of ICT services, such as the implementation of infrastructure improvement projects of the Brescia CED and assessments regarding the transportation of the current Data Centers. We also note the structuring of the Business Continuity Plan, which aims to be the tool through which the Group is preparing to deal with additional scenarios unavailability of services for areas considered most critical; the definition will be followed by the identification of specific implementation activities, strategies for definition of future outsourcing contracts for support to ICT services such as “Multivendor” and reinsourcing of responsibility in ICT. Considering the importance of the activities that are carried out every day on the Italian Power Exchange, particular attention is given to controlling the systems interfacing with the market. These systems have in fact been duplicated and are subject to specific management and maintenance procedures designed to protect their stability. A specific control was developed in 2012 to support trading activities.

Data confidentiality and security are subject to specific controls by the Group through the use of internal policies and by means of tools to segregate access to information, as well as through specific contractual agreements with any third parties who may have to access the information handled. In order to improve the existing control further, work has begun on checking the alignment between the organizational role model and the segregation of duties technical role model implemented in the systems. Consistent with this work, it is planned to gradually adopt identity management and access control tools designed to ensure increasingly effective control over the processing of data critical for the business. A team has been set up to prevent and monitor any possible hacking into the Group’s information systems and specific applications solutions have been acquired to manage and control information security.

As a control of this specific risk issue the Group carries out annual vulnerability assessments, both internally and externally. Lastly, a multi-year master plan of safety initiatives approved by

Top Management was conducted in 2014 and updated and expanded in 2015, which defines the actions to be taken to gradually improve the maturity level of safety up to making it adequate to the business services provided by the Group. In this regard, specific policies will be prepared on the use of mobile devices, which are increasingly used today for carrying out business activities.

A centralized support plan is also being evaluated for Group ICT, of systems for monitoring, infrastructure control and industrial processes (such as SCADA systems and networks) that, because of a increasingly driven integration with “IT” (Information Technology) systems, are potentially exposed to security and integrity risks.

Health and safety risk

The Group operates in a heterogeneous business environment characterized by a strong technology element and the presence of personnel at its plants and throughout its territory.

Certain Group activities are, by their nature, more exposed to the risk of “typically work-related” accidents linked to the operational services in the territory and the performance of technical services and activities at the plants.

The prevention measures adopted aim for a “zero risk” objective through the Quality, Environment and Safety Policy (which provides for a program to upgrade the personnel safety management system to comply with ISO 14001 and OHSAS 18001 standards), encouraging a constant rise in the level of safety in the workplace. In particular, in this respect, the use of additional models for measuring the Environment, Health and Safety risk at the level of single plant is being started.

A central Prevention and Protection Service has been set up as part of the Quality, Environment and Safety Organizational Structure in order to harmonize the objectives of safety and protection in Group companies and to monitor that these standards are also being followed by contractors at both the prequalification stage and the execution stage at worksites. In this sense, the model for controlling contracts from a health and safety standpoint is currently being developed further.

A gradual enhancement of the organizational control structure is planned, which among other things carries out specific inspections to monitor compliance with legislation as well as personnel update training. In this respect, specific training plans have been established for each business position and responsibility and a start has been made to these training courses.

A project to revise the present organizational model is ongoing based on the establishment of guidelines, methodologies, instruments and controls provided by the Environment, Health

and Safety Organizational Structure and assisted by the support of specific Environment, Health and Safety functions in each company and by the active involvement of the operating structures.

Finally, with the aim of constantly improving control, a process is planned to revise the present model for managing employee health supervision carried out by a team of doctors situated locally who perform regular health personnel assessments. As part of this revision process the Group plans to develop specific analysis and reporting tools regarding the results of the health supervision process.

A plan to refine the system of analyzing and controlling accidents and injuries has begun, in order to support the process of constant improvement in safety matters. This project provides for periodic reporting, which by means of increasingly detailed specific indices and information will provide support for identifying the causes of accidents and injuries and taking corrective and mitigating action.

Further information on the management of health and safety in the workplace may be found in the A2A Group's annual Sustainability Report, together with performance indicators and additional details.

Certification by
the Manager in charge

Certification by the Manager in charge of preparing the corporate accounting documents pursuant to article 154-bis, paragraph 2 of Legislative Decree no. 58/1998

The Executive responsible for drawing up A2A S.p.A. company accounting documents, Andrea Eligio Crenna, declares - in accordance with article 154-bis, paragraph 2 of the Financial Act (TUF) (Legislative Decree 58/1998) - that the accounting information contained in this Interim Report on Operations at March 31, 2016 corresponds to the documentary evidence, books and accounting records.