a2a
SHAPING THE FUTURE TODAY

2016
Half-yearly financial report
June 30, 2016

Contents

3 Corporate boards

Key figures of the A2A Group

6 Business Units
7 Geographical areas of activity
8 Group structure
9 Financial highlights at June 30, 2016
12 Shareholdings
13 A2A S.p.A. on the Stock Exchange

Consolidated results and report on operations

16 Summary of results, assets and liabilities and the financial position
25 Significant events during the period
37 Significant events after June 30, 2016
40 Outlook for operations

Consolidated financial statements

42 Consolidated balance sheet
44 Consolidated income statement
45 Consolidated statement of comprehensive income
46 Consolidated cash-flow statement
48 Statement of changes in Group equity
50 Balance sheet pursuant to Consob Resolution no. 17221 of March 12, 2010
52 Income statement pursuant to Consob Resolution no. 17221 of March 12, 2010

Notes to the Half-yearly financial report

54 General information
55 The Half-yearly financial report
56 Financial statements
57 Basis of preparation
58 Changes in international accounting standards
63 Scope of consolidation
64 Consolidation policies and procedures
71 Seasonal nature of the business
72 Summary of results sector by sector
74 Notes to the balance sheet
100 Net debt
101 Notes to the income statement
111 Earnings per share
112 Note on related party transactions
116 Significant non-recurring events and transactions
117 Guarantees and commitments with third parties
118 Other information

Attachments to the notes to the Half-yearly financial report

164 1. Statement of changes in tangibile assets
166 2. Statement of changes in intangibile assets
168 3. List of companies included in the consolidated financial statements
170 4. List of shareholdings in companies carried at equity
172 5. List of available-for-sale financial assets

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

176 Generation and Trading Business Unit
186 Commercial Business Unit
191 Environment Business Unit
198 Networks and Heat
209 International Business Unit

Scenario and market

212 Macroeconomic scenario
216 Energy market trends

Results sector by sector

220 Results sector by sector
222 Generation and Trading Business Unit
226 Commercial Business Unit
228 Environment Business Unit
231 Networks and Heat Business Unit
235 International Business Unit
238 Other Services and Corporate

Risks and uncertainties

240 Risks and uncertainties

Responsible management for sustainability

258 Human resources and industrial relations
267 Social responsibility and stakeholder relations
270 Environmental responsibility
271 Innovation, development and research

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

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

This is a translation of the Italian original “Relazione finanziaria semestrale al 30 giugno 2016” and has been prepared solely for the convenience of international readers. In the event of any ambiguity the Italian text will prevail. The Italian original is available on the website www.a2a.eu

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

INDEPENDENT AUDITORS

Ernst & Young S.p.A.

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	International	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		

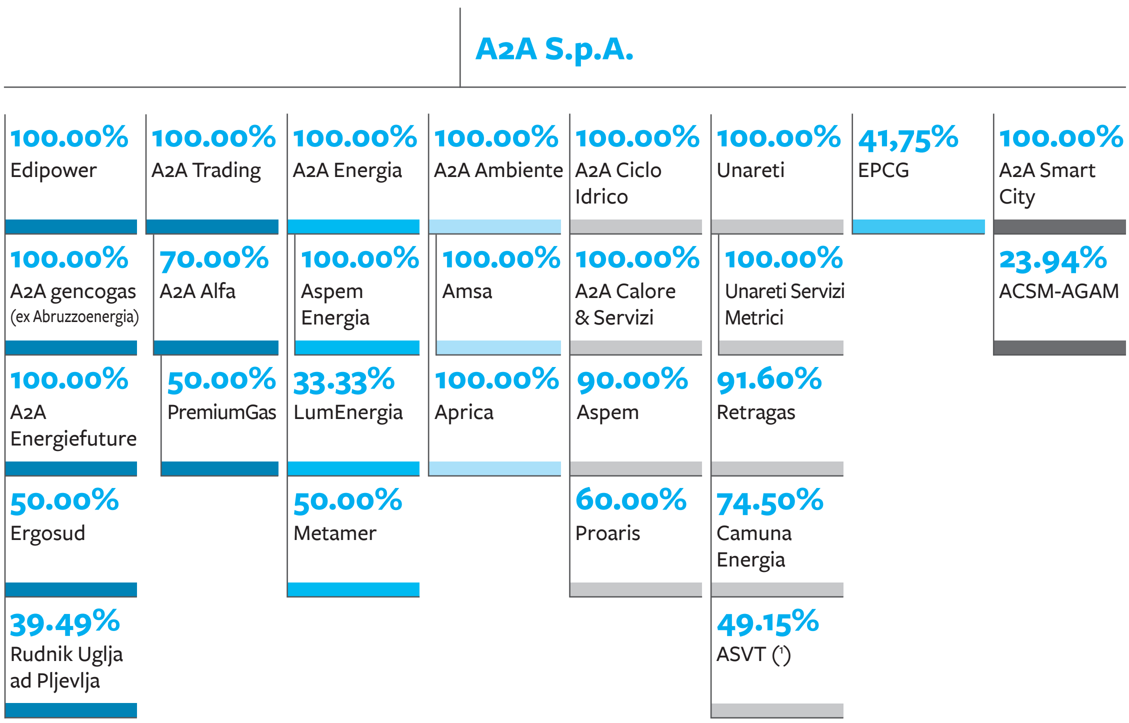
This breakdown into Business Units reflects the organization of financial reports regularly analyzed by management and the Board of Directors in order to manage and plan the Group's business.

Geographical areas of activity

Updated to June 30, 2016

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

Group structure



Business Units

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

(1) Of which 0.38% held through Unareti S.p.A..
This chart shows the most significant shareholdings of the A2A Group.
See attachments 3, 4 and 5 for full details of shareholdings.

Financial highlights at June 30, 2016 (**)

Revenues 2,323 millions of euro

Gross operating income 614 millions of euro

Result of the period 254 millions of euro

Income statement figures

Millions of euro

	01 01 2016 06 30 2016	01 01 2015 06 30 2015
Revenues	**2,323**	**2,467**
Operating expenses	(1,398)	(1,591)
Labour costs	(311)	(314)
Gross operating income - EBITDA	**614**	**562**
Depreciation, amortization, provisions and write-downs	(234)	(248)
Net operating income - EBIT	**380**	**314**
Result from non-recurring transactions	52	(1)
Financial balance	(59)	(74)
Result before taxes	**373**	**239**
Income taxes	(106)	(77)
Net result from discontinued operations	-	-
Minorities	(13)	(10)
Group result of the period	**254**	**152**
Gross operating income/Revenues	**26.4%**	**22.8%**

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

Balance sheet figures *Millions of euro*	**06 30 2016**	**12 31 2015**
Net capital employed	5,958	6,156
Equity attributable to the Group and minorities	3,126	3,259
Consolidated net financial position	(2,832)	(2,897)
Consolidated net financial position/Equity attributable to the Group and minorities	0.91	0.89
Consolidated net financial position / EBITDA Rolling 12 months	2.57	2.80

Financial data *Millions of euro*	**01 01 2016 06 30 2016**	**01 01 2015 06 30 2015**
Net cash flows from operating activities	370	361
Net cash used in investing activities	(163)	(134)
Free cash flow (Cash Flow Statement figure)	207	227

Key indicators	**06 30 2016**	**06 30 2015**
Average 6-month Euribor	(0.126%)	0.093%
Average price of Brent (US$/bbl)	41.0	59.4
Average of the PUN (Single Nationwide Price) Base load (Euro/MWh)	37.0	49.9
Average of the PUN (Single Nationwide Price) Peak load (Euro/MWh)	40.9	54.7
Average price of coal (Euro/tonne)	42.0	53.6
Average price of gas to the PSV (*) (Euro/MWh)	14.6	23.3
Average price of emission certificates EU ETS (**) (Euro/tonn)	5.7	7.2

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

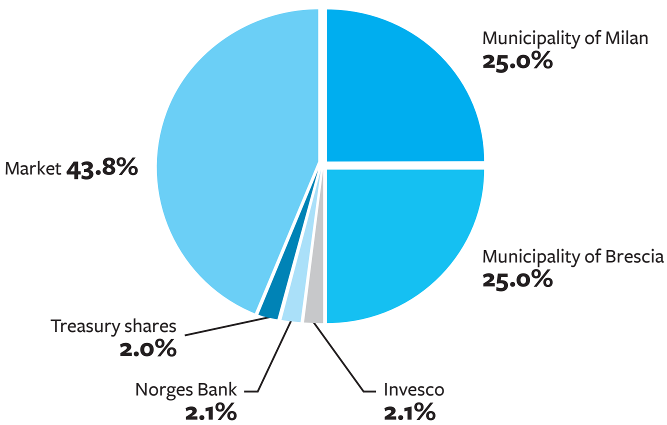
Group's key operational indicators

	06 30 2016	06 30 2015
Electricity sold to wholesale customers (GWh)	3,122	4,373
Electricity sold to retail customers (GWh)	3,989	3,736
Electricity sold on the Power Exchange (GWh)	6,532	5,482
Electricity sold domestic and foreign market (GWh) - EPCG	1,601	1,646
Gas sold to wholesale customers (Mcm)	223	204
Gas sold to retail customers (Mcm)	664	628
Heat sold (GWht)	1,332	1,334
Electricity distributed (GWh)	5,466	5,522
Electricity distributed (GWh) - EPCG	1,044	1,054
Gas distributed (Mcm)	1,039	1,068
Water distributed (Mcm)	31	29
Waste disposed of (Kton)	1,224	1,328

Production Details

	06 30 2016	06 30 2015
Thermoelectric production (GWh)	3,722	3,713
Thermoelectric production (GWh) - EPCG	412	610
Hydroelectric production (GWh)	2,262	2,278
Hydroelectric production (GWh) - EPCG	1,082	884
Heat production (GWht)	1,317	1,337
Electricity produced by cogeneration (GWh)	109	146

Shareholdings (*)



(*) Source CONSOB for stakes higher than 2% (updated at June 30, 2016).

Key figures of A2A S.p.A.

	06 30 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

A2A S.p.A. on the Stock Exchange

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

Market capitalisation at June 30, 2016 (millions of euro)	3,691	
Share capital at June 30, 2016 (shares)	3,132,905,277	
	First half of 2016	**Last 4 quarters**
Average market cap (millions of euro)	3,598	3,668
Average volumes (shares)	13,538,360	13,884,437
Average price (euro per share)	1.15	1.17
Maximum price (euro per share)	1.29	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.

On June 22, 2016 A2A distributed a dividend equal to 0.041 euro per share.

A2A forms part of the following indices

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

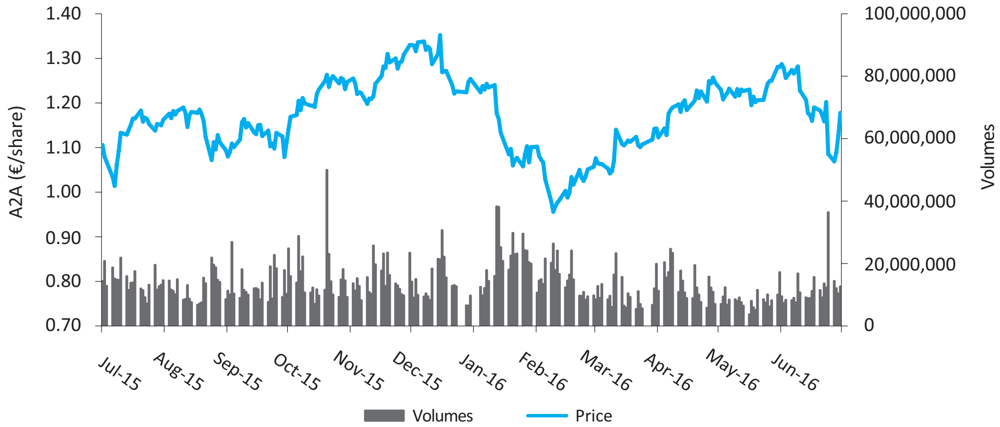
Ethical Indices

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 company information

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

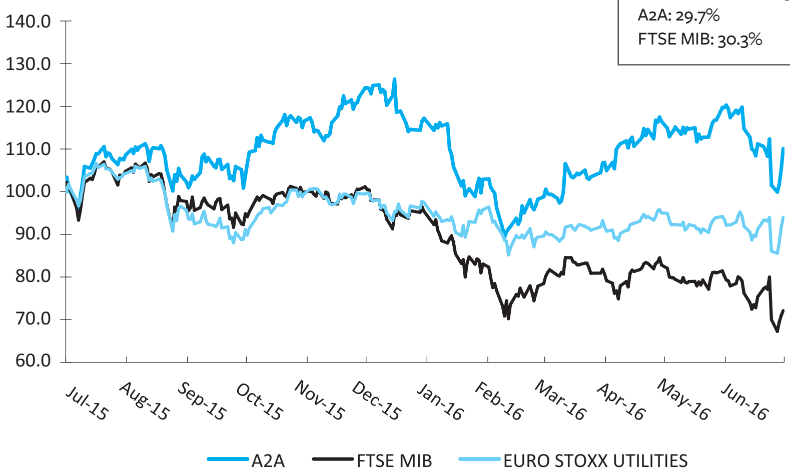
A2A: price and volumes



A2A vs FTSE MIB and EURO STOXX UTILITIES

(Price June 30, 2015 = 100)

Historical volatility in the last 4 quarters
A2A: 29.7%
FTSE MIB: 30.3%



Source: Bloomberg

Rating

		Current
Standard & Poor's	M/L Term Rating	BBB
	Short Term Rating	A-2
	Outlook	Stable
Moody's	M/L Term Rating	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 June 30, 2016 are set out below, with comparative figures for the corresponding period of the previous year:

Millions of euro	01 01 2016 06 30 2016	01 01 2015 06 30 2015	Changes
Revenues	**2,323**	**2,467**	**(144)**
of which:			
- Revenues from the sale of goods and services	*2,180*	*2,377*	*(197)*
- Other operating income	*143*	*90*	*53*
Operating expenses	(1,398)	(1,591)	193
Labour costs	(311)	(314)	3
Gross operating income - EBITDA	**614**	**562**	**52**
Depreciation, amortization and write-downs	(198)	(199)	1
Provisions	(36)	(49)	13
Net operating income - EBIT	**380**	**314**	**66**
Result from non-recurring transactions	**52**	**(1)**	**53**
Net financial charges	(63)	(77)	14
Affiliates	4	3	1
Result from disposal of other shareholdings	-	-	-
Result before taxes	**373**	**239**	**134**
Income taxes	(106)	(77)	(29)
Result after taxes from operating activities	**267**	**162**	**105**
Net result from discontinued operations	-	-	-
Minorities	(13)	(10)	(3)
Group result of the period	**254**	**152**	**102**

In the first half of 2016, "**Revenues**" of the A2A Group, which come to 2,323 million euro, are down 5.8% over the first six months of the previous 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 prices of sale of both gas and electricity recorded on the retail market weighed heavy on the downturn to Group revenues.

"**Gross operating income**" equalled 614 million euro, an increase of 52 million euro compared to the first half of 2015.

The following table highlights the composition by Business Unit:

Millions of euro	06 30 2016	06 30 2015	Delta	Delta %
Generation and Trading	170	192	(22)	(11.5%)
Commercial	73	54	19	35.2%
Environment	119	110	9	8.2%
Networks and Heat	227	183	44	24.0%
International	35	32	3	9.4%
Other Services and Corporate	(10)	(9)	(1)	n.a.
Totale	**614**	**562**	**52**	**9.3%**

The Gross operating income of the Generation and Trading Business Unit amounted to 170 million euro, down 22 million euro over the first six months of the previous year.

As compared with the first half of 2015, the 2016 result benefits from greater non-recurring items of approximately 10 million euro, whilst, for approximately 4 million euro, it suffers the negative effect of the change in perimeter relating to the assignment of the hydroelectric plants of the Udine unit (apart from Ampezzo and Somplago) – known as the "Cellina unit" - to Cellina Energy S.r.l. due to the partial, non-proportional demerger of Edipower S.p.A. which came into effect January 1st, 2016. Net of these non-recurring items, the Gross operating income of the Generation and Trading Business Unit was down by about 28 million euro. This decrease is mainly attributable to the exit of the thermoelectric plant of San Filippo del Mela from the essentiality regime at the end of May 2016, to the gas segment, affected by the negative performance of the energy scenario and the lower margin achieved on the activities of the Trading portfolio, due to the compression of spreads with foreign countries and the absence of some opportunities on the environmental certificates market (such as the conclusion of the Green Certificates mechanism).

Instead, said dynamics were partially offset by the good performance recorded in the environmental certificates market, as well as the results of gas combined-cycle plants, which benefited from increased activity in secondary markets and offset the sharp drop in sales prices of hydroelectric plants, as well as the decline in spreads of the coal plant in Monfalcone.

The Gross operating income of the Commercial Business Unit equalled 73 million euro, up by 19 million euro compared to the first half of 2015.

Net of the positive items of non-recurring income noted during the first six months of 2016, approximately 6 million euro, the Gross operating income for the Business Unit is up 13 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.

The Gross operating income of the Environment Business Unit amounted to 119 million euro, up by 9 million euro compared to the same period of the previous year.

Net of the non-recurring items that characterized the two periods being compared (respectively positive non-recurring items equal to 8 million euro in 2016 and 2 million euro in 2015), the Gross operating income of the Business Unit was up by 3 million euro compared to the first six months of 2015.

The following contributed to the half year's increase in results:

- the increased margins of the collection segment following greater quantities collected, the higher number of inhabitants served, as well as greater proceeds deriving from the sale of after-treatment paper;
- the good performance of the Group's waste-to-energy plants, deriving mainly from higher production of heat (following greater demand in the district heating sector) and equivalent electricity (above all following the stoppage of the turbine in the first half of 2015 carried out by the waste-to-energy plant in Brescia), the reduction of costs for the disposal of slag from the waste-to-energy plants, as well as the increase in prices for disposing of waste deemed similar to urban waste;
- the start of disposal processes at the new landfill in Giussago from January 2016.

This trend was partially offset by a negative price effect (albeit mitigated by forward sales) attributable to the sale of electricity and heat produced by the Group's waste-to-energy plants, as well as the reduction in the quantities disposed of at the landfill of inert waste of Corteolona (by May 2015) and the landfills of Cavaglià and Montichiari.

The Gross operating income of the Networks and Heat Business Unit amounted to 227 million euro, an increase of 44 million euro compared to the first six months of 2015.

However, it is noted that said growth is attributable mainly to the recognition of non-recurring revenue items for the water cycle and relating to the years 2007-2011.

Net of said positive non-recurring items recorded in the two comparison periods (respectively around 51 million euro in the first half of 2016 and around 2 million euro in the first half of the previous year), the Gross operating income of the Business Unit was down by around 4 million euro compared to the first half of the previous year.

This performance is essentially due to:

- greater revenues pertaining to the year 2016 relating to the aqueduct, purification and sewage service for approximately 4 million euro, following the tariff increases acknowledged by AEEGSI (new regulator for the activity in question from 2016) and higher quantities distributed during the period examined;
- lower revenues admitted and expected for the distribution of electricity and gas for around 12 million euro overall mainly attributable, in the distribution of gas, to the updating from 2016 of the WACC (Weighted Average Cost of Capital) by AEEGSI and, in the distribution of electricity, to the change of the regulatory period, the updating of the aforementioned WACC, and lower revenues from connections and services;
- lower margins related to district heating and heat management activities for around 6 million euro predominately attributable to the reduction of unitary sales prices of heat, as well as lower revenues recorded in the environmental certificates market;
- lower fixed costs for the entire Networks and Heat Business Unit for approximately 10 million euro deriving partly from the Group's current operative efficiency plan and partly from higher capitalization.

The margins relating to public lighting activities were instead overall in line with those of the first half of the previous year.

The Gross operating income of the International Business Unit equalled 35 million euro, an increase of 3 million euro compared to the same period of the previous year. This trend is mainly due to recovery of the margin in the energy sector in the second quarter of the year thanks to the greater quantities of electricity exported and at the same time a reduction in the quantities imported, as well as the further improvement of the distribution sector's performance mainly due to lower operating costs.

"**Amortization, depreciation, provisions and write-downs**" amounted to a total of 234 million euro (248 million euro at June 30, 2015) and include amortization and depreciation of intangible and tangible assets for 197 million euro (199 million euro at June 30, 2015), write-downs of fixed assets for 1 million euro (no value at June 30, 2015) and net provisions for 36 million euro (49 million euro at June 30, 2015).

"Depreciation, amortization and write-downs" totalled 198 million euro (199 million euro at June 30, 2015), representing an overall decrease of 1 million euro.

The amortization of intangible assets decreased by 7 million euro mainly following 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.

Depreciation of tangible assets show an increase of 5 million euro compared to June 30, 2015 attributable to:

- higher depreciation of 8 million euro, relating to the investments which went into production after the first half of 2015;
- higher depreciation of 7 million euro, relating to the increase in assets related to the recognition, at the end of the previous year, of the decommissioning fund for the safety of the plants;
- lower depreciation of 5 million euro, resulting in write-downs of assets at December 31, 2015 and the review of the useful lives of some plants at the end of the previous year;
- lower depreciation of 5 million euro, resulting from the change in scope following the assignment to Cellina Energy S.r.l. of the "Cellina Unit" due to the partial, non-proportional demerger of Edipower S.p.A., which came into effect January 1st, 2016.

Write-downs of tangible assets amounted to 1 million euro and refer to the increase in the decommissioning fund of a plant fully written down in prior years.

"Provisions for risks" amount to 29 million euro (40 million euro at June 30, 2015) and were made to cover ongoing disputes and pending lawsuits, for 48 million euro, the effect of which was partially offset by the release of risk provisions set aside in previous years for 19 million euro. The "Bad debt provision" amounted to 7 million euro (9 million euro at June 30, 2015).

As a result of these changes, "**Net operating income**" reached 380 million euro (314 million euro at June 30, 2015), an increase of 66 million euro over the previous year.

The "**Result from non-recurring transactions**" was positive for 52 million euro (negative for 1 million euro at June 30, 2015) and is related to the assignment to Cellina Energy S.r.l. of the "Cellina Unit" due to the partial, non-proportional demerger of Edipower S.p.A., which came into effect January 1, 2016.

“**Net financial charges**” equalled 63 million euro (77 million euro at June 30, 2015). The decrease compared to the corresponding period of the previous year, of about 14 million euro, was mainly due to the positive change of realized and fair values of contracts on financial derivatives (negative for 8 million in June 2015; negative for 3 million euro in June 2016) and lower net financial expenses for 8 million euro, deriving from the reduction in average debt and the effects of the financial strategy actions implemented by the Group.

The “**Affiliates**” was positive for 4 million euro (positive for 3 million euro at June 30, 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 106 million euro (77 million euro at June 30, 2015).

The “**Group result of the period**”, after the minorities were deducted, was positive and amounted to 254 million euro (positive for 152 million euro at June 30, 2015).

Balance sheet and financial position

Consolidated "**Capital employed**" at June 30, 2016 amounted to 5,958 million euro and is covered by the net equity for 3,126 million euro and the financial position for 2,832 million euro. The Capital employed includes Assets/Liabilities held for sale for 3 million euro.

The "**Working capital**" amounts to 232 million euro, up by 52 million euro compared to December 31, 2015 mainly as a result of the increase in trade receivables and other current assets, the decrease in trade payables and other current liabilities partly offset by lower inventories.

The "**Net fixed capital**" amounted to 5,723 million euro, a reduction of 106 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 3 million euro, down by 144 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..

The "**Net financial position**" came in at 2,832 million euro (2,897 million euro at December 31, 2015) following the positive cash generation from operations that enabled an improvement of 65 million euro despite the payment of the dividend for 126 million euro, investments in tangible and intangible assets for 129 million euro and the payment of 38.5 million euro in favour of Cellina Energy S.r.l. (following the partial, non-proportional demerger of Edipower S.p.A.) and the purchase of treasury shares for 37 million euro.

Millions of euro	06 30 2016	12 31 2015	Changes
CAPITAL EMPLOYED			
Net fixed capital	**5,723**	**5,829**	**(106)**
- Tangible assets	5,013	5,067	(54)
- Intangible assets	1,347	1,348	(1)
- Shareholdings and other non-current financial assets (*)	80	80	-
- Other non-current assets/liabilities (*)	(64)	(66)	2
- Deferred tax assets/liabilities	285	308	(23)
- Provisions for risks, charges and liabilities for landfills	(590)	(576)	(14)
- Employee benefits	(348)	(332)	(16)
of which with counter-entry to equity	*(166)*	*(143)*	
Working capital	**232**	**180**	**52**
- Inventories	142	184	(42)
- Trade receivables and other current assets (*)	1,749	1,652	97
- Trade payables and other current liabilities (*)	(1,611)	(1,684)	73
- Current tax assets/tax liabilities	(48)	28	(76)
of which with counter-entry to equity	*(40)*	*(37)*	
Assets/liabilities held for sale (*)	**3**	**147**	**(144)**
of which with counter-entry to equity	-	-	
TOTAL CAPITAL EMPLOYED	**5,958**	**6,156**	**(198)**
SOURCES OF FUNDS			
Equity	**3,126**	**3,259**	**(133)**
Total financial position beyond one year	3,000	3,059	(59)
Total financial position within one year	(168)	(162)	(6)
Total net financial position	**2,832**	**2,897**	**(65)**
of which with counter-entry to equity	-	*27*	-
TOTAL SOURCES	**5,958**	**6,156**	**(198)**

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

Millions of euro	01 01 2016 06 30 2016	01 01 2015 06 30 2015
NET FINANCIAL POSITION AT THE BEGINNING OF THE PERIOD	**(2,897)**	**(3,363)**
Edipower demerger in favour of Cellina Energy	(38)	-
Net result (**)	215	162
Depreciation and amortization	197	199
Write-downs/disposals of tangible and intangible assets	4	2
Affiliates	(4)	(3)
Net taxes paid	(7)	(8)
Changes in assets and liabilities (*)	(35)	9
Net cash flows from operating activities	**370**	**361**
Investments in tangible and intangible assets	(129)	(133)
Investments in shareholdings and securities	-	(2)
Disposal of fixed assets and shareholdings	2	-
Dividends received from shareholdings	1	1
Purchase of treasury shares	(37)	-
Net cash flows from investment activities	**(163)**	**(134)**
Free cash flow	**207**	**227**
Dividends paid by the parent company	(126)	(113)
Dividends paid by the subsidiaries	(5)	(5)
Cash flow from the distribution of dividends	**(131)**	**(118)**
Changes in financial assets/liabilities with counter-entry to equity	27	14
NET FINANCIAL POSITION AT THE END OF THE PERIOD	**(2,832)**	**(3,240)**

(*) 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 demerger deed 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.
This operation led to a capital gain of 52 million euro for the Group.

Following this transaction, the share capital of Edipower S.p.A. is entirely held by A2A S.p.A..
The transaction is consistent with the objectives of the Business Plan of A2A as part of thermoelectric generation, which envisage simplified ownership, streamlining and reduction in operating costs and consolidation opportunities.

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 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 are 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 structure simplification 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 1, 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.

The transaction did not result in changes in the scope of consolidation or impacts on the economic and asset values of the consolidated financial statements.

A2A S.p.A.: agreement 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%. The closing of the transaction, initially expected by the end of June 2016, subject to the satisfaction of certain conditions, including obtaining the approval by the Competition and Market Authority, on July 8, 2016 was subject to an extension until September 30, 2016, agreed between A2A S.p.A. and the shareholders of LGH, for the occurrence of the precedent conditions. This extension also allows carrying out the activities needed to complete the investigation initiated on May 18 by the Competition and Market Authority, in accordance with article 16, paragraph 4, of Law no. 287/90, in respect of the concentration operation notified by A2A on April 18 for the acquisition of 51% of the capital of LGH, as due in corporate transactions of this size. The investigation aims to evaluate possible competitive impacts in specific areas of activities of the two companies.

It is noted that 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.

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 scheme 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.

Aprica S.p.A.: acquired the majority of LA BI.CO DUE S.r.l.

The A2A Group, through its subsidiary Aprica S.p.A., signed on April 20, 2016, the deed of purchase of a majority shareholding of 64% of the company LA BI.CO DUE S.r.l., with an option exercisable by 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 valorisation of products from differentiated collection.

This acquisition will also allow creating operational and logistical synergies for urban hygiene activities currently managed by the companies of the Environment Business Unit 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, Unareti S.p.A. (formerly A2A Reti Elettriche S.p.A.), have provided in favour of EPCG services designed to improve the organization and performance of EPCG. 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 Unareti S.p.A. (formerly A2A Reti Elettriche 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 Attorney. 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.

On May 6, 2016, the former CFO appointed by A2A in EPCG, was released on payment of a bail deposit and withdrawal of the passport.

Shareholders' agreement between the Municipality of Milan and the Municipality of Brescia

On May 20, 2015, the Municipalities of Milan and Brescia, with reference to the Shareholders' Agreement entered into on December 30, 2013, concerning 1,566,452,642 ordinary shares representing 50% plus two shares in the share capital of A2A S.p.A., proceeded to sign an appendix to the Agreement, amending a provision of the agreement, and which envisages that the term of six months before the expiry of the agreement by which it is possible to cancel it, is replaced with a term of three months, without any other amendments to other provisions of the Shareholders' Agreement, the duration of which remains unchanged at December 31, 2016.

District heating in the Municipality of Brescia: exceeded 42 million cubic meters served

The Municipality of Brescia has achieved national leadership in district heating distribution, with an overall extension of more than 650 kilometres of double piping and a volume of connected buildings that has exceeded 42 million cubic meters, covering the needs of 70% of the city. In addition to the heat recovered from the waste-to-energy plant and the Lamarmora cogeneration plant, as well as the disbursement in case of back-up by the North plant, since October 2015, thanks to the "Calore in rete" project, is the heat recovered from the steel mill Ori Martin, which would otherwise be released into the environment.

The district heating system avoids annually the emission of over 400 thousand tonnes of carbon dioxide and consumption of over 150 thousand tons of oil equivalent.

Municipality Brescia: "*Smart Living*" project

Smart Living is a research and innovation project with high-technological content, promoted by A2A with the Municipality of Brescia and Università degli Studi of Brescia and is designed to test an innovative model for the management of energy and services aimed at all citizens with special attention to the weaker ones.

The project is currently being tested at a thousand families residing in the city of Brescia and, if it confirms expectations, in the coming years, it will become a model through which to improve the city of Brescia in key sectors such as energy consumption, intelligent public lighting, the analysis of air and noise quality and waste collection.

A2A S.p.A.: resolutions of the ordinary and extraordinary Shareholders' Meeting

The ordinary and extraordinary Shareholders' Meeting A2A S.p.A. met on June 7, 2016 and:
- approved the company's financial statements for the year 2015;
- approved the proposal formulated by the Board of Directors to cover the loss for the year at December 31, 2015, amounting to 73,487,107 euro by withdrawing the same amount of available reserves in "moderate" tax suspension as per Law no. 342/2000 and to permanently reduce said reserves from 198,270,129 euro to 124,783,022 euro;
- approved the proposal formulated by the Board of Directors for distribution of a dividend of 0.041 euro per ordinary share - withdrawing the amount from Other Reserves available - to be paid June 22, 2016 (ex-dividend no. 19 on June 20, 2016) and record date June 21, 2016;
- approved the 2015 Sustainability Report;
- approved the draft merger by incorporation of the subsidiaries A2A Trading S.r.l. and Edipower S.p.A. in A2A S.p.A.;
- voted in favour of the first part of the 2016 Remuneration Report;
- approved the proposal formulated by the Board of Directors to adjust the remuneration of the Board of Auditors with the provision of an additional 10,000 euro per year for each Statutory Auditor and additional 30,000 euro per year for the Chair of the Board of Auditors;
- authorized – subject to revocation of the resolution authorizing the purchase and disposal of treasury shares adopted by the ordinary Meeting of June 11, 2015, to the extent not

already used – the Administrative Body to carry out transactions for the purchase and disposal of treasury shares, according to the purposes, procedures and terms indicated below:

1) the maximum number of treasury shares that may be held is 313,290,527, taking into account the shares already held by A2A S.p.A. and its subsidiaries, being one tenth of the shares making up the share capital;
2) transactions involving the purchase and sale of treasury shares will be carried out to pursue, in the interests of the company and in accordance with the principle of equal treatment of shareholders and the relevant regulations, development purposes such as the transactions related to business projects in accordance with the strategic lines that the company intends to pursue, in relation to which the opportunity of stock exchange is realized;
3) the purchase and sale of shares shall be made in accordance with art. 132 of Legislative Decree 58/1998 as amended, art. 144-*bis* of the Issuers' Regulation and any other EU and national provision applicable in the Stock Exchange - including the Regulation and Instructions of the Italian Stock Exchange - according to the operating procedures indicated by current legislation and therefore, pursuant to article 144-*bis*, paragraph 1, lett. b) of the Issuers' Regulation, on regulated markets according to operating procedures established in the organization and management regulations of the markets. Said operating procedures may not allow the direct matching of purchasing negotiation proposals with predetermined selling negotiation proposals and purchases shall be made at a price not exceeding 5% and not less than 5% of the reference price recorded by the security in the stock exchange session preceding each individual transaction. These parameters are considered adequate to identify the range of values within which the purchase is of interest for the company.

A2A Ambiente S.p.A.: start of the urban restyling program "Puliamo Brescia"

The Municipality of Brescia, through A2A Ambiente S.p.A., initiated "Puliamo Brescia", a program to improve the façades of some public buildings. The interventions will ensure the restoration of the original conditions of the buildings involved, helping to improve the visual perception of the city.

The service, using the most advanced technologies in the sector, is able to solve any kind of problem with environmentally friendly solutions, thanks to anti-smog materials, while offering the city a valuable tool for the aesthetic recovery of the defaced surfaces. Subsequently, the electrical substations of the A2A Group, particularly impacted by illegal billboards and often defaced by graffiti will be repainted. “Puliamo Brescia” is ideally continuing the “Pronto graffiti” service, activated by Aprica S.p.A. in 2010, which led to 30 interventions on public spaces, 75 on private buildings, which have resulted in the complete clean-up of 12 thousand square meters of marble surfaces, 14 thousand square meters of plastered surfaces and 1,500 square meters of other surfaces.

A2A S.p.A. and Gruppo Brescia Mobilità: agreement on environmental sustainability

On June 24, 2016, A2A S.p.A. and the Brescia Mobilità Group signed a memorandum of understanding that will involve actions and projects resulting from joint collaboration regarding the Municipality of Brescia, the quality of life of its citizens, the sustainable development of its territory.

The first four common areas of action have already been identified and have created working groups called to translate them into concrete actions in favour of the community: the school and educational projects for young people; the environment and mobility; initiatives of listening, dialogue and discussion with stakeholders; the smart city.

A2A S.p.A.: start of the “*Smart Working*” project

On June 27, 2016, the *Smart Working* project was initiated at the A2A Group; it is the innovative way of working that allows, for one day a week, to work from home or from a place other than the office using the business tools necessary to carry out the work.

Thanks to a union agreement signed recently, the perimeter of the Group companies and the number of people involved in the pilot project were defined; the project is reserved for employees that have had a permanent employment contract for at least one year.

Under this initiative, around 300 employees of A2A S.p.A. and A2A Energia S.p.A., located in 18 of the Group’s offices, may experience for six months this new work system that combines flexibility and innovation. The first months of the *Smart Working* project will be fundamental to enable the Group to assess the positive aspects and possible areas for improvement, and to consider the possibility of extending this way of working also to other areas in the future.

The A2A Group and the Magaldi Group have inaugurated in Sicily the first thermodynamic solar plant “STEM” in the world

On June 30, 2016, at the Integrated Energy Centre of A2A in San Filippo del Mela, was the inauguration of the first thermodynamic solar plant built in the world - STEM - Magaldi.

STEM is an innovative, thermodynamic solar technology patented and produced by the Magaldi Group; a qualifying element of the state-of-the-art system is the use of sand, as means of accumulation of thermal energy generated by solar radiation, with the technology of fluidized beds, which guarantees the continuous operation of the plant in the absence of irradiation, at night or in the presence of a cloudy sky in accordance with the required load curve.

The innovative STEM technology is characterized by the echo compatibility of materials used such glass for the mirrors, steel for structures and sand and does not provide for the use of diathermic oils or molten salts.

The Integrated Energy Centre envisages, in addition to the STEM, a photovoltaic plant, an anaerobic digestion plant with production of biomethane, and a plant for the production of energy from Secondary Solid Fuel (CSS), for which the authorization process has been initiated at the competent entities. Efficient structures, designed with innovative technologies, which allow producing energy from renewable sources, with positive results also on the quality of life of the community.

Significant events after June 30, 2016

Ciclo idrico: approval of adjustment tariff items of previous years

With Resolution no. 16/2016, the Board of Directors of the Ambit Government Entity for Brescia approved the adjustment tariff items for A2A Ciclo Idrico S.p.A., pursuant to Resolution no. 643/2013/R/idr of the Italian Regulatory Authority for Electricity, Gas and the Water System.

The recovery of these adjustment items relates to the period 2007-2011 and amounts to 10 million euro/year for 5 years. Therefore, the first half of 2016 benefits from 51.4 million euro of revenues that will be invoiced to customers as of July 2016.

In compliance with the Business Plan of the A2A Group, these amounts will be reinvested in the creation of infrastructure for the integrated water service in the province of Brescia.

A2A Ambiente S.p.A.: acquisition of the Rieco-Resmal Group

On July 20, A2A Ambiente acquired the Rieco-Resmal Group, operating in the collection, selection and treatment of special, non-hazardous waste such as plastic, biomass and, in particular, waste paper, with 5 production facilities in the Milan area and a treatment capacity of around 400 thousand tonnes/year. The operation will also enable industrial synergies by means of the integration of treatment capacity (+30% increase in capacity in the business segment) and the diversification of the customer base.

Rieco-Resmal Group 2015 pro-forma consolidated revenues totalled approximately 37 million euro, with an EBITDA of approximately 5 million euro. The Enterprise Value of the transaction is approximately 25 million euro.

Competition Authority has authorized A2A to acquire Linea Group Holding

On July 28, the Competition Authority and the Market (AGCM) approved the controlling acquisition of LGH by A2A, conditioning it to the adoption by A2A of some corrective measures, pursuant to art. 6 paragraph 2 of Law no. 287/90.

The decision was made at the conclusion of a preliminary investigation initiated on May 18, in light of which the Competition Authority estimated that the deal could have strengthened the dominant position held by A2A in the Lombard market for the treatment of non-differentiated municipal waste.

While not agreeing with said assessment, A2A decided to propose corrective measures, which the Competition Authority judged suitable to sterilize the detrimental effects that the Transaction would have produced on the Lombard market for the treatment of non-differentiated municipal waste.

The measures are both structural or para-structural:

- sale of a biological mechanical treatment plant (MBT), in Montanaso Lombardo (LO), with a treatment capacity of 75,000 tonnes;
- provision to third parties, for five years, of processing capacity for 125,000 tonnes of non-differentiated municipal waste, under favourable economic conditions, at one or more of the plants that A2A will have post-merger in the provinces of Pavia, Milan and possibly Brescia;

and behavioural:

- provision of the treatment capacity of its plants to successful bidders of tenders for the management of municipal waste, applying to said bidders – if said tenders shall involve the participation also of a company of the A2A Group – the same tariffs charged to its subsidiaries;
- application by A2A of contribution fees to the two treatment plants of Parona and Corteolona not exceeding the tariff established by the Province in 2015.

According to the Competition Authority, the structural measures will be able to compensate for the capacity increase effect of A2A from the acquisition of LGH, while the behavioural commitments will resolve the concerns about the proper unfolding of the competitive dynamics in the collection market as a result of the Transaction, ensuring access and equal treatment to subsequent plants to all operators potentially interested in providing their services in competition with A2A.

The behavioural measures imposed on A2A will be effective immediately after the closing of the transaction; the structural measures will be implemented according to a predefined schedule, which will be subject to close monitoring by the Authority.

New Shareholders' Agreements approved between the State of Montenegro and the A2A Group

The A2A Group and the State of Montenegro reached an agreement for the signing of the new Shareholders' Agreements for the management of the Montenegrin company EPCG.

On July 29, 2016, the Parliament of Montenegro approved the new Shareholders' Agreements between the State of Montenegro and A2A for the management of the energy company EPCG, with duration until December 31, 2016.

The main points of these new agreements are maintaining the current management rights of A2A in EPCG, with the appointment of the key managerial figures by A2A and the definition of some reserved matters on important topics for the corporate life of EPCG, the possibility to exercise an option to sell the entire shareholding of A2A to the State of Montenegro, for a value of 250 million euro, upon expiration of the agreements and exercisable by March 31, 2017, and no opposition by A2A to the construction project of the new thermoelectric plant in Pljevlja.

The negotiations that led to the definition of these new agreements were conducted transparently in order to reach consensus and protecting the interests of all parties involved.

Outlook for operations

The energy scenario continues to be characterised by great volatility and a commodity price level that is below last year's and - despite the recovery having started in April/May - still below the levels forecast in the 2016-2020 Strategic Plan. The company on the other hand continues to be in line with or ahead of the many operating objectives contained in the same Plan and referred to all BU, and it is therefore confident of achieving the challenging results set. The financial year 2016, thanks to the energy production coverage in place (amounting to around 80% in the second half of the year) which will ensure at least partial indifference to the changes in market prices and the good results achieved in the first half, is expected to close with improved economic-financial results with respect to both the financial year 2015 and the forecast.

Consolidated financial statements

Consolidated balance sheet (1)

Assets

Millions of euro	Note	06 30 2016	12 31 2015	06 30 2015
NON-CURRENT ASSETS				
Tangible assets	1	5,013	5,067	5,561
Intangible assets	2	1,347	1,348	1,303
Shareholdings carried according to equity method	3	72	68	74
Other non-current financial assets	3	71	69	70
Deferred tax assets	4	285	308	302
Other non-current assets	5	24	6	40
Total non-current assets		**6,812**	**6,866**	**7,350**
CURRENT ASSETS				
Inventories	6	142	184	207
Trade receivables	7	1,482	1,485	1,400
Other current assets	8	283	183	233
Current financial assets	9	181	171	150
Current tax assets	10	69	71	62
Cash and cash equivalents	11	633	636	410
Total current assets		**2,790**	**2,730**	**2,462**
NON-CURRENT ASSETS HELD FOR SALE	12	**3**	**205**	**-**
TOTAL ASSETS		**9,605**	**9,801**	**9,812**

(1) As required by Consob Resolution no. 17221 of March 12, 2010 the effects of related party transactions on the consolidated financial statements are highlighted in the specific statements and commented upon in Note 39.
The effects of significant non-recurring events and transactions on the consolidated financial statements are presented in Note 40 as required by Consob Communication no. DEM/6064293 of July 28, 2006.

Equity and liabilities

Millions of euro	Note	06 30 2016	12 31 2015	06 30 2015
EQUITY				
Share capital	13	1,629	1,629	1,629
(Treasury shares)	14	(98)	(61)	(61)
Reserves	15	916	1,005	937
Result of the year	16	-	73	-
Result of the period	16	254	-	152
Equity pertaining to the Group		**2,701**	**2,646**	**2,657**
Minority interests	17	425	613	586
Total equity		**3,126**	**3,259**	**3,243**
LIABILITIES				
Non-current liabilities				
Non-current financial liabilities	18	3,063	3,089	3,751
Employee benefits	19	348	332	336
Provisions for risks, charges and liabilities for landfills	20	590	576	525
Other non-current liabilities	21	88	99	351
Total non-current liabilities		**4,089**	**4,096**	**4,963**
Current liabilities				
Trade payables	22	1,054	1,170	1,001
Other current liabilities	22	561	521	471
Current financial liabilities	23	658	692	93
Tax liabilities	24	117	43	41
Total current liabilities		**2,390**	**2,426**	**1,606**
Total liabilities		**6,479**	**6,522**	**6,569**
LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	25	**-**	**20**	**-**
TOTAL EQUITY AND LIABILITIES		**9,605**	**9,801**	**9,812**

Consolidated income statement ([1])

Millions of euro	Note	01 01 2016 06 30 2016	01 01 2015 06 30 2015	01 01 2015 12 31 2015
Revenues				
Revenues from the sale of goods and services		2,180	2,377	4,732
Other operating income		143	90	189
Total revenues	**27**	**2,323**	**2,467**	**4,921**
Operating expenses				
Expenses for raw materials and services		1,289	1,466	2,992
Other operating expenses		109	125	252
Total operating expenses	**28**	**1,398**	**1,591**	**3,244**
Labour costs	**29**	**311**	**314**	**629**
Gross operating income - EBITDA	**30**	**614**	**562**	**1,048**
Depreciation, amortization, provisions and write-downs	**31**	**234**	**248**	**833**
Net operating income - EBIT	**32**	**380**	**314**	**215**
Result from non-recurring transactions	**33**	**52**	**(1)**	**(1)**
Financial balance				
Financial income		12	11	28
Financial expenses		75	88	162
Affiliates		4	3	(4)
Result from disposal of other shareholdings (AFS)		-	-	-
Total financial balance	**34**	**(59)**	**(74)**	**(138)**
Result before taxes		**373**	**239**	**76**
Income taxes	**35**	**106**	**77**	**133**
Result after taxes from operating activities		**267**	**162**	**(57)**
Net result from discontinued operations		**-**	**-**	**-**
Net result		**267**	**162**	**(57)**
Minorities	**36**	**(13)**	**(10)**	**130**
Group result of the period/year	**37**	**254**	**152**	**73**
Result per share (in euro):				
- basic		0.0825	0.0489	0.0234
- basic from continuing operations		0.0824	0.0489	0.0234
- diluted		0.0825	0.0489	0.0234
- diluted from continuing operations		0.0824	0.0489	0.0234

(1) As required by Consob Resolution no. 17221 of March 12, 2010 the effects of related party transactions on the consolidated financial statements are highlighted in the specific statements and commented upon in Note 39.
The effects of significant non-recurring events and transactions on the consolidated financial statements are presented in Note 40 as required by Consob Communication no. DEM/6064293 of July 28, 2006.

Consolidated statement of comprehensive income

Millions of euro	06 30 2016	06 30 2015	12 31 2015
Net result of the year (A)	**-**	**-**	**(57)**
Net result of the period (A)	**267**	**162**	**-**
Actuarial gains/(losses) on Employee's Benefits booked in the Net equity	(24)	22	17
Tax effect of other actuarial gains/(losses)	7	(4)	(3)
Total actuarial gains/(losses) net of the tax effect (B)	**(17)**	**18**	**14**
Effective part of gains/(losses) on cash flow hedges	25	30	35
Tax effect of other gains/(losses)	(6)	(9)	(9)
Total other gains/(losses) net of the tax effect of companies consolidated on a line-by-line basis (C)	**19**	**21**	**26**
Other gains/(losses) of companies valued at equity net of the tax effect (D)	**-**	**-**	**-**
Total comprehensive result (A) + (B) + (C) + (D)	**269**	**201**	**(17)**
Total comprehensive result of the period/year attributable to:			
Shareholders of the parent company	**256**	**191**	**113**
Minority interests	**13**	**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		**06 30 2016**		**12 31 2015**		**06 30 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 (**)		215		(57)		162
Tangible assets depreciation		173		341		168
Intangible assets amortization		24		54		31
Fixed assets write-downs/disposals		4		364		2
Result from affiliates		(4)		4		(3)
Net taxes paid (*a*)	*(7)*		*(59)*		*(8)*	
Gross change in assets and liabilities (*b*)	*(35)*		*249*		*9*	
Total change of assets and liabilities (*a+b*) (*)		(42)		190		1
Cash flow from operating activities		**370**		**896**		**361**
Investment activities						
Investments in tangible assets		(89)		(253)		(102)
Investments in intangible assets and goodwill		(40)		(88)		(31)
Investments in shareholdings and securities (*)		-		(4)		(2)
Disposal of fixed assets and shareholdings		2		7		-
Dividends received		1		2		1
Purchase/disposal of own shares		(37)		-		-
Cash flow from investment activities		**(163)**		**(336)**		**(134)**

(*) Cleared of balances in return of shareholders' equity and other balance sheet items.
(**) Net Result is exposed net of gains on shareholdings', fixed assets' disposals and from discontinued operations (equal to 52 millions of euro - item "Result from non-recurring transactions" of Consolidated Income Statement).

Millions of euro	06 30 2016	12 31 2015	06 30 2015
Free cash flow	**207**	**560**	**227**
Financing activities			
Change in financial assets (*)	18	(88)	(35)
Change in financial liabilities (*)	(5)	(133)	(142)
Net financial interests paid	(54)	(129)	(66)
Dividends paid by the parent company	(126)	(113)	(113)
Dividends paid by the subsidiaries	(5)	(5)	(5)
Cash flow from financing activities	**(172)**	**(468)**	**(361)**
CHANGE IN CASH AND CASH EQUIVALENTS	**35**	**92**	**(134)**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD/YEAR	**633**	**636**	**410**

Statement of changes in Group equity

Description *Millions of euro*	**Share Capital** **Note 13**	**Treasury Shares** **Note 14**	**Cash Flow Hedge** **Note 15**
Net equity at December 31, 2014	**1,629**	**(61)**	**(51)**
Changes of the first half of 2015			
2014 result allocation			
Distribution of dividends			
IAS 19 reserve (*)			
IAS 32 and IAS 39 reserves (*)			21
Put option on Aspem S.p.A. shares			
Other changes			
Group and minorities result of the period (*)			
Net equity at June 30, 2015	**1,629**	**(61)**	**(30)**
Changes of the second half of 2015			
IAS 19 reserve (*)			
IAS 32 and IAS 39 reserves (*)			5
Other changes			
Group and minorities result of the period (*)			
Net equity at December 31, 2015	**1,629**	**(61)**	**(25)**
Changes of the first half of 2016			
2015 result allocation			
Purchase of own shares		(37)	
Distribution of dividends			
IAS 19 reserve (*)			
IAS 32 and IAS 39 reserves (*)			19
Other changes			
Group and minorities result of the period (*)			
Net equity at June 30, 2016	**1,629**	**(98)**	**(6)**

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

	Other Reserves and retained earnings Note 15	Result of the period/year Note 16	Total Equity pertaining to the Group	Minority interests Note 17	Total Net shareholders' equity
	1,099	**(37)**	**2,579**	**600**	**3,179**
	(37)	37	-		-
	(113)		(113)	(5)	(118)
	18		18		18
			21		21
			-	1	1
			-	(20)	(20)
		152	152	10	162
	967	**152**	**2,657**	**586**	**3,243**
	(4)		(4)		(4)
			5		5
	67		67	167	234
		(79)	(79)	(140)	(219)
	1,030	**73**	**2,646**	**613**	**3,259**
	73	(73)	-		-
			(37)		(37)
	(126)		(126)	(5)	(131)
	(17)		(17)		(17)
			19		19
	(38)		(38)	(196)	(234)
		254	254	13	267
	922	**254**	**2,701**	**425**	**3,126**

Balance sheet

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

Assets

Millions of euro	06 30 2016	of which Related Parties (note 39)	12 31 2015	of which Related Parties (note 39)	06 30 2015	of which Related Parties (note 39)
NON-CURRENT ASSETS						
Tangible assets	5,013		5,067		5,561	
Intangible assets	1,347		1,348		1,303	
Shareholdings carried according to equity method	72	72	68	68	74	74
Other non-current financial assets	71	6	69	5	70	5
Deferred tax assets	285		308		302	
Other non-current assets	24		6		40	
TOTAL NON-CURRENT ASSETS	**6,812**		**6,866**		**7,350**	
CURRENT ASSETS						
Inventories	142		184		207	
Trade receivables	1,482	100	1,485	103	1,400	93
Other current assets	283		183		233	
Current financial assets	181	6	171	6	150	2
Current tax assets	69		71		62	
Cash and cash equivalents	633		636		410	
TOTAL CURRENT ASSETS	**2,790**		**2,730**		**2,462**	
NON-CURRENT ASSETS HELD FOR SALE	**3**		**205**		**-**	
TOTAL ASSETS	**9,605**		**9,801**		**9,812**	

Equity and liabilities

Millions of euro	06 30 2016	of which Related Parties (note 39)	12 31 2015	of which Related Parties (note 39)	06 30 2015	of which Related Parties (note 39)
EQUITY						
Share capital	1,629		1,629		1,629	
(Treasury shares)	(98)		(61)		(61)	
Reserves	916		1,005		937	
Result of the year	-		73		-	
Result of the period	254		-		152	
Equity pertaining to the Group	**2,701**		**2,646**		**2,657**	
Minority interests	425		613		586	
Total equity	**3,126**		**3,259**		**3,243**	
LIABILITIES						
NON-CURRENT LIABILITIES						
Non-current financial liabilities	3,063		3,089		3,751	
Employee benefits	348		332		336	
Provisions for risks, charges and liabilities for landfills	590		576		525	
Other non-current liabilities	88		99		351	
Total non-current liabilities	**4,089**		**4,096**		**4,963**	
CURRENT LIABILITIES						
Trade payables	1,054	47	1,170	28	1,001	19
Other current liabilities	561	7	521	8	471	9
Current financial liabilities	658	1	692	1	93	
Tax liabilities	117		43		41	
Total current liabilities	**2,390**		**2,426**		**1,606**	
Total liabilities	**6,479**		**6,522**		**6,569**	
LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	**-**		**20**		**-**	
TOTAL EQUITY AND LIABILITIES	**9,605**		**9,801**		**9,812**	

Income statement

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

Millions of euro	01 01 2016 06 30 2016	of which Related Parties (note 39)	01 01 2015 06 30 2015	of which Related Parties (note 39)	01 01 2015 12 31 2015	of which Related Parties (note 39)
Revenues						
Revenues from the sale of goods and services	2,180	207	2,377	192	4,732	415
Other operating income	143		90		189	1
Total revenues	**2,323**		**2,467**		**4,921**	
Operating expenses						
Expenses for raw materials and services	1,289	39	1,466	20	2,992	7
Other operating expenses	109	16	125		252	56
Total operating expenses	**1,398**		**1,591**		**3,244**	
Labour costs	**311**	**1**	**314**	**1**	**629**	**2**
Gross operating income - EBITDA	**614**		**562**		**1,048**	
Depreciation, amortization, provisions and write-downs	**234**		**248**		**833**	
Net operating income - EBIT	**380**		**314**		**215**	
Result from non-recurring transactions	**52**		**(1)**		**(1)**	
Financial balance						
Financial income	12	4	11	3	28	3
Financial expense	75		88		162	
Affiliates	4	4	3	3	(4)	(4)
Result from disposal of other shareholdings (AFS)	-		-		-	
Total financial balance	**(59)**		**(74)**		**(138)**	
Result before taxes	**373**		**239**		**76**	
Income taxes	**106**		**77**		**133**	
Result after taxes from operating activities	**267**		**162**		**(57)**	
Net result from discontinued operations	**-**		**-**		**-**	
Net result	**267**		**162**		**(57)**	
Minorities	**(13)**		**(10)**		**130**	
Group result of the period	**254**		**152**		**73**	

Notes to the Half-yearly financial report

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.

The Half-yearly financial report

The Half-yearly financial report (in the following the "**Half-yearly report**") of the A2A Group at June 30, 2016 is presented in millions of euro; the euro is also the functional currency of the economies in which the Group operates.

The Half-yearly report of the A2A Group at June 30, 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 endorsed 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 Half-yearly 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 international accounting standards" adopted for the first time on January 1, 2016.

This Half-yearly report at June 30, 2016 was approved on July 29, 2016 by the Board of Directors, which authorized its publication.

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 Half-yearly financial report at June 30, 2016 has been prepared on a historical cost basis, with the exception of those items which under IFRS must or can be measured at fair value.

The consolidation principles, the accounting principles, the accounting policies and the methods of measurement used in the preparation of the Half-year 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 1st, 2016.

The following paragraph, "*Accounting standards, amendments and interpretations not yet 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 June 30, 2016, any impacts of which will then be transposed as of the financial statements of the following years.

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

As from January 1st, 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, with respect to December 31, 2015, on the Group's economic and financial results or reporting methods.

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 1st, 2016;
- IAS 27 (Revised) "Separate 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 1st, 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 principles, amendments and interpretations not yet adopted 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 1st, 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. This standard is still pending approval and will be applicable retroactively from January 1st, 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 amendment 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 this standard is still pending approval and will be applicable retroactively from January 1st, 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 1st, 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 1st, 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 1st, 2017.

Scope of consolidation

The Half-yearly report of the A2A Group at June 30, 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.

Following the purchase by Aprica S.p.A. on April 20, 2016, of the 64% of the investment in LA BI.CO DUE S.r.l., a company active in urban waste services in the Province of Brescia, the latter was fully consolidated at June 30, 2016. As permitted by IFRS, in the half-yearly report at June 30, 2016, the transaction was accounted for in full by provisionally recognizing the difference between the price paid and fraction of competence of equity of LA BI.CO DUE S.r.l. in April as goodwill. At year end, the Group will proceed with the purchase price allocation based on the requirements of IFRS 3.

Consolidation policies and procedures

Consolidation policies

Subsidiaries

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

Associates, joint ventures and joint operations

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

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

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

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 half-yearly financial report at June 30, 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

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

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

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

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

a) Put options relating to the portions held by the minority shareholder of LA BI.CO DUE S.r.l.

In the first half of 2016, Aprica S.p.A. acquired 64% of the portions of LA BI.CO DUE S.r.l., a company engaged in urban sanitation services in various municipalities of the Province of Brescia.

As a result of the shareholders' agreement signed between Aprica S.p.A. and Ecoimmobiliare S.r.l., the latter shall have the right, but not the obligation, to sell (put option) to Aprica S.p.A. its shareholding in LA BI.CO DUE S.r.l., equal to 36%.

The exercise of this option by Ecoimmobiliare S.r.l. can be made with effect from April 1st, 2021 and by and not beyond June 30, 2021. If Ecoimmobiliare S.r.l. does not exercise the put option, Aprica S.p.A. shall have the right, but not the obligation, to purchase the shareholding of Ecoimmobiliare S.r.l. in LA BI.CO DUE S.r.l. from the first day following the expiration of the put option period and within, and not beyond the subsequent 90 business days.

In accordance with paragraph 23 of IAS 32, the Group has recognized as a liability the present value of the estimated outlay which it will not be able to avoid if the option is exercised, with a counter-entry to equity.

It is specified that this option has been valued based on the contractual conditions envisaged.

b) Adjustment of the purchase price of the portions of LA BI.CO DUE S.r.l.

The amount paid by Aprica S.p.A. for the acquisition of 64% of the portions of LA BI.CO DUE S.r.l. shall be subject to an adjustment clause, based both on the net financial position and on the profitability of LA BI.CO DUE S.r.l., linked to the award and to the extension of some agreements in the municipalities of the Province of Brescia.

c) Earn-out on the purchase of the portions of LA BI.CO DUE S.r.l.

The contract for acquisition of 64% of the share capital of LA BI.CO DUE S.r.l. by Aprica S.p.A. envisages, among other things, an earn-out that Aprica S.p.A. will be required to pay in case of achievement of predetermined levels of profitability and the award and extension of some agreements in the municipalities of the Province of Brescia.

As a result of the agreements described in letters a), b) and c), the half-yearly report at June 30, 2016 shows a payable to Ecoimmobiliare S.r.l., for the possible exercise of the put options on portions of LA BI.CO DUE S.r.l., less than one million euro, with a corresponding reduction of the shareholders' equity of minorities.

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 half-yearly 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 company does not hold the majority of the votes that may be exercised at a shareholders' meeting, it is considered to be a subsidiary because the parent company A2A S.p.A., with the appointment of the key managerial figures and the definition of some reserved matters on important topics for the corporate life of EPCG, 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.

In July, the A2A Group and the State of Montenegro reached an agreement for the signing of the new Shareholders' Agreements for the management of the Montenegrin company EPCG, with duration until December 31, 2016.

The adoption of IFRS 10 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.

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

Key figures at June 30, 2016 *Millions of euro* **INCOME STATEMENT**	**Bergamo Pulita 50%**	**PremiumGas 50%**	**Metamer 50% figures at 03 31 2016**
Revenues	0.1	24.7	3.7
Gross operating income	**0.08**	**0.4**	**0.5**
% of net revenues	*83.3%*	*1.4%*	*13.5%*
Depreciation, amortization and write-downs	-	-	(0.1)
Net operating income	**0.1**	**0.4**	**0.4**
Result of the period	**0.3**	**0.3**	**0.3**
BALANCE SHEET			
Total assets	**3.1**	**14.8**	**7.0**
Equity	**(0.8)**	**3.2**	**1.8**
Net (debt)	**(0.4)**	**1.5**	**2.2**

Key figures at June 30, 2015 *Millions of euro* **INCOME STATEMENT**	**Bergamo Pulita 50%**	**PremiumGas 50%**	**Metamer 50% figures at 03 31 2015**
Sales revenues	0.2	-	4.1
Gross operating income	**-**	**(0.2)**	**0.5**
% of net revenues	*(20.0%)*	*n.s.*	*11.11%*
Depreciation, amortization and write-downs	(0.6)	-	0.1
Net operating income	**0.7**	**(0.2)**	**0.4**
Result of the period	**0.5**	**(0.2)**	**0.2**
BALANCE SHEET			
Total assets	**3.7**	**4.8**	**7.1**
Equity	**0.5**	**3.2**	**1.6**
Net (debt)	**(0.1)**	**(0.3)**	**(1.4)**

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 06 30 16	01 01 15 06 30 15	01 01 16 06 30 16	01 01 15 06 30 15	01 01 16 06 30 16	01 01 15 06 30 15
Revenues	**1,225**	**1,381**	**669**	**699**	**403**	**406**
- of which inter-sector	*369*	*416*	*23*	*24*	*47*	*43*
Labour costs	**47**	**46**	**12**	**13**	**130**	**128**
Gross operating income - EBITDA	**170**	**192**	**73**	**54**	**119**	**110**
% of revenues	*13.9%*	*13.9%*	*10.9%*	*7.7%*	*29.5%*	*27.1%*
Depreciation, amortization, provisions and write-downs	**(100)**	**(82)**	**(9)**	**(8)**	**(41)**	**(32)**
Net operating income - EBIT	**70**	**110**	**64**	**46**	**78**	**78**
% of revenues	*5.7%*	*8.0%*	*9.6%*	*6.6%*	*19.4%*	*19.2%*
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)	**8**	**28**	**2**	**1**	**28**	**23**

(1) See the items "Investments" in the schedules on tangible and intangible assets presented in Notes 1 and 2 to the balance sheet.

It is noted that economic data from January 1 to June 30, 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	
	06 30 16	12 31 15	06 30 16	12 31 15	06 30 16	12 31 15
Tangible assets	2,318	2,381	2	2	455	437
Intangible assets	72	75	62	63	13	12
Trade receivables and current financial assets	602	735	473	547	292	284
Trade payables and current financial liabilities	518	782	317	360	218	233

	Networks and Heat		International		Other Services and Corporate		Eliminations		Total Group	
	01 01 16 06 30 16	**01 01 15 06 30 15**	**01 01 16 06 30 16**	**01 01 15 06 30 15**	**01 01 16 06 30 16**	**01 01 15 06 30 15**	**01 01 16 06 30 16**	**01 01 15 06 30 15**	**01 01 16 06 30 16**	**01 01 15 06 30 15**
	499	**491**	**111**	**118**	**89**	**89**	**(673)**	**(717)**	**2,323**	**2,467**
	153	*152*	-	-	*81*	*82*	(673)	(717)		
	53	**60**	**22**	**23**	**47**	**44**			**311**	**314**
	227	**183**	**35**	**32**	**(10)**	**(9)**			**614**	**562**
	45.5%	*37.3%*	*31.5%*	*27.1%*	*(11.2%)*	*(10.1%)*			*26.4%*	*22.8%*
	(60)	**(60)**	**(15)**	**(17)**	**(9)**	**(49)**			**(234)**	**(248)**
	167	**123**	**20**	**15**	**(19)**	**(58)**			**380**	**314**
	33.5%	*25.1%*	*18.0%*	*12.7%*	*(21.3%)*	*(65.2%)*			*16.4%*	*12.7%*
									52	**(1)**
									(59)	**(74)**
									373	**239**
									(106)	**(77)**
									267	**162**
									-	-
									(13)	**(10)**
									254	**152**
	77	**71**	**10**	**7**	**4**	**3**	-	-	**129**	**133**

	Networks and Heat		International		Other Services and Corporate		Eliminations		Total Group	
	06 30 16	**12 31 15**	**06 30 16**	**12 31 15**	**06 30 16**	**12 31 15**	**06 30 16**	**12 31 15**	**06 30 16**	**12 31 15**
	1,586	1,590	565	568	180	184	(93)	(95)	**5,013**	**5,067**
	1,373	1,357	2	3	51	52	(226)	(214)	**1,347**	**1,348**
	353	347	243	237	73	72	(373)	(566)	**1,663**	**1,656**
	320	287	30	37	683	733	(374)	(570)	**1,712**	**1,862**

Notes to the balance sheet

It is noted that the consolidation scope at June 30, 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 demerger deed stipulated 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";
- following the purchase by Aprica S.p.A. on April 20, 2016, 64% of the investment in LA BI.CO DUE S.r.l., a company operating in municipal sanitation services in the Province of Brescia, the latter was fully consolidated at June 30, 2016. Only for items concerned with the first consolidation of LA BI.CO DUE S.r.l., the effect was highlighted in a specific column.

ASSETS

Non-current assets

1) Tangible assets

Millions of euro	Balance at 12 31 2015	Changes during the period								Balance at 06 30 2016
		Investments/acquisitions			Other changes	Disposals and sales	Write-downs	Deprecia-tion	Total changes	
		First con-solidation LA BI.CO DUE S.r.l.	Invest.	Total Invest./ Acquisit.						
Land	266			-					-	266
Buildings	913	1	3	4	1	(2)		(19)	(16)	897
Plant and machinery	3,608		35	35	58	(2)	(1)	(135)	(45)	3,563
Industrial and commercial equipment	24		3	3				(3)	-	24
Other assets	56		7	7	7			(8)	6	62
Landfills	23			-	23			(3)	20	43
Construction in progress and advances	103		31	31	(55)				(24)	79
Leasehold improvements	72	1	8	9	1			(4)	6	78
Leased assets	2			-				(1)	(1)	1
Total	**5,067**	**2**	**87**	**89**	**35**	**(4)**	**(1)**	**(173)**	**(54)**	**5,013**
of which:										
Historical cost	9,838	2	87	89	35	(43)			81	9,919
Accumulated amortisation	(4,253)					39		(173)	(134)	(4,387)
Write-downs	(518)						(1)		(1)	(519)

"Tangible assets" amounted to 5,013 million euro at June 30, 2016 (5,067 million euro at December 31, 2015), representing a decrease of 54 million euro.

The following changes took place during the period:

- increase of 89 million euro due, for 87 million euro to investments and for 2 million euro to the first consolidation relating to the acquisition of LA BI.CO DUE S.r.l., all as further described below;
- increase of 35 million euro for other changes mainly concerning the increases of the decommissioning fund and expense funds for closure and post-closure of landfills as a result of the effect of updating the discount rates used for the estimates of the future costs of dismantling and restoration;
- decrease of 4 million euro for disposals made during the period net of accumulated depreciation;
- decrease of 1 million euro for write-downs made during the period;
- decrease of 173 million euro for the depreciation charge for the period.

Investments may be analyzed as follows:

- for the Networks and Heat Business Unit, investments totalled 43 million euro and mainly concerned: 25 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, 4 million euro for the efficiency plan for public lighting in Milan and Bergamo, 7 million euro for the development of the district heating networks in the areas of Milan, Brescia and Bergamo and 7 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 27 million euro refer to: 12 million euro mainly for work on the plants of Silla 2, Brescia, Lacchiarella, Robassomero, Acerra, Caivano, Corteolona, Varese and the acquisition of the building in Lograto; 10 million euro for the acquisition of mobile means for waste collection and 3 million euro for the acquisition of collection facilities; 2 million euro for the first consolidation relating to the acquisition of LA BI.CO DUE S.r.l.;
- for the Generation and Trading Business Unit, the increase was 7 million euro and referred to 4 million euro for investments in the plants of the Valtellina, Calabria, Mese and Udine units; 3 million euro mainly for work on the plants in Monfalcone, Chivasso and Piacenza;
- for the International Business Unit, there was an increase of 10 million euro;
- for the Other Services and Corporate Business Unit, investments totalled 2 million euro.

Tangible assets include "Leased assets" totalling 1 million euro, recognized in accordance with IAS 17, for which the outstanding payable to lessors at June 30, 2016 amounted to 1 million euro.

2) Intangible assets

Millions of euro	Balance at 12 31 2015	Changes during the period					Balance at 06 30 2016
		Invest./ Acquisit.	Recl./Other changes	Disposals and sales	Amort.	Total changes	
Industrial patents and industrial property rights	26	2			(7)	(5)	21
Concessions, licences, trademarks and similar rights	799	25	10	(1)	(16)	18	817
Assets in progress	20	13	(12)			1	21
Other intangible assets	21		(14)		(1)	(15)	6
Goodwill	482						482
Total	**1,348**	**40**	**(16)**	**(1)**	**(24)**	**(1)**	**1,347**

"Intangible assets" amounted to 1,347 million euro at June 30, 2016 (1,348 million euro at December 31, 2015), representing a net decrease of 1 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 Group has environmental certificates that it received free of charge, as further specified in the section "Evolution of the regulation and impacts on the A2A Group Business Units" in the paragraphs "Incentives to production from renewable sources and conversion of the Green Certificate into tariffs" (Generation and Trading Business Unit) and "White Certificates and incentives for district heating" (Networks and Heat Business Unit).

The following changes took place during the period:

- increase of 40 million euro arising from investments made in the period;
- decrease of 16 million euro for other changes, mainly due to the change of environmental certificates of the industrial portfolio;
- decrease of 1 million euro for disposals made during the period net of accumulated depreciation;
- decrease of 24 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 34 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 21 million euro, work on the water transport and distribution network, on the sewage networks and on the purification plants for 12 million euro and the implementation of information systems for 1 million euro;

- investments of 2 million euro in the Other Services and Corporate Business Unit mainly relate to the implementation of information systems;
- the increase of 2 million euro in the Commercial Business Unit mainly relates to the implementation of IT systems;
- there was an increase of 1 million euro in the Environment Business Unit;
- for the Generation and Trading Business Unit, investments totalled 1 million euro.

"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 June 30, 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 06 30 2016
		Invest.	Other changes	Write-downs	Total changes	
Goodwill	482	-	-	-	-	482
Total	**482**	**-**	**-**	**-**	**-**	**482**

"Goodwill" may be analyzed by CGU as follows at June 30, 2016:

CGU - *Millions of euro*	
Electricity networks	184
Environment	232
Gas networks	38
Gas	7
Heat	21
Total goodwill at June 30, 2016	**482**

The first consolidation of the company LA BI.CO DUE S.r.l. resulted in the recognition of goodwill on a provisional basis for a value of 0.3 million euro. In accordance with IFRS 3, the purchase price allocation activities are expected to be completed by the end of 2016.

During the reporting period, management conducted a careful analysis of the results achieved compared with the plan, also considering the assumptions and results of the impairment process carried out for the 2015 financial statements. Said analysis did not reveal any elements such to consider likely, material and permanent losses in the value of assets, in addition to as reported in the 2015 financial statements; consequently, the Group did not consider it necessary to conduct a specific impairment test at June 30, 2016.

The impairment test is performed in any case 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 06 30 2016	*of which included in the NFP*	
				12 31 2015	*06 30 2016*
Shareholdings carried according to equity method	68	4	72	-	-
Other non-current financial assets	69	2	71	57	63
Total shareholdings and other non-current financial assets	**137**	**6**	**143**	**57**	**63**

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	4
- write-downs	
- dividends received from shareholdings in companies carried at equity	
- sales	
- other changes	
- reclassifications	
Total changes during the period	**4**
Balance at June 30, 2016	**72**

The increase in “Shareholdings carried according to equity method”, positive for 4 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. 4 “List of shareholdings in companies carried at equity”.

At June 30, 2016, “Other non-current financial assets” showed a balance of 71 million euro, an increase of 2 million euro compared to December 31, 2015, and refer to 63 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. 5 “List of available-for-sale financial assets”.

4) Deferred tax assets

Millions of euro	Balance at 12 31 2015	Changes during the period	Balance at 06 30 2016
Deferred tax assets	**308**	**(23)**	**285**

Deferred tax assets” amounted to 285 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 June 30, 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 06 30 2016
Detail of deferred tax assets and liabilities											
Deferred tax liabilities											
Measurement differences for tangible assets	701	5	(31)		(26)						675
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**	**5**	**(31)**	**-**	**(26)**	**-**	**-**	**-**	**-**	**-**	**760**
Deferred tax assets											
Taxed risk provisions	113	5	(13)		(8)		3				108
Measurement differences for tangible assets	618	8	(34)		(26)						592
Application of the financial instrument standard (IAS 39)	32				-	(5)					27
Bad debts provision	7	1			1						8
Grants	12				-						12
Goodwill	308		(19)		(19)						289
Other deferred tax assets	4	4			4		1				9
Total deferred tax assets (B)	**1,094**	**18**	**(66)**	**-**	**(48)**	**(5)**	**4**	**-**	**-**	**-**	**1,045**
NET DEFERRED TAX ASSETS/LIABILITIES (B-A)	**308**	**13**	**(35)**	**-**	**(22)**	**(5)**	**4**	**-**	**-**	**-**	**285**

5) Other non-current assets

Millions of euro	Balance at 12 31 2015	Changes during the period	Balance at 06 30 2016	*of which included in the NFP*	
				12 31 2015	*06 30 2016*
Non-current derivatives	-	18	18	-	*18*
Other non-current assets	6	-	6	-	-
Total other non-current assets	**6**	**18**	**24**	**-**	***18***

At June 30, 2016, this item increased by 18 million euro compared to the balance at the end of the previous year.

"Non-current derivatives" amounted to 18 million euro and refer to the fair value valuation of a financial instrument at the end of the reporting period, which at the end of the previous year was recognized under non-current liabilities.

"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

Millions of euro	Balance at 12 31 2015	Changes during the period	Balance at 06 30 2016
Inventories	**184**	**(42)**	**142**

"Inventories" amounted to 142 million euro (184 million euro at December 31, 2015), net of the related obsolescence provision for 29 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:

- 25 million euro relating to the decrease in fuel stocks, which at June 30, 2016 totalled 74 million euro compared to 99 million euro at December 31, 2015;
- 22 million euro for the decrease in other inventories, which at June 30, 2016, amounted to zero against 22 million euro at December 31, 2015, which referred to inventories of environmental certificates of the trading portfolio;

- 2 million euro relating to the increase in materials stocks, which totalled 62 million euro compared to 60 million euro at December 31, 2015;
- 3 million euro due to an increase in fuel at third parties, which amounted to 6 million euro at June 30, 2016 and 3 million euro at the end of the previous year.

7) Trade receivables

Millions of euro	Balance at 12 31 2015	First consolidation effect LA BI.CO DUE S.r.l.	Changes during the period	Balance at 06 30 2016
Trade receivables invoices issued	1,066	3	(6)	1,063
Trade receivables invoices to be issued	734		1	735
(Bad debt provision)	(315)		(1)	(316)
Total trade receivables	**1,485**	**3**	**(6)**	**1,482**

At June 30, 2016, "Trade receivables" amounted to 1,482 million euro (1,485 million euro at December 31, 2015), with a decrease of 6 million euro, net of the first consolidation effect of the company LA BI.CO DUE S.r.l. for 3 million euro. In further detail:

- for 2 million euro, the decrease in trade receivables from customers; this item had a balance of 1,396 million euro at the reporting date compared to that of 1,398 million euro at December 31, 2015;
- for 2 million euro, the decrease in receivables from the Municipalities of Milan and Brescia. This item had a balance of 77 million euro (79 million euro at the end of the previous year);
- for 1 million euro, the increase in receivables from associates, which had a balance of 6 million euro at the reporting date compared to 5 million euro at 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 June 30, 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 30 million euro in total (101 million euro at December 31, 2015). At the date of publication of this half-year financial report, these receivables amount to 12 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 316 million euro, and net increase of 1 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:

Millions of euro	Balance at 12 31 2015	Accruals	Utilizations	Other changes	Balance at 06 30 2016
Bad debts provision	**315**	**7**	**(6)**	**-**	**316**

The following is the aging of trade receivables:

Millions of euro	06 30 2016	12 31 2015
Trade receivables of which:	**1,482**	**1,485**
Current	**553**	**556**
Past due of which:	**510**	**510**
- Past due up to 30 days	35	56
- Past due from 31 to 180 days	83	59
- Past due from 181 to 365 days	35	45
- Past due over 365 days	357	350
Invoices to be issued	**735**	**734**
Bad debts provision	**(316)**	**(315)**

8) Other current assets

Millions of euro	Balance at 12 31 2015	First consolid. effect LA BI.CO DUE S.r.l.	Changes during the period	Balance at 06 30 2016	*of which included in the NFP*	
					12 31 2015	*06 30 2016*
Current derivatives	**55**	**-**	**34**	**89**	**16**	**16**
Other current assets of which:	**128**	**1**	**65**	**194**		
- receivables from Cassa per i Servizi Energetici e Ambientali	52		42	94		
- advances to suppliers	7		(4)	3		
- receivables from employees	1		-	1		
- tax receivables	4		-	4		
- receivables related to future years/periods	12	1	22	35		
- receivables from Ergosud	19		-	19		
- receivables from social security entities	3		-	3		
- Stamp office	1		(1)	-		
- receivables for damage compensation	1		-	1		
- receivables for water derivation fees	1		(1)	-		
- receivables for COSAP advances	5		4	9		
- sundry receivables EPCG	12		1	13		
- receivables for security deposits	1		1	2		
- other sundry receivables	9		1	10		
Total other current assets	**183**	**1**	**99**	**283**	***16***	***16***

"Other current assets" show a balance of 283 million euro compared to 183 million euro at December 31, 2015, an increase of 99 million euro, net of the first consolidation effect of LA BI.CO DUE S.r.l. for 1 million euro.

"Current derivatives" show an increase of 34 million euro related to the increase in commodity derivatives due exclusively to the change in 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 94 million euro (52 million euro at December 31, 2015), mainly refer to receivables for equalizations pertaining to both the first half of 2016 and the year 2015, outstanding receivables for equalizations pertaining to previous years, net of collections made during the reporting period, as well as receivables relating to white certificates.

Tax receivables, amounting to 4 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 06 30 2016	*of which included in the NFP*	
				12 31 2015	*06 30 2016*
Other financial assets	165	10	175	*165*	*175*
Financial assets from related parties	6	-	6	*6*	*6*
Total current financial assets	**171**	**10**	**181**	***171***	***181***

This item had a balance of 181 million euro (171 million euro at December 31, 2015), mainly relating to freely available interest-bearing bank deposits, of which 173 million euro relating to the EPCG Group.

10) Current tax assets

Millions of euro	Balance at 12 31 2015	Changes during the period	Balance at 06 30 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. in the previous 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 06 30 2016	*of which included in the NFP*	
				12 31 2015	*06 30 2016*
Cash and cash equivalents	636	(3)	633	*636*	*633*

"Cash and cash equivalents" at June 30, 2016 represent the sum of the bank and postal asset balances, of which 41 million euro relating to the EPCG Group.

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 06 30 2016	*of which included in the NFP*	
				12 31 2015	*06 30 2016*
Non-current assets held for sale	205	(202)	3	*38*	-

At June 30, 2016, "Non-current assets held for sale" show a balance of 3 million euro and refer to 2 million euro for 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 and to 1 million euro for assets held for sale of the EPCG Group.

At December 31, 2015, this item included 203 million euro, which related to certain assets and asset items of Edipower S.p.A. reclassified in accordance with IFRS 5, in application of the non-proportional, partial demerger of Edipower S.p.A. stipulated on December 28, 2015; the transaction became effective on January 1st, 2016 as further described in the paragraph "Significant events during the period".

EQUITY AND LIABILITIES

Equity

Equity, which amounted to 3,126 million euro at June 30, 2016 (3,259 million euro at December 31, 2015), is set out in the following table:

Millions of euro	Balance at 12 31 2015	Changes during the period	Balance at 06 30 2016
Equity pertaining to the Group:			
Share capital	1,629	-	1,629
(Treasury shares)	(61)	(37)	(98)
Reserves	1,005	(89)	916
Group result of the period/year	73	181	254
Total equity pertaining to the Group	**2,646**	**55**	**2,701**
Minority interests	613	(188)	425
Total equity	**3,259**	**(133)**	**3,126**

The overall changes in shareholders' equity was negative for a total of 133 million euro. The result of the period had a positive effect of 254 million euro offset by the dividend distribution for 126 million euro, 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

Millions of euro	Balance at 12 31 2015	Changes during the period	Balance at 06 30 2016
Reserves	**1,005**	**(89)**	**916**
of which:			
Changes in the fair value of cash flow hedge derivatives	(33)	25	(8)
Tax effect	8	(6)	2
Cash flow hedge reserves	**(25)**	**19**	**(6)**
Change in the IAS 19 Revised reserve - Employee Benefits	(64)	(24)	(88)
Tax effect	16	7	23
IAS 19 Revised reserve - Employee Benefits	**(48)**	**(17)**	**(65)**

"Reserves", which amounted to 916 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 6 million euro which arises from the period-end measurement of derivatives qualifying for hedge accounting.

The balance also includes negative reserves of 65 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, partial 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 254 million euro.

17) Minority interests

Millions of euro	Balance at 12 31 2015	Changes during the period	Balance at 06 30 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, partial 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 13 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 06 30 2016	*of which included in the NFP*	
				12 31 2015	*06 30 2016*
Non-convertible bonds	2,431	1	2,432	2,431	2,432
Payables to banks	657	(26)	631	657	631
Finance lease payables	1	(1)	-	1	-
Total non-current financial liabilities	**3,089**	**(26)**	**3,063**	**3,089**	**3,063**

"Non-current financial liabilities", which amounted to 3,063 million euro (3,089 million euro at December 31, 2015), decreased by 26 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" amount to 631 million euro, a net decrease of 26 million euro compared to the closing of the previous year, primarily due to the reclassification of the capital portions due under the item "Current financial liabilities"; this decrease was partially offset by the use, for 10 million euro, by EPCG of a tranche of the EBRD loan.

Lastly, "Finance lease payables" amounted to zero (1 million euro at December 31, 2015).

19) Employee benefits

The balance on this item amounted to 348 million euro (332 million euro at December 31, 2015) with changes as follows during the period:

Millions of euro	Balance at 12 31 2015	First consolidation effect LA BI.CO DUE S.r.l.	Accruals	Utilizations	Other changes	Balance at 06 30 2016
Employee leaving entitlement (TFR)	164	1	12	(6)	(3)	168
Employee benefits	168	-	-	(5)	17	180
Total employee benefits	**332**	**1**	**12**	**(11)**	**14**	**348**

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 1 million euro and the increase resulting from the interest cost for 3 million euro, as well as the increase resulting from actuarial gains/losses for 23 million euro.

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

	2016	2015
Discount rate	from 0.00% to 1.05%	from 0.24% to 2.03%
Annual inflation rate	from 1.5% to 2.0%	from 1.5% to 2.0%
Annual seniority bonus increase rate	2.0%	2.0%
Annual additional months increase rate	0.0%	0.0%
Annual cost of electricity increase rate	2.0%	2.0%
Annual cost of gas increase rate	0.0%	0.0%
Annual salary increase rate	1.0%	1.0%
Annual TFR increase rate	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 referred 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", the tables RG48 (Bonuses) and AS62 (other plans) were used;
  - for "inability", the INPS tables divided by age and gender were used;
  - for "retirement", the 100% parameter was used upon reaching the requirements of AGO (Obligatory General Insurance);
  - for the "probability of leaving the family", the table in the INPS model was used for projections to 2010;
  - for the "frequency of the various structures of surviving nuclei and average age of members", the table in the INPS model was used for projections to 2010.

20) Provisions for risks, charges and liabilities for landfills

Millions of euro	Balance at 12 31 2015	Provisions	Releases	Utilizations	Others changes	Balance at 06 30 2016
Decommissioning provisions	170	-	-	(1)	23	192
Landfill closing and post-closing expense provisions	145	12	-	(3)	18	172
Tax provisions	59	5	(18)	(5)	(6)	35
Personnel lawsuits and disputes provisions	131	4	(1)	(40)	-	94
Other risk provisions	71	27	-	(2)	1	97
Provisions for risks, charges and liabilities for landfills	**576**	**48**	**(19)**	**(51)**	**36**	**590**

"Decommissioning provisions", which amounted to 192 million euro, include charges for costs of dismantling and recovery of production sites mainly related to thermoelectric plants and waste-to-energy plants. The changes for the period concerned uses for 1 million euro, to cover the expenses incurred during the half-year and other changes for 23 million euro, which refer mainly to the effects of the updates of the discount rates used to estimate the future costs of dismantling and restoration of the sites having "Tangible assets" as balancing entry.

The "Landfill closing and post-closing expense provisions", which amounted to 172 million euro, refer to all the costs that will have to be incurred in the future for the sealing of the landfills in cultivation at the reporting date and for the subsequent post-operative management, thirty-year and fifty-year, provided by the AIA (Integrated Environmental Authorization). The changes for the period concerned provisions of 12 million euro related to the effects of the updates of the discount rates in relation to assets fully depreciated, the effect of which was recognized in the Income Statement, uses for 3 million euro, which represent the actual outlays of the period, and other changes, positive for 18 million euro, mainly relating to the constitution of the expenses costs for closure and post-closure for the start-up of the bioreactor of Giussago, as well as the effects of the updates of the discount rates of assets not fully depreciated and that have "Tangible assets" as balancing entry.

"Tax provisions", which amounted to 35 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. Provisions for the period, for 5 million euro, were mainly related to the ICI/IMU dispute with territorial entities as well as new tax audits opened in the half-year under review. Releases, for 18 million euro, mainly refer to the conclusion of some ICI/IMU disputes and the dispute concerning the technical verification of the waste-to-energy plant in Brescia. Uses, for 5 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. Other changes, negative for 6 million euro, refer to the reclassification under "Other payables" of the certain portion that will be paid in future years in respect of disputes transacted and concluded with the territorial entities.

The "Personnel lawsuits and disputes provisions" amounted to 94 million euro and mainly refer to lawsuits pending with social security institutions, for 31 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 60 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, for 4 million euro, and releases of the period, for 1 million euro, refer to lawsuits with third parties. Uses, for 40 million euro, mainly refer to the payment made in respect of the ongoing lawsuit with Pessina Costruzioni in relation to the dispute for Asm Novara S.p.A. as further described in the paragraph "Other information – Asm Novara S.p.A. dispute".

"Other provisions", which amounted to 97 million euro, mainly refer to provisions relating to public water derivation fees for 29 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 20 million euro, to the risks provision related to EPCG, for 13 million euro, as well as other provisions for 27 million euro. Provisions for the period amounted to 27 million euro and mainly concerned the provision made to cover contractual expenses, the provision for public water derivation fees, the provision for the non-routine maintenance of the Acerra waste-to-energy plant, as well as provisions of EPCG. Uses amounted to 2 million euro. Other changes, positive for 1 million euro, mainly related to the increase in the redundancy provision.

21) Other non-current liabilities

Millions of euro	Balance at 12 31 2015	Changes during the period	Balance at 06 30 2016	*of which included in the NFP*	
				12 31 2015	*06 30 2016*
Other non-current liabilities	72	(2)	70	-	-
Non-current derivatives	27	(9)	18	*27*	*18*
Total other non-current liabilities	**99**	**(11)**	**88**	***27***	***18***

At June 30, 2016, this item decreased by 11 million euro compared to the balance at the end of the previous year.

“Non-current derivatives” amounted to 18 million euro and show a negative change of 9 million euro compared to the previous year-end mainly due to the change in the fair value valuation of financial instruments at period-end and to the reclassification to the item “Other non-current assets” of a derivative, which at June 30, 2016, showed an asset fair value, while at December 31, 2015, it was a liability.

“Other non-current liabilities”, which showed a balance of 70 million euro, mainly refer to security deposits from customers, for 52 million euro, to liabilities pertaining to future years for 13 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	First consolid. effect LA BI.CO DUE S.r.l.	Changes during the period	Balance at 06 30 2016	*of which included in the NFP*	
					12 31 2015	*06 30 2016*
Advances	5	-	(1)	4	-	-
Payables to suppliers	1,165	3	(118)	1,050	-	-
Total trade payables	**1,170**	**3**	**(119)**	**1,054**	**-**	**-**
Payables to social security institutions	37	-	2	39	-	-
Current derivatives	51	-	34	85	*7*	*4*
Other current liabilities of which:	433	-	4	437	-	-
- Payables to personnel	72	-	(11)	61	-	-
- Payables to Cassa per i Servizi Energetici e Ambientali	100	-	(35)	65	-	-
- Tax payables	44	-	56	100	-	-
- Payables for tax transparency	8	-	(1)	7	-	-
- Payables for energy tariff components	105	-	(2)	103	-	-
- Payables to third-party shareholders EPCG	20	-	-	20	-	-
- Payables for ATO	7	-	1	8	-	-
- Payables to customers for work to be performed	14	-	(1)	13	-	-
- Payables to customers for interest on security deposits	3	-	-	3	-	-
- Payables for liabilities of competence of following years/periods	21	-	2	23	-	-
- Payables for auxiliary services	1	-	-	1	-	-
- Payables for collections to be allocated	8	-	-	8	-	-
- 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	-	-	3	-	-
- Sundry payables	15	-	(3)	12	-	-
Total other current liabilities	**521**	**-**	**40**	**561**	**7**	**4**
Total trade payables and other current liabilities	**1,691**	**3**	**(79)**	**1,615**	**7**	**4**

"Trade receivables and other current liabilities" amounted to 1,615 million euro (1,691 million euro at December 31, 2015), representing a decrease of 79 million euro, net of the first consolidation effect of LA BI.CO DUE S.r.l. for 3 million euro.

“Trade receivables” amounted to 1,054 million euro and compared to the closing of the previous year, represent a decrease of 119 million euro, net of the first consolidation effect of LA BI.CO DUE S.r.l. for 3 million euro.

“Payables to social security institutions” amounted to 39 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 of the month of June 2016 not yet paid.

“Current derivatives” amounted to 85 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 the 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 61 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 June 30, 2016;
- payables to the CSEA - Cassa per i Servizi Energetici e Ambientali for 65 million euro at June 30, 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 100 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 7 million euro to the associate Ergosud S.p.A. (8 million euro at December 31, 2015);
- payables for electricity tariff components for 103 million euro at June 30, 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 8 million euro (7 million euro at December 31, 2015) 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 13 million euro (14 million euro at the end of 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 23 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

Millions of euro	Balance at 12 31 2015	First consolid. effect LA BI.CO DUE S.r.l.	Changes during the period	Balance at 06 30 2016	*of which included in the NFP*	
					12 31 2015	*06 30 2016*
Non-convertible bonds	571	-	13	584	*571*	*584*
Payables to banks	119	2	(49)	72	*119*	*72*
Finance lease payables	1	-	-	1	*1*	*1*
Financial payables to related parties	1	-	-	1	*1*	*1*
Total current financial liabilities	**692**	**2**	**(36)**	**658**	***692***	***658***

"Current financial liabilities" amounted to 658 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 64 million euro (53 million euro at December 31, 2015) accrued on the bonds at June 30, 2016.

Current "Payables to banks" amounted to 72 million euro, a decrease of 47 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 06 30 2016
Tax liabilities	43	74	117

Tax payables" amounted to 117 million euro (43 million euro at December 31, 2015) representing an increase of 74 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 06 30 2016	*of which included in the NFP*	
				12 31 2015	*06 30 2016*
Liabilities directly associated with non-current assets held for sale	20	(20)	-	-	-

This item had a nil balance at June 30, 2016 and 20 million euro at December 31, 2015 and related mainly to the reclassification, pursuant to IFRS 5, of deferred tax liabilities of Edipower S.p.A. in connection with the non-proportional, partial demerger of the same.

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	06 30 2016	12 31 2015
Bonds - non-current portion	18	2,432	2,431
Bank loans - non-current portion	18	631	657
Finance leases - non-current portion	18	-	1
Other non-current liabilities	21	18	27
Total medium/long-term debt		**3,081**	**3,116**
Non-current financial assets - related parties	3	(6)	(5)
Non-current financial assets	3	(57)	(52)
Other non-current assets	5	(18)	-
Total medium/long-term financial receivables		**(81)**	**(57)**
Total non-current net debt		**3,000**	**3,059**
Bonds - current portion	23	584	571
Bank loans - current portion	23	72	119
Finance leases - current portion	23	1	1
Current financial liabilities - related parties	23	1	1
Other current liabilities	22	4	7
Total short-term debt		**662**	**699**
Other current financial assets	9	(175)	(165)
Current financial assets - related parties	9	(6)	(6)
Other current assets	8	(16)	(16)
Total short-term financial receivables		**(197)**	**(187)**
Cash and cash equivalents	11	(633)	(636)
Cash and cash equivalents included in assets held for sale	12	-	(38)
Total current net debt		**(168)**	**(162)**
Net debt		**2,832**	**2,897**

The Group's net financial position includes the positive net financial position of the EPCG Group for 178 million euro (152 million euro at December 31, 2015).

Notes to the income statement

It is noted that the consolidation scope at June 30, 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 Branch" in favour of Cellina Energy S.r.l. (company wholly owned by Società Elettrica Altoatesina S.p.A.) in application of the demerger deed stipulated the parties on December 28, 2015;
- in April 2016, the A2A Group, through its subsidiary A2A Ambiente S.p.A. acquired the majority shareholding of 64% of the company LA BI.CO DUE S.r.l., a company operating in municipal sanitation services in the Province of Brescia;
- the relative income statement items for operating revenues and expense and the financial balance of the company SEASM S.r.l. held 67% by A2A 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 2,323 million euro (2,467 million euro at June 30, 2015) and therefore decreased by 144 million euro.

Details of the more significant items are as follows:

Revenues - *Millions of euro*	**06 30 2016**	**06 30 2015**	**Changes**
Revenues from the sale of goods	1,785	1,985	(200)
Revenues from services	390	383	7
Revenues from long-term contracts	5	9	(4)
Total revenues from the sale of goods and services	**2,180**	**2,377**	**(197)**
Other operating income	**143**	**90**	**53**
Total revenues	**2,323**	**2,467**	**(144)**

“Revenues from sales of goods and services” amounted in total to 2,180 million euro (2,377 million euro in the corresponding period of the previous year). The decrease of 197 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.

Further details of the main items are as follows:

Millions of euro	**06 30 2016**	**06 30 2015**	**Changes**
Sale and distribution of electricity	1,118	1,315	(197)
Sale and distribution of gas	446	441	5
Sale of heat	87	99	(12)
Sale of materials	7	6	1
Sale of water	76	22	54
Sales of environmental certificates	35	88	(53)
Connection contributions	16	14	2
Total revenues from the sale of goods	**1,785**	**1,985**	**(200)**
Services to customers	390	383	7
Total revenues from services	**390**	**383**	**7**
Revenues from long-term contracts	**5**	**9**	**(4)**
Total revenues from the sale of goods and services	**2,180**	**2,377**	**(197)**
Reintegration of costs plant S. Filippo del Mela (plant essential Unit)	42	61	(19)
Damage compensation	6	8	(2)
Contingent assets	11	12	(1)
Incentives for production from renewable sources (feed-in tariff)	71	-	71
Other revenues	13	9	4
Other operating income	**143**	**90**	**53**
Total revenues	**2,323**	**2,467**	**(144)**

Revenues from water sales increased by 54 million euro, compared to the corresponding period of the previous year, mainly as a result of the recognition, to the subsidiary A2A Ciclo Idrico S.p.A., as per Resolution no. 16/2016, by the Ambit Government Entity for Brescia of previous tariff items relating to the financial years 2007 - 2011 under the Resolution of the Authority for Electricity, Gas and the Water System no. 643/2013/R/idr.

The item “Other operating income” shows an increase of 53 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 "Results sector by sector".

28) Operating expenses

"Operating expenses" amounted to 1,398 million euro (1,591 million euro at June 30, 2015), therefore representing a decrease of 193 million euro.

The main components of this item are as follows:

Operating expenses - *Millions of euro*	**06 30 2016**	**06 30 2015**	**Changes**
Raw materials and consumables	943	1,123	(180)
Service costs	346	343	3
Total expenses for raw materials and services	**1,289**	**1,466**	**(177)**
Other operating expenses	**109**	**125**	**(16)**
Total operating expenses	**1,398**	**1,591**	**(193)**

"Total costs for raw materials and services" amounted to 1,289 million euro (1,466 million euro at June 30, 2015), decreasing by 177 million euro.

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

- a decrease of 178 million euro in the purchase of raw materials and consumables, due to a decrease of 185 million euro in costs for the purchase of power and fuel, an increase of 1 million euro for the purchase of materials and an increase of 6 million euro in costs relating to the purchase of environmental certificates;
- an increase of 3 million euro in costs for delivery, subcontracted work and services;
- the decrease in inventories of fuel and materials for 2 million euro.

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

Millions of euro	06 30 2016	06 30 2015	Changes
Purchases of power and fuel	846	1,031	(185)
Purchases of materials	37	36	1
Purchases of water	1	1	-
Hedging losses on operating derivatives	2	3	(1)
Hedging gains on operating derivatives	(4)	(5)	1
Purchases of emission certificates and allowances	36	30	6
Total expenses for raw materials and consumables	**918**	**1,096**	**(178)**
Delivery and transmission costs	141	134	7
Maintenance and repairs	73	72	1
Other services	132	137	(5)
Total service costs	**346**	**343**	**3**
Change in inventories of fuel and materials	25	27	(2)
Total expenses for raw materials and services	**1,289**	**1,466**	**(177)**
Leasehold improvements	42	34	8
Concession fees distribution networks Municipality of Milan and Brescia	4	4	-
Water derivation concession fees	26	30	(4)
Contributions to territorial entities, consortia and AEEGSI	3	4	(1)
Taxes and duties	15	23	(8)
Damages and penalties	1	1	-
Contingent liabilities	4	12	(8)
Other costs	14	17	(3)
Other operating expenses	**109**	**125**	**(16)**
Total operating expenses	**1,398**	**1,591**	**(193)**

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	06 30 2016	06 30 2015	Changes
Revenues	27	504	569	(65)
Operating expenses	28	(507)	(563)	56
Total trading margin		**(3)**	**6**	**(9)**

The margin of Trading activities at June 30, 2016 was negative for 3 million euro, down by 9 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 half 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

Net of capitalized expenses, labour costs at June 30, 2016 amounted to 311 million euro (314 million euro at June 30, 2015).

"Labour costs" may be analysed as follows:

Labour costs - *Millions of euro*	**06 30 2016**	**06 30 2015**	**Changes**
Wages and salaries	224	224	-
Social security charges	81	81	-
Employee leaving entitlement (TFR)	12	12	-
Other costs	14	10	4
Total labour costs before capitalizations	**331**	**327**	**4**
Capitalized labour costs	(20)	(13)	(7)
Total labour costs	**311**	**314**	**(3)**

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

	06 30 2016	**12 31 2015**	**06 30 2015**	**Changes June 2016 December 2015**	**Changes June 2016 June 2015**
Executives	181	189	186	(8)	(5)
Managers	561	552	543	9	18
White collars	5,245	5,258	5,311	(13)	(66)
Blue collars	6,068	6,299	6,265	(231)	(197)
Total	**12,055**	**12,298**	**12,305**	**(243)**	**(250)**

In the first half of 2016, the average labour cost per capita amounted to 25.8 thousand euro (25.4 thousand euro at June 30, 2015) an increase of 1.6% compared to the corresponding period of the previous year.

At June 30, 2016, the Group had 12,199 employees (of whom 2,346 work for the EPCG Group), a decrease of 298 compared to June 30, 2015 (12,497 of whom 2,492 work for the EPCG Group).

The item Other labour costs include early retirement incentives for 1 million euro (value less than one million euro at June 30, 2015).

30) Gross operating income

As a result of the above changes, consolidated "Gross operating income" at June 30, 2016 amounted to 614 million euro (562 million euro at June 30, 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 234 million euro (248 million euro at June 30, 2015), representing a decrease of 14 million euro.

The following table provides details of the individual items:

Depreciation, amortization, provisions and write-downs *Millions of euro*	**06 30 2016**	**06 30 2015**	**Changes**
Amortization of intangible assets	24	31	(7)
Depreciation of tangible assets	173	168	5
Write-downs of fixed assets	1	-	1
Total amortization, depreciation and write-downs	**198**	**199**	**(1)**
Provision for risks	29	40	(11)
Bad debt provision on receivables recognized as current assets	7	9	(2)
Total depreciation, amortization, provisions and write-downs	**234**	**248**	**(14)**

"Depreciation, amortization and write-downs" totalled 198 million euro (199 million euro at June 30, 2015), representing an overall decrease of 1 million euro.

The amortization of intangible assets decreased by 7 million euro mainly following 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.

Depreciation of tangible assets show an increase of 5 million euro compared to June 30, 2015 attributable to:

- higher depreciation of 8 million euro, relating to the investments which went into production after the first half of 2015;
- higher depreciation of 7 million euro, relating to the increase in assets related to the recognition, at the end of the previous year, of the decommissioning fund for the safety of the plants;
- lower depreciation of 5 million euro, resulting in write-downs of assets at December 31, 2015 and the review of the useful lives of some plants at the end of the previous year;

- lower depreciation of 5 million euro, resulting from the demerger of the “Cellina Unit” of Edipower S.p.A. in favour of Cellina Energy S.r.l., which was effective from January 1, 2016.

Write-downs of tangible assets amounted to 1 million euro and refer to the increase in the decommissioning fund of a plant fully written down in prior years.

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 (Hydroelectric plant in Valtellina), 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 29 million euro (40 million euro at June 30, 2015) due to allocations of 48 million euro made during the period, offset by the 19 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 12 million euro provisions for expenses funds for closure and post-closure of landfills, 5 million euro provisions for tax funds, 10 million euro provisions for contractual obligations, 4 million euro provisions for funds for personnel lawsuits and disputes, 10 million euro provisions for hydroelectric fees, 3 million euro for other risks provisions relating to EPCG and 4 million euro for various provisions. The release of the risks provisions set aside in previous years amounted to 19 million euro.

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

The “Bad debt provision” amounted to 7 million euro (9 million euro at June 30, 2015), consisting of the accrual for the period.

32) Net operating income

"Net operating income" amounted to 380 million euro (314 million euro at June 30, 2015).

33) Result from non-recurring transactions

The "Result from non-recurring transactions" is positive for 52 million euro (negative for 1 million euro at June 30, 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 demerger deed 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 59 million euro (net expense of 74 million euro at June 30, 2015).

Details of the more significant items are as follows:

Financial balance - *Millions of euro*	**06 30 2016**	**06 30 2015**	**Changes**
Financial income	12	11	1
Financial expense	(75)	(88)	13
Affiliates	4	3	1
Total financial balance	**(59)**	**(74)**	**15**

"Financial income" amounted to 12 million euro (11 million euro at June 30, 2015) and may be analysed as follows:

Financial income - *Millions of euro*	**06 30 2016**	**06 30 2015**	**Changes**
Bank income	4	6	(2)
Other financial income of which:	8	5	3
- Financial income from the Municipality of Brescia (IFRIC 12)	*3*	*2*	*1*
- Other income	*5*	*3*	*2*
Total financial income	**12**	**11**	**1**

"Financial expense", which amounted to 75 million euro, decreased by 13 million euro over the balance at June 30, 2015, and may be analysed as follows:

Financial expenses - *Millions of euro*	**06 30 2016**	**06 30 2015**	**Changes**
Interest on bond loans	61	63	(2)
Interest charged by banks	4	8	(4)
Interest on Cassa Depositi e Prestiti loans	-	2	(2)
Fair value of financial derivatives	(3)	(3)	-
Realized on financial derivatives	6	11	(5)
Decommissioning costs	1	1	-
Other financial expenses of which:	6	6	-
- IAS discounting charges	*3*	*2*	*1*
- Financial expenses (IFRIC 12)	*2*	*2*	*-*
- Other expenses	*1*	*2*	*(1)*
Total financial expenses	**75**	**88**	**(13)**

The equity method valuation of shareholdings was positive for 4 million euro (positive for 3 million euro at June 30, 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*	**06 30 2016**	**06 30 2015**	**Changes**
Current taxes	84	63	21
Deferred tax assets	48	35	13
Deferred tax liabilities	(26)	(21)	(5)
Total income taxes	**106**	**77**	**29**

"Income taxes" for the period amounted to 106 million euro (77 million euro at June 30, 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

The “Result of minorities” is negative for the Group for 13 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 254 million euro (positive for 152 million euro at June 30, 2015).

Earnings per share

38) Earnings per share

	01 01 2016 06 30 2016	01 01 2015 06 30 2015
Earnings (loss) per share (euro)		
- basic	0.0825	0.0489
- basic from continuing operations	0.0824	0.0489
- basic from assets held for sale	-	-
- diluted	0.0825	0.0489
- diluted from continuing operations	0.0824	0.0489
- 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

Note on related party transactions

39) Note on related party transactions

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

Relationships with parent companies and their subsidiaries

On October 5, 2007, the Municipalities of Milan and Brescia signed a Shareholders' Agreement to regulate the ownership structure of A2A S.p.A.; this gave the Municipalities joint control over the company.

Specifically, the merger effective January 1, 2008, regardless of the legal structure established, was considered a joint venture, whose joint control was exercised by the Municipalities of Milan and Brescia, each of which owned a share equal to 27.5%.

On June 13, 2014, the Shareholders' Meeting modified the company's governance system, passing from the original two-tier system, adopted in 2007, to a "traditional" system of management and control through the appointment of the Board of Directors.

In December 2014, the Municipalities of Milan and Brescia sold a total shareholding of 0.51% of A2A S.p.A., while in the first two months of 2015, the Municipalities of Milan and Brescia sold an additional shareholding of 4.5% of A2A S.p.A.. At the date of approval of the Half-Year Financial Report at June 30, 2016, the two shareholders held a shareholding of 50% plus two shares that allows the two municipalities to maintain control over the company.

The A2A Group companies and the Municipalities of Milan and Brescia routinely entertain commercial relationships related to the supply of electricity, gas, heat, and potable water, management of public lighting systems and street lights, management of water purification and sewers, garbage collection and street sweeping and video surveillance.

Similarly, the A2A Group companies entertain commercial relationships with the companies controlled by the Municipalities of Milan and Brescia, for example, Metropolitana Milanese

S.p.A., ATM S.p.A., Brescia Mobilità S.p.A., Brescia Trasporti S.p.A. and Centrale del Latte di Brescia S.p.A., supplying them with electrical energy, gas, heat, water purification and sewer service at market rates appropriate to the supply conditions and providing the services required. Note that these companies are considered related parties in the preparation of the financial statement schedules pursuant to Consob Resolution 17221 of March 12, 2010.

The relationships between the Municipalities of Milan and Brescia and the A2A Group, in relation to granting the services associated with public lighting, street lights, management and supply of electricity, gas, heat, and water purification and sewer service are regulated by special conventions and specific contracts.

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

On April 3, 2014, Amsa S.p.A., a subsidiary of A2A S.p.A., entered a service agreement with the Municipality of Milan covering waste management, street and green area cleaning, special services and other services upon request (such as the removal of illegally dumped waste, reclamation and snow removal) for the period from January 1, 2014, to December 31, 2016.

Relationships with subsidiaries and affiliates

The parent company A2A S.p.A., operates like a centralized treasury for the majority of the subsidiaries.

The relationships between the companies take place through current accounts, entertained between the parent company and the subsidiaries, regulated at the Euribor three-month rate for receivables (of A2A S.p.A.) or decreased by the liabilities by an amount equal to the rate applied by the financial market.

For the financial year 2015, A2A S.p.A. and its subsidiaries have adopted the VAT procedure of the Group.

Note that for IRES purposes, A2A S.p.A. files for tax on a consolidated basis, together with its main subsidiaries, in accordance with arts. 117-129 of DPR 917/86. To this end, with each of the subsidiaries joining, a special contract was drawn up to regulate the tax advantages/disadvantages transferred, with specific reference to the current entries. These contracts also govern the transfer of any excess of ROL as set forth by prevailing legislation.

The parent company provides the subsidiaries and affiliates with administrative, fiscal, legal, management and technical services in order to optimize the resources available in the company and to use the existing expertise in terms of economic convenience. These services are regulated by special intercompany service contracts stipulated annually. A2A S.p.A. also provides its subsidiaries and affiliates with office spaces and operating areas, at their own sites, as well as the services related to their use, at market conditions.

In exchange for the monthly consideration, in proportion to the actual availability of the thermoelectric and hydroelectric plant, the parent company offers A2A Trading S.r.l. the electrical generation service.

Telecomunication services are provided by the subsidiary Selene S.p.A..

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

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

Balance sheet	Total	Of which with related parties								
Millions of euro	06 30 2016	Associated companies	Related companies	Municipality of Milan	Subsidiaries Municipality of Milan	Municipality of Brescia	Subsidiaries Municipality of Brescia	Related parties individuals	Total related parties	% effect on the balance sheet item
TOTAL ASSETS OF WHICH:	**9,605**	**72**	**29**	**67**	**2**	**13**	**1**	**-**	**184**	**1.9%**
Non-current assets	*6,812*	*63*	*12*	*-*	*-*	*3*	*-*	*-*	*78*	*1.1%*
Shareholdings	72	63	9						72	100.0%
Other non current financial assets	71		3			3			6	8.5%
Current assets	*2,790*	*9*	*17*	*67*	*2*	*10*	*1*	*-*	*106*	*3.8%*
Trade receivables	1,482	3	17	67	2	10	1		100	6.7%
Current financial assets	181	6							6	3.3%
TOTAL LIABILITIES OF WHICH:	**6,479**	**8**	**31**	**7**	**-**	**9**	**-**	**-**	**55**	**0.8%**
Current liabilities	*2,390*	*8*	*31*	*7*	*-*	*9*	*-*	*-*	*55*	*2.3%*
Trade payables	1,054		31	7		9			47	4.5%
Other current liabilities	561	7							7	1.2%
Current financial liabilities	658	1							1	0.2%

Income statement *Millions of euro*	Total 06 30 2016	Of which with related parties								
		Associa-ted compa-nies	Related compa-nies	Munici-pality of Milan	Subsi-diaries Munici-pality of Milan	Munici-pality of Brescia	Subsidia-ries Munici-pality of Brescia	Related parties indivi-duals	Total related parties	% effect on the balance sheet item
REVENUES	**2,323**	**1**	**26**	**159**	**2**	**18**	**1**	**-**	**207**	**8.9%**
Revenues from the sale of goods and services	2,180	1	26	159	2	18	1		207	9.5%
Other operating revenues	143								-	-
OPERATING EXPENSES	**1,398**	**-**	**49**	**1**	**1**	**4**	**-**	**-**	**55**	**3.9%**
Expenses for raw materials and services	1,289		38		1				39	3.0%
Other operating expenses	109		11	1		4			16	14.7%
LABOUR COSTS	**311**							**1**	**1**	**0.3%**
FINANCIAL BALANCE	**(59)**	**5**				**3**			**8**	**(13.6%)**
Financial income	12	1				3			4	33.3%
Affiliates	4	4							4	100.0%

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

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With regard to the compensation paid to the corporate governance bodies, reference shall be made to the document “Remuneration Report – 2016” available on the website www.a2a.eu.

Significant non-recurring events and transactions

40) 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 Branch" in favour of Cellina Energy S.r.l. (company wholly owned by Società Elettrica Altoatesina S.p.A.) in application of the demerger deed stipulated the parties on December 28, 2015.

The first half of 2016 benefited from 51 million euro of non-recurring revenues of the company A2A Ciclo idrico S.p.A. Following application of Resolution no. 16/2016, by means of which the Board of Directors of the Ambit Government Entity for Brescia approved the previous tariff items (for the years 2007-2011) for A2A Ciclo Idrico S.p.A. pursuant to Resolution no. 643/2013/R/idr of the Italian Regulatory Authority for Electricity, Gas and the Water System.

Guarantees and commitments with third parties

Millions of euro	06 30 2016	12 31 2015
Guarantees received	626	460
Guarantees provided	1,616	1,545

Guarantees received

Guarantees received amounted to 626 million euro (460 million euro at December 31, 2015) and include 235 million euro for sureties and security deposits issued by subcontractors to guarantee the proper execution of the work assigned and 391 million euro for sureties and security deposits received from customers to guarantee the regularity of payments.

Guarantees provided and commitments with third parties

Guarantees provided amounted to 1,616 million euro (1,545 million euro at December 31, 2015), of which for obligations undertaken in the loan agreements of 132 million euro. These guarantees have been issued by banks for 521 million euro, insurance companies for 33 million euro and the parent company A2A S.p.A., as parent company guarantee, for 1,062 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 June 30, 2016

Reference should be made to the specific section of this half-yearly financial report for a description of subsequent events.

2) Information on treasury shares

At June 30, 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 June 30, 2016, no treasury shares were held through subsidiaries, finance companies or nominees.

3) Transactions as per IFRS 3 revised

in the first half of 2016, the Group finalized, through Aprica S.p.A., the acquisition of 64% of the shareholding in LA BI.CO DUE S.r.l., a company operating in municipal sanitation services in the Province of Brescia; said transaction is classified as a business combination under international standard IFRS 3 revised “Business combinations”.

IFRS 3 revised requires all business combinations to be accounted for using the acquisition method. The acquirer must therefore recognize all the identifiable assets, liabilities and contingent liabilities relating to the acquisition at their fair values at the acquisition date and also recognize any goodwill, which instead of being amortized is subsequently submitted to impairment testing.

In particular, IFRS 3 revised contains the following definitions:

- a “business combination” is a transaction in which a single entity (the acquirer) obtains control of one or more distinct entities or businesses (the acquisition);

- “control” as defined by IFRS 10;
- the “acquirer” is the combining entity that obtains control of the other entities or businesses;
- the “cost of the combination” is the aggregate of:
  1) the fair values, at the date of exchange, of assets acquired, liabilities incurred or assumed, and equity instruments issued by the acquirer and
  2) any costs directly attributable to the business combination;
- “fair value” is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction;
- the “acquisition date” is the date on which the acquirer effectively obtains control of the acquisition;
- the “date of exchange” is the date of each exchange transaction.

As this was a business combination, the Group fully consolidated the company, using the acquisition method required by IFRS 3, from the second quarter of 2016.

The application of the acquisition method led to the recognition of the assets and liabilities acquired at fair value, based on the agreement between the parties.

Accounting at June 30, 2016 resulted in a provisional allocation to the item “Goodwill” for 0.3 million euro, while the purchase price allocation activities will be completed by the end of the year.

4) 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 June 30, 2016 implement the reclassification of both 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 and the reclassification of assets held for sale of the EPCG Group, while at December 31, 2015, they included some assets of Edipower S.p.A. and liabilities related to them as part of the partial, non-proportional demerger, effective January 1, 2016, in favour of Cellina Energy S.r.l. (wholly owned investee company of Società Elettrica Altoatesina S.p.A.), relating 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 June 30, 2016 *Millions of euro* **ASSETS AND LIABILITIES HELD FOR SALE**	**Assets SEASM S.r.l.**	**Group EPCG**	**Total**
Non-current assets	2	1	3
Current assets	-	-	-
Total assets	**2**	**1**	**3**
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.

5) Financial risk management

The A2A Group operates in the electricity, natural gas and district heating industry and is exposed to various financial risks in performing its activity:

a) commodity risk;
b) interest rate risk;
c) exchange rate risk not related to commodities;
d) liquidity risk;
e) credit risk;
f) equity risk;
g) default and covenant risk.

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

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

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

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

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

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

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

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

a. Commodity risk

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

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

To stabilize cash flows and to lock in Group profits on transactions, A2A S.p.A. has an Energy Risk Policy that sets out clear guidelines to manage and control the above risks, based on guidance by the Committee of Chief Risk Officers Organizational Independence and Governance Working Group ("CCRO") and the Group on Risk Management of Euroelectric. Reference was also made to the Accords of the Basel Committee on bank supervision approved in June 2004 ("Basel 2") and the requirements laid down in international accounting standards on how to recognize the volatility of commodity price and financial derivatives in the income statement and balance sheet.

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

Each year, A2A S.p.A. sets the Group's commodity risk limits approving PaR and VaR proposed in the Risk Committee, in conjunction with approval of the Budget/Business Plan; the Risk Management supervises the situation to ensure compliance with these limits and proposes to senior management the hedging strategies designed to bring risk within the set limits.

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

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

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

In order to identify trading activity, the A2A Group follows the Capital Adequacy Directive and the definition of assets held for trading provided by International Accounting Standard (IAS) 39: namely assets held for the purpose of short-term profit taking on market prices or margins, without being for hedging purposes, and designed to create a high-turnover portfolio.

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

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

a.2) Commodity derivatives, analysis of transactions

Derivatives of the industrial portfolio considered hedges

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

As part of the optimization of the greenhouse gas emission rights portfolio (Directive 2003/87/EC), the A2A Group trades futures on the ICE ECX (European Climate Exchange). These are considered hedging transactions from an accounting point of view in the event of demonstrable surplus/deficit quotas.

The fair value at June 30, 2016 was -7.9 million euro (-5.5 million euro at December 31, 2015).

Derivatives of the industrial portfolio not considered hedges

Also as part of its optimization of the industrial portfolio, contracts have been entered to hedge the fee for the use of electricity transport capacity within the areas of the IPEX market (CCC contracts).

These do not qualify as hedging transactions from an accounting point of view as they fail to meet the requirement set out in the accounting standards.

The fair value at June 30, 2016 was 0.0 million euro (0.0 million euro at December 31, 2015).

Derivatives of the Trading Portfolio

As part of its trading activity, the A2A Group has taken out future contracts on major European energy stock exchanges (EEX, Powernext) and forward contracts on the price of electricity with delivery in Italy and neighboring countries such as France, Germany and Switzerland. The Group has also signed interconnection contracts with operators in neighboring countries, which are considered purchases of options. Forward contracts have been stipulated on the market price of EUA environmental certificates (ECX ICE), as well as future contracts, which permit delivery of the allowances at the contract price as well as cash settlement of the differential between the market price and the contract price. Also as part of trading activities, both future and forward contracts were also stipulated for the market price of gas (ICE-Endex CEGH).

The fair value at June 30, 2016 was -0.6 million euro (0.5 million euro at December 31, 2015).

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

PaR[1] or Profit at Risk, is used to assess the impact that fluctuations in the market price of the underlying have on the financial derivatives taken out by the A2A Group that are attributable to the industrial portfolio. It is the change in the value of a financial instruments portfolio within set probability assumptions as the result of a shift in the market indices. The PaR is calculated using the Montecarlo Method (at least 10,000 trials) and a 99% confidence level. It simulates scenarios for each relevant price driver depending on the volatility and correlations associated with each one, using as the central level the forward market curves at the balance sheet date, if available. By means of this method, after having obtained a distribution of probability associated with changes in the result of outstanding financial contracts, it is possible to extrapolate the maximum change expected over a time horizon given by the accounting period at a set level of probability. Based on this methodology, over the time horizon of the accounting period and in the event of extreme market movements and at a 99% confidence level, the expected maximum negative change in financial derivatives outstanding at June 30, 2016 was 26.623 million euro (50.789 million euro at December 31, 2015).

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

Millions of euro	**06 30 2016**		**12 31 2015**	
Profit at Risk (PaR)	***Worst case***	***Best case***	***Worst case***	***Best case***
Confidence level 99%	**(26.623)**	**32.492**	**(50.789)**	**62.560**

This means that with a 99% probability the A2A Group expects not to have changes in fair value exceeding 26.623 million euro in the fair value of its entire portfolio of financial instruments at June 30, 2016 due to commodity price fluctuations.

If there are any negative changes in the fair value of derivatives, these would be compensated by changes in the underlying as the result of changes in market prices.

(1) Profit at Risk: statistical measurement of the maximum potential negative deviation of the margin of an asset portfolio in case of unfavorable market changes over a given time horizon and with a defined confidence interval.

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

VaR (Value at Risk)[2] is used to assess the impact that fluctuations in the market price of the underlying have on the financial derivatives taken out by the A2A Group that are attributable to the trading portfolio. It is the negative change in the value of a financial instruments portfolio within set probability assumptions as the result of an unfavourable shift in the market indices. VaR is calculated using the RiskMetrics method with a holding period of 1 day and a confidence level of 99%. Alternative methods are used for contracts where it is not possible to perform a daily estimate of VaR such as stress test analysis.

Under this method, in the case of extreme market movements, with a confidence level of 99% and a holding period of 1 day, the maximum estimated loss on the derivatives in question was 1,943 thousand euro at June 30, 2016 (1,067 thousand euro at December 31, 2015). In order to ensure closer monitoring of activities, the Stop Loss limits are also set, understood as the sum of VaR, P&L Realized (losses realized) and P&L Unrealized (potential losses).

The following are the results of the assessments:

Millions of euro	**06 30 2016**		**12 31 2015**	
Value at Risk (VaR)	***VaR***	***Stop loss***	***VaR***	***Stop loss***
Confidence level 99%, holding period 1 day	**(1.943)**	**(5.430)**	**(1.067)**	**(1.067)**

b. Interest rate risk

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

At June 30, 2016. the structure of gross debt is as follows:

Millions of euro	**June 30, 2016**			**December 31, 2015**		
	Without derivatives	**With derivatives**	**% with derivatives**	**Without derivatives**	**With derivatives**	**% with derivatives**
Fixed rate	3,074	3,217	86%	3,066	3,218	85%
Floating rate	647	504	14%	715	563	15%
	3,721	**3,721**		**3,781**	**3,781**	

(2) Value at Risk: statistical measurement of the maximum potential drop in the fair value of an asset portfolio in the event of unfavorable movements in the market with a given time horizon and confidence level.

Derivatives on interest rates at June 30, 2016 refer to the following loans:

Loan	Derivative	Accounting
A2A S.p.A. loan with BEI: expiring in November 2023, residual balance at June 30, 2016 amounting to 142.9 million euro, at floating rate interest.	Collar to fully cover the loan and the same maturity, with a floor on Euribor rate 2.99% and 4.65% cap. At June 30, 2016, the fair value was negative for 17.7 million euro.	The loan is measured at amortized cost. The collar is a cash flow hedge, with 100% recognized in a specific equity reserve.
A2A S.p.A. bond with a nominal value of 503.4 million euro, maturing in 2016 bearing fixed interest at 4.5%.	IRS ("Fix to Float") on the entire nominal amount with same duration as the loan. At June 30, 2016, the fair value was positive for 16.4 million euro.	Fair value hedge The fair value hedge valuation is equal to the amortized cost of financial liabilities increased by accrued interest. The amortized cost includes the portion of competence of the discount and issue costs. This value includes the fair value of the derivative. In the income statement, the change in the fair value of the financial liability is offset by the change in the fair value of the derivative, as the risk hedge is 100% effective.
	Collar on 3.4 million euro with the same duration of the loan, with floor on Euribor rate 2.25% and 4.50% cap. At June 30, 2016, the fair value was negative for 0.1 million euro.	The collar is measured at fair value through the income statement.
	Collar on 350 million euro maturing November 2016, with floor on Euribor rate 1.54% and 3.25% cap. At June 30, 2016, the fair value was negative for 3.0 million euro.	The collar is measured at fair value through the income statement.
	Collar on 150 million euro maturing November 2016, with floor on Euribor rate 1.20% and double cap 2.80% and 5%. At June 30, 2016, the fair value was negative for 1.0 million euro.	The collar is measured at fair value through the income statement.

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. Under this methodology at least ten thousand scenarios are simulated for each key variable on the basis of the associated volatilities and correlations, using market rate forward curves for future levels. In this way, a probability distribution of the results is obtained from which the worst case scenario and best case scenario can be extrapolated using a 99% confidence level.

The following are the results of the simulation with the related maximum variances (worst case and best case scenarios) for the 12 months subsequent to June 30, 2016, and a comparison with the 12 preceding months (excluding EPCG):

Millions of euro	07/2016 - 06/2017 (*base case*: -114.4)		07/2015 - 06/2016 (*base case*: -122.1)	
	Worst case	*Best case*	*Worst case*	*Best case*
Change in expected cash flows (including hedge flows) Confidence level 99%	(0.9)	0.7	(0.2)	0.1

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

Millions of euro	06 30 2016 (*base case*: -5.4)		12 31 2015 (*base case*:-8.5)	
	-50 bps	+50 bps	-50 bps	+50 bps
Change in fair value of derivatives	(3.0)	2.8	(3.3)	3.0
(of which cash flow hedge derivatives)	(3.1)	2.8	(3.3)	3.0
(of which fair value hedge derivatives)	0.0	(0.0)	1.4	(1.4)

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

c. Exchange rate risk not related to commodities

A2A S.p.A. does not consider it necessary at the present time to take out any specific hedges against currency risk for sales, other than that arising from commodity prices, as the amounts involved are quite small and are paid or collected within a short period of time, and any imbalance is immediately offset by a sale or purchase of foreign currency.

The only case of hedging currency risk that was not related to commodities is the fixed rate bullet bond of 14 billion yen with maturity 2036 issued in 2006.

A cross currency swap contract was stipulated for the entire duration of this loan, which converts the principal and interest payments from yen into euro. This derivative is accounted for as a cash flow hedge, with full recognition in the equity reserve.

At June 30, 2016, the fair value of the hedge was positive for 18.1 million euro. This fair value would improve by 23.5 million euro in the event of a 10% decline in the forward curve of the euro/yen exchange rate (appreciation of the yen) and would worsen by 19.3 million euro in the event of a 10% rise in the forward curve of the euro/yen exchange rate (depreciation of the yen).

In this case too, the sensitivity analysis was performed with the aim of calculating the effect of changes in the forward curve of the euro/yen exchange rate on the fair value ignoring any impact on the adjustment due to the bCVA.

d. Liquidity risk

Liquidity risk is the risk that the Group, despite being solvent, is unable to meet its obligations in a timely manner or that it is able to do so under unfavourable economic conditions.

The profile of the Group's gross debt maturities is as follows:

Millions of euro	Accounting balance 06 30 2016	Portions maturing within 12 months	Portions maturing after 12 months	Portion maturing by				
				06 30 2018	06 30 2019	06 30 2020	06 30 2021	After
Bonds	3,016	584	2,432			746	496	1,190
Finance lease payables	1	1						
Finance payables to related parties	1	1						
Bank loans	703	72	631	73	70	77	74	337
TOTAL	**3,721**	**658**	**3,063**	**73**	**70**	**823**	**570**	**1,527**

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

At June 30, 2016, the Group had a total of 1,568 million euro, as follows: (i) revolving committed credit lines for 800 million euro, unused; (ii) unused long-term financing for a total of 135 million euro; (iii) cash and cash equivalents totalling 633 million euro, 521 million euro of which held by the parent company.

The Group also maintains a Bond Issue Program (Euro Medium Term Note Programme) of 4 billion euro, of which 1,650 million euro still available.

The following table analyses the worst case for financial liabilities (including trade payables) in which all of the flows shown are undiscounted future nominal cash flows determined on the basis of residual contractual maturities for both principal and interest (excluding EPCG, for which interest is not included); they also include the undiscounted nominal flows of derivative contracts on interest rates. Loans are generally included on the basis of their contractual maturity for repayment, whereas revocable loans have been considered redeemable at sight.

06 30 2016 *Millions of euro*	**1-3 months**	**4-12 months**	**After 12 months**
Bonds	3	607	2,957
Payables and other financial liabilities	5	75	669
Total financial flows	**8**	**682**	**3,626**
Trade payables	211	31	5
Total trade payables	**211**	**31**	**5**

12 31 2015 *Millions of euro*	**1-3 months**	**4-12 months**	**After 12 months**
Bonds	48	566	3,004
Payables and other financial liabilities	51	77	718
Total financial flows	**99**	**643**	**3,722**
Trade payables	412	16	2
Total trade payables	**412**	**16**	**2**

e. Credit risk

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

This risk is overseen by both the Credit Management function allocated centrally (and the corresponding functions of the operating companies) and the Group Risk Management Organizational Unit responsible for supporting the Group companies with reference to both commercial and trading activities. Risk mitigation is through the prior assessment of the creditworthiness of the counterparty and the constant verification of compliance with exposure limit as well as through the request for adequate guarantees.

The credit terms granted to customers as a whole have a variety of deadlines, in accordance with applicable law and market practice. In cases of delayed payment, default interest is charged as explicitly prescribed by the underlying supply contracts or by current law (application of the default rate as per Legislative Decree 231/2002).

Trade receivables are stated in the balance sheet net of any write-downs; the amount shown is considered to be a correct reflection of the realizable value of the receivables portfolio. For the aging of trade receivables, reference is made to note 7 “Trade receivables”.

f. Equity risk

The A2A Group is exposed to equity risk limited to the holding of treasury shares held by A2A S.p.A., which at June 30, 2016 amounted to 61,917,609 shares corresponding to 1.976% of the share capital, which is made up of 3,132,905,277 shares.

From an accounting standpoint, as provided by IAS/IFRS, the purchase cost of treasury shares is recorded as decrease in shareholders' equity and not even if transferred will the eventual positive or negative difference, with respect to the purchase cost, have effects on the income statement. The purchase of treasury shares has been made to pursue development objectives such as transactions related to business projects consistent with the strategies that the company intends to pursue, in relation to which there is the opportunity of stock exchanges.

g. Covenants compliance risk

Bonds (book value at June 30 equal to 3,016 million euro), loans (book value at June 30 equal to 703 million euro) and revolving committed bank lines (800 million euro) present Terms and Conditions in line with the market for each type of instrument. In particular, they envisage: (i) negative pledge clauses under which the parent company undertakes not to pledge, with exceptions, guarantees on its assets or those of its directly held subsidiaries over and above a specific threshold; (ii) cross- default/acceleration clauses which entail immediate reimbursement of the loans in the event of serious non-performance; and (iii) clauses that provide for immediate repayment in the event of declared insolvency on the part of certain Group companies.

Bonds include (i) 2,382 million euro issued as part of the EMTN Programme, which provide to investors a Change of Control Put in the event of a change of control of the company resulting in a rating downgrade at sub-investment grade level in the following 180 days (if within said 180 days, the company's rating should return to investment grade, the option may not be exercised); (ii) 100 million euro relating to the private bond in yen with maturity 2036 with a Put right clause in favour of the investor in the event that the rating is lower than BBB- or equivalent level (sub-investment grade).

The loans stipulated with the European Investment Bank, with book value of 538 million euro, excluding EPCG, contain a Credit Rating clause (if rating below BBB- or equivalent level to sub-investment grade), of which 395 million euro - due after 2024 - also include a change of control clause of the parent company, with the right for the bank to invoke, upon notice to the company containing indication of the reasons, the early repayment of the loan.

Lastly, the loan signed by the parent company with UniCredit, brokered by the EIB, for a book value of 14 million euro and 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.

With regard to loans of the subsidiaries, the loan of Abruzzoenergia S.p.A. for a book value of 43 million euro is backed by a secured guarantee (mortgage) for a maximum of 120 million euro and contains two financial covenants, NFP/Shareholders' funds and NFP/Gross operating income. In addition, the subsidiary EPCG has two loans signed with EBRD (European Bank for Reconstruction and Development) for a total book value of 53 million euro. In particular, the latter envisage some financial covenants.

Therefore, at June 30, 2016, the total book value of loans that contain financial covenants amounts to 96 million euro.

With reference to the bank lines revolving committed available, the line for 600 million euro expiring November 2019 and the bilateral ones for a total of 200 million euro falling due in 2017, include a Change of Control clause which in the event of a change of control of the company causing a Material Adverse Effect allows the banks to request the facility to be extinguished and early repayment of any amounts drawn. The line for 600 million is also subject to the financial covenant NFP/EBITDA.

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

A2A Group - Financial covenants at June 30, 2016

Company	Bank	Level of reference	Level recognized	Date of recognition
A2A	Pool RCF	NFP/Ebitda <=4.2	2.6	06/30/2016
Abruzzoenergia	IntesaSanpaolo	NFP/Equity <=2 NFP/EBITDA<=6	0.5 2.4	12/31/2015 12/31/2015
EPCG	EBRD	Debt/Ebitda <= 4 Curr.Assets/Curr. Liab. >= 1.2 Ebitda/Interest >= 4	1.5 4.4 22.2	12/31/2015 12/31/2015 12/31/2015
	IDA	self-fin. ratio=>35% collection ratio>94%	169.05% 102%	12/31/2015 12/31/2015

Analysis of forward transactions and derivatives

Tests were performed to determine whether these transactions qualify for hedge accounting in accordance with International Accounting Standard IAS 39.
In particular:

1) transactions qualifying for hedge accounting under IAS 39: can be analyzed between transactions to hedge cash flows (cash flow hedges) and transactions to hedge fair value of assets and liabilities (fair value hedges). For the cash flow hedges, the accrued result is included in gross operating income when realized on commodity derivatives and in the financial balance for interest rate and currency derivatives, whereas the future value is shown in equity. For fair value hedge transactions, the impacts in the Income Statement are recorded within the same line of the financial statements;
2) transactions not considered as hedges for the purposes of IAS 39, can be:
   a. margin hedges: for all hedging transactions of cash flows or the market value in line with internal risk policies, the accrued result and future value are included in gross operating income for commodity derivatives and in the financial balance for interest rate and currency derivatives;
   b. trading transactions: the accrued result and future value are recognized above gross operating income for commodities transactions and in financial income and expense for interest rate and currency transactions.

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

The derivatives are measured at fair value based on the forward market curve at the balance sheet date, if the asset underlying the derivative is traded on markets with a forward pricing structure. In the absence of a forward market curve, fair value is measured on the basis of internal estimates using models that refer to industry best practices.

The A2A Group uses "continuous-time" discounting to measure fair value. As a discount factor, it uses the interest rate for risk-free assets, identified in the Euro Overnight Index Average (EONIA) rate and represented in its forward structure by the Overnight Index Swap (OIS) curve. The fair value of the cash flow hedges has been classified on the basis of the underlying derivative contracts in accordance with IAS 39.

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

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

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

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

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

Instruments outstanding at June 30, 2016

A) On interest and exchange rates

Millions of euro	Notional value (a) due within 1 year		Notional value (a) due within 1 and 5 years		Notional value (a) due over 5 years	Amount reported in balance sheet (b)	Progressive effect to the income statement at 06 30 2016 (c)
	to be received	to be paid	to be received	to be paid			
Interest rate risk management							
- cash flow hedges as per IAS 39		19		76	48	(18)	
- not considered hedges as per IAS 39		503 (d)		-	-	12 (e)	12 (e)
Total derivatives on interest rates	**-**	**522**	**-**	**76**	**48**	**(6)**	**12**
Exchange rate risk management							
- considered hedges as per IAS 39 on commercial transactions on financial transactions					98	18	
- not considered hedges as per IAS 39 on commercial transactions on financial transactions							
Total exchange rate derivatives	**-**	**-**	**-**	**-**	**98**	**18**	**-**

(a) Represents the sum of the notional value of the elementary contracts that derive from any dismantling of complex contracts.
(b) Represents the net receivable (+) or payable (-) recognized in the balance sheet following the measurement of derivatives at fair value.
(c) Represents the adjustment of derivatives to fair value recognized progressively over time in the income statement from the stipulation of the contract to the present day.
(d) Includes derivative instruments with underlying bond worth 503 million euro, maturing in 2016, and an IRS with notional value of 503 million euro, with no economic effect, as a result of the fair value hedge measurement and three collars with a notional value of 503 million euro, not qualifying as hedges under IAS 39.
(e) Includes the effect on collars, with a total notional amount of 503 million euro, not considered as hedges according to IAS 39.

B) On commodities

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

Energy product price risk management	Unit of measurement of the notional value	Notional value expiring within 1 year	Notional value expiring within 2 years	Notional value expiring within 5 years	Balance sheet value (*) (millions of euro)	Progressive effect to income statement (**) (millions of euro)
A. Cash flow hedges as per IAS 39, including:					**(7.9)**	**-**
- Electricity	TWh	4.4	0.2		(5.1)	
- Oil	Bbl					
- Coal	Tons	241.499			1.6	
- Natural gas	Millions of cubic metres	119.4			3.8	
- Exchange rate	Millions of dollars					
- Emission rights	Tons	4,205,000	1,740,000		(8.2)	
B. Considered fair value hedges as per IAS 39					**-**	**-**
C. Not considered as hedges as per IAS 39 of which					**(0.6)**	**(1.1)**
C.1 hedge margin					**-**	**-**
- Electricity	TWh					
- Oil	Bbl					
- Natural gas	MWh					
- Natural gas	Millions of cubic metres					
- CO_2 emission rights	Tons					
- Exchange rate	Millions of dollars					
C.2 trading transactions					**(0.6)**	**(1.1)**
- Electricity	TWh	69.3	16.7	1.2	0.6	0.1
- Natural gas	TWh	31.2	3.0	0.1	(1.2)	(1.4)
- CO_2 emission rights	Tons	254,000				0.2
- Environmental Certificates	MWh					
- Environmental Certificates	Tep					
Total					**(8.5)**	**(1.1)**

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

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

Financial and operating results for derivative transactions at June 30, 2016

The following table shows the balance sheet figures at June 30, 2016, for derivative transactions.

Effect on the balance sheet

Millions of euro	Notes	
ASSETS		
NON-CURRENT ASSETS		**18**
Other non-current assets - Derivatives	5	18
CURRENT ASSETS		**89**
Other current assets - Derivatives	8	89
TOTAL ASSETS		**107**
LIABILITIES		
NON-CURRENT LIABILITIES		**18**
Other non-current liabilities - Derivatives	21	18
CURRENT LIABILITIES		**85**
Trade payables and other current liabilities - Derivatives	22	85
TOTAL LIABILITIES		**103**

Effect on the income statement

The following table sets out the income statement figures at June 30, 2016 arising from the management of derivatives.

Millions of euro	Notes	Realized in the period	Fair value change in the period	Amounts booked to the statement of comprehensive income
REVENUES	27			
Revenues from the sale of goods				
Energy product price risk management and exchange rate risk management on commodities				
- considered hedges as per IAS 39		-	-	-
- not considered hedges as per IAS 39		4	(104)	(100)
Total revenues from the sale of goods		**4**	**(104)**	**(100)**
OPERATING EXPENSES	28			
Expenses for raw materials and services				
Energy product price risk management and exchange rate risk management on commodities				
- considered hedges as per IAS 39		3	-	3
- not considered hedges as per IAS 39		(21)	103	82
Total expenses for raw materials and services		**(18)**	**103**	**85**
Total booked to gross operating income (*)		**(14)**	**(1)**	**(15)**
FINANCIAL BALANCE	34			
Financial income				
Interest rate risk management and equity risk management				
Income on derivatives				
- considered hedges as per IAS 39		-	-	-
- not considered hedges as per IAS 39		-	-	-
Total		**-**	**-**	**-**
Total financial income		**-**	**-**	**-**
Financial expense				
Interest rate risk management and equity risk management				
Expenses on derivatives				
- considered hedges as per IAS 39		(2)	-	(2)
- not considered hedges as per IAS 39		(4)	3	(1)
Total		**(6)**	**3**	**(3)**
Total financial expenses		**(6)**	**3**	**(3)**
TOTAL BOOKED TO FINANCIAL BALANCE		**(6)**	**3**	**(3)**

(*) These figures do not include the effect of the net presentation of the trading margin.

Classes of financial instruments

To complete the analyses required by IFRS 7 and IFRS 13, the following table sets out the various types of financial instrument that are to be found in the various balance sheet items, with an indication of the accounting policies used and, in the case of financial instruments measured at fair value, an indication of where changes are recognized (income statement or equity). The last column of the table shows the fair value of the instrument at June 30, 2016, where applicable.

Millions of euro

	Criteria to measure the reported amount of financial instruments							
	Notes	Financial instruments measured at fair value with changes recognized in:			Financial instruments measured at amortized cost	Share-holding / Holdings securities convertible into unlisted shareholdings measured at cost	Amount as stated in the consolidated balance sheet at 06 30 2016	Fair value at 06 30 2016 (*)
		Income statement	Equity					
		(1)	(2)	(3)	(4)	(5)		
ASSETS								
Other non-current financial assets:								
Shareholding / Securities convertible into shareholdings available for sale of which:								
- unlisted				8			8	n,d,
- listed							-	-
Financial assets held to maturity							-	-
Other non-current financial assets					63		63	63
Total other non-current financial assets	**3**						**71**	
Other non-current assets	5		18		6		24	24
Trade receivables	7				1,482		1,482	1,482
Other current assets	8	83	6		194		283	283
Current financial assets	9				181		181	181
Cash and cash equivalents	11				633		633	633
Non-current assets held for sale	12				3		3	3
LIABILITIES								
Financial liabilities								
Non-current and current bonds	18 and 23	534			2,482		3,016	3,016
Other non-current and current financial liabilities	18 and 23				705		705	705
Other non-current liabilities	21		18		70		88	88
Trade payables	22				1,054		1,054	1,054
Other current liabilities	22	71	14		476		561	561

(*) The fair value has not been calculated for receivables and payables not related to derivative contracts and loans as the corresponding carrying amount is a good approximation to this.
(1) Financial assets and liabilities measured at fair value with the changes in fair value recognized in the Income statement.
(2) Cash flow hedges.
(3) Financial assets available for sale measured at fair value with profit/loss recognized in equity.
(4) Loans and receivables and financial liabilities measured at amortized cost.
(5) Available-for-sale financial assets consisting of unlisted shareholdings whose fair value is not reliably measurable are measured at the lower of cost less any impairment losses and fair value.

Fair value hierarchy

IFRS 7 and IFRS 13 require that fair value classification of financial instruments to be based on the quality of the input source used to calculate the fair value.

In particular, IFRS 7 and IFRS 13 set out three levels of fair value:

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

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

Millions of euro	Note	Level 1	Level 2	Level 3	Total
Available-for-sale assets measured at fair value	3		8		8
Other non-current assets	5		18		18
Other current assets	8	66	22	1	89
TOTAL ASSETS		**66**	**48**	**1**	**115**
Other non-current liabilities	21		18		18
Current financial liabilities	23		534 (a)		534
Other current liabilities	22	81	4		85
TOTAL LIABILITIES		**81**	**556**	**-**	**637**

(a) Amortized cost + fair value risk hedge, as further specified in note 23) Current financial liabilities.

Sensitivity analysis for financial instruments included in level 3

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

Financial instrument	Parameter	Parameter change	Sensitivity (millions of euro)
Commodity Derivatives	Probability of default (PD)	1%	0.00
Commodity Derivatives	Loss Given Default (LGD)	25%	0.00
Commodity Derivatives	Volatility underlying interconnection capacity abroad	1%	0.01
Commodity Derivatives	Correlation underlying interconnection capacity abroad	1%	(0.00)
Commodity Derivatives	Underlying interconnection capacity zonal Italy	1%	0.06

6) Concessions

The following table sets out the main concessions obtained by the A2A Group:

	Number	Maturity		Notes
		from	to	
Hydroelectric concessions	44	2016	2043	of which: - 8 Concessions past due managed in prorogation.
District heating concessions	10	2022	2037	of which: - 2 Concessions with maturity consistent with the duration of A2A S.p.A..
Electricity distribution concessions	48	-	2030	
Gas distribution concessions	204	2016	2023	of which: - 4 Concessions past due managed in prorogation.
Solid urban waste concessions (“SUW”) (*)	133	2016	2050	of which: - 9 Concessions past due managed in prorogation.
Water service management concessions (**)	114	2016	2036	of which: - 10 Concessions past due managed in prorogation.
Urban illumination and traffic lights management agreements	6	2024	2029	of which: - 2 Concessions managed in tacit renewal. - 2 Concessions with maturity consistent with the duration of A2A S.p.A..
Other concessions	11	2018	2050	

(*) Agreements can relate to the disposal and treatment of SUW, the construction, running and safety of landfills or waste to energy.
(**) Concessions may regard the sale and distribution of drinking water or water purification and sewage services.

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

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

It is noted that if there is no explicit reference to the presence of a provision, the 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.

On July 13, 2016, A2A S.p.A. and Consult Latina were summoned by Redengas for the preliminary mediation hearing upon the summoning of a new lawsuit to obtain compensation for damages resulting from the seizure continuation obtained by Consult Latina on the actions mentioned above. Said damages would result in additional costs for A2A S.p.A..

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-fulfillment 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 Financiere 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 Financiarie 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 1224, paragraph 2, 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 consists of Giuseppe Portale (Chairman), Prof. Vincenzo Mariconda (arbitrator identified by A2A S.p.A. and E.ON Europa S.L.) and Lawyer 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. Mr. Ambrogio and Mr. 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 1st, 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.

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 was fixed for October 30, 2011. This case has been assigned to the Second Civil Section of the Court, Single Judge 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 CPC (Civil Procedure Code) (which allows a third party to make a new, different request to the original judge, extending the argument) and called that Ergosud S.p.A. alone should be ordered to pay damages, in part similar to those claimed by the Consortium, quantified in 27,467,031 euro.

The legitimacy 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 1st, 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 such as to require the recording of a provision.

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. For this reason, in relation to this specific case, the Group has not allocated any provisions.

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 from 121 million euro to 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 Urìa 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.

On March 31, 2016, the Consortium Zone 1 filed an appeal with the court for administrative litigation of Castellon for the declaration of material impossibility of execution of the sentence of the Tribunal de Justicia Superior since said sentence would be contrary to the obligations imposed by the AIA.

The UTE presented adhesive intervention on May 11, 2016 in support of the appeal of the Consortium.

Pending said appeal, the original contractual terms shall continue to apply.

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 June 30, 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.

Some first instance conviction measures were adopted with respect to certain plants.

The proceedings were adjourned to the hearing of October 6, 2016.

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 1st, 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 appeal 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. At said hearing, the Court granted the terms for the filing of final claims and objections respectively for September 5 and September 26, 2016, stating that the request for relief in terms will be examined and assessed in the final conclusions.

In July 2015, contextually to the appeal, A2A filed an appeal for the suspension of enforceability of the Ruling. 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

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.

In addition, the D.G.R. (Regional Council Resolution) of Lombardy no. 5130-2016 ordered, by implementing paragraph 5 of art. 53-*bis* of Regional Law 26/2003 introduced by Regional Law 19/2010, the subjection of the hydroelectric concessions already expired to an "additional fee" established "provisionally" at 20 €/kW of nominal power of concession, subject to the request for settlement at the outcome of the assessments underway by the regional offices regarding the profitability of expired concessions. It is noted that said additional fee is expected to be applied retroactively from the original expiry of each concession, and therefore for Grosotto, Lovero and Stazzona from January 1, 2011 and for Premadio 1 from July 29, 2013.

A2A, which has always challenged even in court the legitimacy - in the first place constitutional - of the aforementioned paragraph 5, challenged, like other operators, the D.G.R. 5130-2016 before the Superior Court of Public Waters.

For disputes relating to public water derivation fees, the Group set aside risk provisions for the total amount of 29.2 million euro equal to the entire claim of the counterparties.

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

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

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

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

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

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

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

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

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

The writ of summons 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.

* * *

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 was completed on May 25, 2016. The company is considering submitting comments to the formal notice of assessment by the inspectors. A risk provision of 1.2 million euro has been recognized.

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

On April 4, 2016, the Provincial Directorate I of Milan - Regional Office of Milan 1 - notified the invitation to appear to provide clarifications on a business transfer in the company Chi.na.co. S.r.l. and the subsequent sale of the investment held in it under control for registration tax purposes. The invitation was followed by a contradictory with the Office and subsequent notification by the latter of the notice of liquidation to the acquiring counterparty. The company is assessing the action to be taken.

A risk provision of 1.4 million euro has been recognized.

Unareti S.p.A. (already 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 Partenope Ambiente S.p.A.) - General IRES/IRAP/VAT audit for FY 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 year 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. As a result of the settlement agreements, the fund has been released for the excess and there is a residual risks provision of 0.3 million euro for the year 2008.

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

In early 2006, the Italian Finance Police – Lombardy Regional Unit, Milan – carried out a tax audit of AMSA Holding S.p.A. (now A2A S.p.A.) for VAT purposes for tax years 2001 to 2005.

The audit ended with the issue of a final report contesting the legitimacy of the ordinary VAT rate, in place of the special rate applied by suppliers for waste disposal and plant maintenance, as well as the subsequent deduction made after the invoices issued for these services were duly paid.

The report was followed by formal notices of assessment from the Tax Revenue Office (Milan 3 Office) for each year audited; appeals were then filed with the Provincial Tax Commission within the term provided by law.

The appeals for 2001 and for 2004 and 2005 were discussed on January 25, 2010 and on February 17, 2010 respectively, with a 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, and also for 2005 and 2006, 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.

8) Contingent assets

The Group had an excess of environmental certificates (Green Certificates and White Certificates) at June 30, 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 2016 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 make an information document available to public in the event of significant mergers, spin-offs, share capital increases by means of the contribution of assets in kind, acquisitions and disposals.

Attachments to the notes to the Half-yearly financial report

1 - Statement of changes in tangible assets

Tangible assets *Millions of euro*	**Net book value at 12 31 2015**	**Changes during the period**			
		Investments/acquisitions			**Changes in category**
		Effect before consolidation of LA BI.CO DUE S.r.l.	**Investments**	**Total investments/ acquisitions**	
Land	266			-	
Buildings	913	1	3	4	1
Plant and machinery	3,608		35	35	40
Industrial and commercial equipment	24		3	3	
Other assets	56		7	7	6
Landfills	23			-	4
Construction in progress and advances	103		31	31	(52)
Leasehold improvements	72	1	8	9	1
Leased assets	2			-	
Total tangible assets	**5,067**	**2**	**87**	**89**	**-**

Tangible assets *Millions of euro*	**Net book value at 12 31 2014**	**First consolidation Bellisolina/SED and Bergamo Servizi**	**Changes during the year**		
			Investments	**Changes in category**	**AFS (IFRS5)**
Land	270	2			(4)
Buildings	949	2	3	21	(21)
Plant and machinery	4,136	1	81	109	(135)
Industrial and commercial equipment	20		3	1	
Other assets	52		6	12	
Landfills	30				
Construction in progress and advances	109		146	(149)	(6)
Leasehold improvements	57		14	9	
Leased assets	2				
Total tangible assets	**5,625**	**5**	**253**	**3**	**(166)**

Changes during the period							Net book value at 06 30 2016
Other changes		Write-downs	Disposals/Sales		Amortization	Total changes for the period	
Gross value	Accumulated amortization		Asset value	Accumulated amortization			
						-	266
			(3)	1	(19)	(16)	897
18		(1)	(35)	33	(135)	(45)	3,563
					(3)	-	24
1			(5)	5	(8)	6	62
19					(3)	20	43
(3)						(24)	79
					(4)	6	78
					(1)	(1)	1
35	**-**	**(1)**	**(43)**	**39**	**(173)**	**(54)**	**5,013**

Changes during the year							Net book value at 12 31 2015
Other changes		Write-downs	Disposals/Sales		Amortization	Total changes for the year	
Gross value	Accumulated amortization		Asset value	Accumulated amortization			
					(2)	(6)	266
(28)	28	(1)	(2)	1	(39)	(38)	913
(90)	137	(358)	(11)	7	(269)	(529)	3,608
5					(5)	4	24
1			(4)	4	(15)	4	56
(2)					(5)	(7)	23
3						(6)	103
(2)					(6)	15	72
(2)	2					-	2
(115)	**167**	**(359)**	**(17)**	**12**	**(341)**	**(563)**	**5,067**

2 - Statement of changes in intangible assets

Intangible assets *Millions of euro*	Net book value at 12 31 2015	Changes during the period	
		Acquisitions	Changes in category
Industrial patent and intellectual property rights	26	2	
Concessions, licences, trademarks and similar rights	799	25	11
Goodwill	482		
Assets in progress	20	13	(11)
Other intangible assets	21		
Total intangible assets	**1,348**	**40**	**-**

Intangible assets *Millions of euro*	Net book value at 12 31 2014	First consolidation Bellisolina/SED and Bergamo Servizi	Changes during the year	
			Acquisitions	Changes in category
Industrial patent and intellectual property rights	34		4	3
Concessions, licences, trademarks and similar rights	766		68	5
Goodwill	482			
Assets in progress	15		16	(11)
Other intangible assets	21			
Total intangible assets	**1,318**	**-**	**88**	**(3)**

Changes during the period							Net book value at 06 30 2016
Reclassifications/Other changes		Disposals/Sales		Write-downs	Amortization	Total changes for the period	
Gross value	Accumulated amortization	Asset value	Adjustments accumulated amortization				
					(7)	(5)	21
(1)		(3)	2		(16)	18	817
						-	482
(1)						1	21
(14)					(1)	(15)	6
(16)	**-**	**(3)**	**2**	**-**	**(24)**	**(1)**	**1,347**

Changes during the year							Net book value at 12 31 2015
Reclassifications/Other changes		Disposals/Sales		Write-downs	Amortization	Total changes for the year	
Gross value	Accumulated amortization	Asset value	Accumulated amortization				
					(15)	(8)	26
		(11)	9		(38)	33	799
						-	482
						5	20
1					(1)	-	21
1	**-**	**(11)**	**9**	**-**	**(54)**	**30**	**1,348**

3 - List of companies included in the consolidated financial statements

Company name	Registered office	Currency	Share capital (*thousands*)
Scope of consolidation			
Unareti S.p.A. (ex A2A Reti Gas S.p.A.)	Brescia	Euro	965,250
A2A Calore & Servizi S.r.l.	Brescia	Euro	150,000
A2A Smart City S.p.A. (ex Selene S.p.A.)	Brescia	Euro	3,000
A2A Energia S.p.A.	Milan	Euro	2,000
A2A Trading S.r.l.	Milan	Euro	1,000
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
A2A gencogas S.p.A. (ex 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
Unareti Servizi Metrici S.r.l. (ex A3A S.r.l.)	Brescia	Euro	100
Ecodeco Hellas S.A. in liquidation	Atene (Grecia)	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.	Cavaglià (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
LA BI.CO DUE S.r.l. (*)	Lograto (Bs)	Euro	96
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
CRNOGORSKI ELEKTRODISTRIBUTIVNI SISTEM D.O.O. PODGORICA	Podgorica (Montenegro)	Euro	278,102
Equity investments held for sale			
SEASM S.r.l.	Brescia	Euro	700

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

% of shareholding consolidated by Group at 06 30 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 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%) Unareti 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%	Unareti 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
64.00%	64.00%	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
100.00%	100.00%	EPCG	Line-by-line consolidation
67.00%	67.00%	A2A S.p.A.	Line-by-line consolidation

4 - List of shareholdings in companies carried at equity

Company name	Registered office	Currency	Share capital (*thousands*)
Shareholdings in companies carried at equity			
PremiumGas S.p.A.	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 Reflui 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 06 30 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.	1,796	Equity
49.00%	A2A S.p.A.	847	Equity
49.15%	A2A S.p.A. (48.77%) Unareti S.p.A. (0.38%)	5,885	Equity
47.00%	A2A S.p.A.	2,359	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.	39,589	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
		71,601	

5 - List of available-for-sale financial assets

Company name	Shareholding %	Shareholder	Carrying value at 06 30 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
Other:			
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.	8.60%	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 06 30 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 in force in Italy for the remuneration of production capacity is the Capacity Payment 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 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 a strike price (in €/MWh). Initially, the Capacity Market involved three-year auctions with a four-year planning horizon. By way of Resolution 95/2015/I/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. 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 of 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. The A2A Group has also submitted its views on the interim report in respect of which a consultation was opened.

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.

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 net balance of these adjustments amounted to about 2.1 million euro and will be paid in 12 monthly instalments of the same amount as of April 29, 2016.

In terms of cash, at June 30, Terna paid 12 million euro referred to the component CAP1 2015.

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 plant in San Filippo del Mela (Messina), Resolution 663/2015/R/eel recognized the essentiality of group 1 (150 kV) for all of 2016 and groups 2, 5 and 6 (220 kV) until the entry into operation of the Sorgente-Rizziconi cable on May 28 as per Terna communication and pursuant to Resolution 274/2016/R/eel.

By means of Resolution 300/2016/R/eel, the 2013 balance was quantified for the reintegration of the costs of San Filippo del Mela due to the essentiality regime (17.7 million euro) and was paid by June 30. The 2014 balance is expected to be determined 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 (in 2015, said cost was around 6,000 euro/MW).

By means of DCO 409/2015 and 613/2015, the Authority initiated a pilot project for revision of the conferment criteria, initially only for electricity generation plants and, if necessary, at a later stage, also for other types of customers. Said intervention, for admission of the Authority, is necessary to meet the increased demands for flexibility of thermoelectric plants linked to the strong development of renewables.

Although the Authority was initially inclined to go towards *ex-post* conferment, Resolution 336/2016/R/gas included a conferment as follows:

- *ex-ante* conferment mechanism, however with the possibility of access to various products such as those now available at interconnection points with other countries;
- introduction of a daily conferment with a cost that will depend on a multiplier k applied to the annual capacity fee re-proportioned on a daily basis, and initially set at 10 (pending final decision in August);
- maintenance of the distance discount only for the annual product;
- from October 1, 2016, the penalties will be re-proportioned applying a fee of 1.1 times the daily unit price multiplied by the deviation recorded in the day.

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, it has not yet returned the items compensated pending the end of the proceeding).

By means of Resolution 333/2016/R/eel, the Authority concluded the valuation process of imbalances for the 2012-2014 period providing, by November 1, 2016, the repayment by Terna to the A2A Group companies of the amount compensated in June 2015 (6.4 million euro) and the possibility for the recurring parties to choose (at corporate group level) an alternative solution that would see them only penalized for the first half out of 4 of the relevant period as a result of audits conducted by the Authority.

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

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 and upon registration of the plants on the GRIN portal.

To date, only 2 plants (Chiavenna and Canavese) have obtained validation by the GSE and can sign the Convention. The remaining are providing documentation of data that the GSE has requested.

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 Certificates (GC) as detailed below:

Availability Industrial Securities Account	Maturity	Total GC
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 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 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, including those of A2A (Grosotto, Lovero, Stazzona and Cancano-Premadio 1) 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 1, 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 2016 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.

By Regional Council Resolution 5130-2016 of May 9, 2016, the Lombardy Region provisionally quantified the "additional fee" for hydroelectric concessions of major derivations expired, introduced by Regional Law 19/2010 but never implemented up to now, to the extent of 20 €/kW of average nominal concession power, with reserve of subsequent increase (and related adjustment) if it emerges from the studies that the Region is conducting that the "return" of the expired concessions was higher.

This D.G.R. (Regional Council Resolution) was adopted despite the pending appeal filed by the National Government to the Constitutional Court to the Lombardy Regional Law 22/2015. The Region bases the request on the assumption that it already owns the works and hydroelectric plants, applying the former art. 25, paragraph 1, of the Consolidated Act 1775/33, superseded by art. 37 of Law 134/2012. The additional fee would therefore represent the consideration for the benefit of said goods by the "former concessionaires", however regarding which they continue to pay IMU (property tax) and other charges.

Assessments are underway about whether to challenge the measure that has a negative impact of 8.8 million euro in arrears (in this regard, a provision has been allocated) and 3 million euro/year from 2017.

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.

In particular, by means of DCO 255/16, the Authority, in accordance with art. 3 Decree Law 210/2015 (Milleproroghe), proposed with effect from January 1, 2016, a reform of the general charges of the electricity system applied to non-domestic customers according to three different options for the allocation of the same between the fixed component (€/year), capacity component (€/kW), and variable component (€/kWh).

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 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, 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 & 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.

By means of Resolution 342/16/E/eel, the Authority ordered the start of proceedings for the adoption of measures to inhibit abusive conduct undertaken by dispatching users in the wholesale electricity market that might involve:

- potential market abuses, in accordance with article 5 of the REMIT, because of the effects or signals sent (or likely to be sent) on the offer, demand or price of wholesale energy products;

- possible violations of article 14, paragraph 6, of Resolution 111/06, limited to programming strategies inconsistent with the principles of diligence, prudence, appraisal and security that are expected to characterize the conduct of an operator in the context as part of the dispatching service.

In particular, the anomalous conduct mentioned includes, over-programming/under-programming regarding entry and withdrawal in energy markets, by dispatching users, with volunteers imbalances and in real time, in order to take advantage of a high imbalance price or in order to arbitrate between zonal prices or be able to benefit from the application, to actual imbalances, of non-arbitration fees related to the differences between the zonal prices.

Commercial Business Unit

Competition Bill and 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 being discussed at the Senate as part of the process of conversion into Law.

The regime of protection (gas) and greater protection (electricity) is expected to be superseded as of January 1, 2018 (the hypothesis of postponement to June 2018 is being evaluated). The operational structure of said superseding will be outlined by a subsequent MiSE Decree.

A crucial issue is the treatment of "lazy" customers that at the expected date, have not chosen a supplier on the free market and are still "connected" to their usual supplier. At the hearing of the Industry Commission of June 9, a sub-amendment was withdrawn relating to the provision of auctions for exit from the protection, which, however, has been transformed into an agenda that the aforementioned MiSE Decree will have to take into account.

At the moment, customers "who have not chosen" or are left "without a supplier" will end up in the system of safeguards through bidding procedures for territorial areas and under conditions that encourage the transition to the free market according to rules defined by the Authority.

In parallel, the Authority has carried out its own reform process in order to promote the superseding of the greater electricity protection regime. After a long consultation process (DCO 421/2015 and DCO 75/2016), by means of Resolution 369/2016/R/eel, it has reformed the mechanisms of protection with respect to domestic customers and customers of LV other uses (about 25 million POD for 58 TWh) establishing:

- the reformed greater protection service (MTR) to be defined in a subsequent ruling (where, however, the supplier would remain Sole Purchaser);
- the transitional mechanism of the SIMILE Protection (TS - Similar to a provision of Italian Free Market of Electricity) as of January 1, 2017, offered by vendors selected by the Sole

Purchaser, which may voluntarily be adhered to by customers still supplied under greater protection;
- Sole Purchaser as Administrator: will select the vendors entitled to supply the TS identified on the basis of certain economic, financial and operational solidity requirements (portfolio of customers already served of a certain size);
- Central Web Site: site created by the Sole Purchaser. Adherence by customers to the TS will be possible only through this site;
- definition of the general conditions of the standard contract that will be of one-year duration without renewal and without offering of additional services or promotions;
- comparable price the MTR service net of a one-off bonus (in €/POD) defined by each supplier at the time of selection. There will be a component (PCR) to cover the risks related to wholesale electricity procurement methods.

Functional Unbundling and Brand Unbundling

By means of Resolution 296/2015/R/com, the Authority has adopted provisions on brand unbundling for free market vendors also exercising thee greater protection service by providing:
- by June 30, 2016, date later extended to January 1, 2017 in accordance with Resolution 327/2016/R/eel: the use of different communication policies and trademarks for the conduct of each of the two activities, while always respecting the uniqueness of the trademarks of the company;
- by January 1, 2017: that the respective commercial activities are carried out through the use of information channels, physical spaces and separate staff.

A2A Energia S.p.A. appealed art. 17.9 of Resolution 296/2015/R/com 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 coverage of the costs. A postponement of the hearing was requested (previously scheduled for May 12), considering that Resolution 659/2015/R/eel provided that, under the first annual update of the RCV (from 2017), account will be taken of the costs relating to debranding between free market and greater protection. In implementation of said provision, the Authority requested to provide details on any costs incurred in 2015 by the sales companies exercising the greater protection service for the fulfilment of the obligations of brand unbundling.

On May 17, a request was submitted to the Authority, limited to Aspem Energy, for a derogation with regard to brand forecasts unbundling provisions between distribution and sales considering the fact that by the end of 2016 (with retroactive accounting effect from

January 1, 2016), said company will be incorporated into A2A Energia S.p.A. Said request was formally accepted by the Authority by means of communication of June 27, 2016.

Lastly, it is noted that Enel, Enel Distribuzione and Enel Servizio Elettrico, with three separate requests, had appealed against Resolution 296/2015/R/com, contesting the Authority's competence regarding brand unbundling. At the end of April, the Lombardy Regional Administrative Court rejected said appeals both regarding brand unbundling between distribution and sales and between free market and greater protection service, recognizing the competence of the Authority to legislate in regard, power conferred by Legislative Decree 193/11 in line with EU regulations.

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" (2016 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 implementation of the above, the MiSE, in consultation with the Ministry of Finance, issued the Decree laying down the "Regulations implementing article 1, paragraph 154, of Law December 28, 2015, no. 208 (RAI fee in the bill)".

The companies impacted by the activity of fee collection will be recognized the 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 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, and particularly the methods and timing for communication by the Revenue Agency of the list of citizens to which the fee will be charged. In May, the Sole Purchaser issued the Technical Specifications of data transmission process concerning the application of the RAI fee through SII.

At the beginning of July, following a request made jointly by the associations of operators, the Revenue Agency provided some clarifications on tax matters and on the correct words to be included on the invoices (the latter provision is not consistent with as provided by the Authority by means of Resolution 610/2015/R/com and therefore subsequently corrected by means of Resolution 378/2016/R/eel).

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 the 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 at the end of 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 Ptop (procurement cost from long-term contracts) and C_{mem} (spot price).

A2A Energia S.p.A. and Aspem Energia S.p.A. were admitted to the mechanism for a total maximum of 26.4 million euro. The definitive value will be available at year-end 2016. The Group will register the revenue in the income statement once the amounts have been definitively ascertained.

For the moment, the first 2 payments have already been defined, each equal to 40% of the total amount. However, as resulting from Resolution 556/2015/R/gas, the Account set up at the CSEA to cover the A_{PR} mechanism, by the C_{PR} component paid by end customers, is not sufficient for the disbursement of the second prepayment and 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 reduction coefficient k applied to the indexed component of the QE (variable fee to cover the procurement costs).

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, (including former ASMEA and former 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 (Constitutional Affairs) that must be released by November 27. Subsequently, the Government will issue the final decree for publication in the Official Gazette.

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 A.E.E.G.S.I. will change to *Regulation Authority for Energy, Networks and Environment* (ARERA – Autorità di Regolazione per Energia, Reti e Ambiente).

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, both 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 already disbursed to the subsidiaries Ecodeco S.r.l. - now A2A 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 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) areas. By means of Resolution 260/2016/E/efr, the Authority accepted the comments from A2A Ambiente S.p.A. regarding Biogas 1 area, formalizing a dispute on energy destined to ancillary services equal to 36% of the one initially indicated.

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 Gazette 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 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.

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.

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

In Official Gazette 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.

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.

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".

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%.

D.G.R. (Regional Council Resolution) Lombardy Region April 18, 2016, no. X/5065 - AIA: reference report

The Lombardy Region, in order to ensure uniform application in the area of the legislation on AIA and allow proper organization and planning of work, provided information regarding transmission methods, timing of presentation of the results of the verification and application of the obligations related to the Reference Report.

D.G.R. (Regional Council Resolution) Lombardy Region May 6, 2016, no. X/5105 - Guidelines for the drafting of municipal regulations for management of municipal waste and special waste assimilation

Lombardy Region, starting from as regulated by art.196 of Legislative Decree 152/06 laying down in paragraph 1, letter b) that the Regions are responsible for “the regulation of waste management activities, including the differentiated collection of municipal waste, including hazardous waste, according to a general principle of separation of food waste and waste of plant and animal products or in any case with high humidity from the remaining waste” issued some Guidelines to be proposed to the Municipalities for the drafting of municipal waste management regulations and for the assimilation of special waste.

Council of Ministers Presidential Decree March 7, 2016 – Measures for the realization of an adequate and integrated system for the management of the organic fraction of municipal waste.

The standard analyses the situation of composting plants in Italy, identifying the plants already in operation and ensuring balance between current capacity, region by region, and the theoretical requirements (on ISPRA data). The hypothesis is that of the achievement of the objectives of 65% of differentiated collection and subsequent collection of organic waste, estimated on the basis of the municipalities that are already in line with the objectives. The regions may further legislate on the matter by identifying exactly the remaining requirements and the location of the plants.

D.G.R. (Regional Council Resolution) Lombardy Region June 6, 2016, no. X/5269 - Use of sewage sludge in agriculture

Following the partial annulment of the preceding Guidelines approved with D.G.R. no. 2031/2014 (operated by the Lombardy Regional Administrative Court Sentences no. 2434 of November 19, 2015 and no. 195 of January 29, 2016), with D.G.R. no. 5269/2016, a technical document was approved as integration to D.G.R. 2031/2014 in order to ensure efficient use of sludge under the agronomic aspect according to criterion of "good agricultural practice". It also establishes the parameters that must be obligatorily communicated to the user of the sludge for correct preparation of agronomic use plans.

Ministerial Decree May 26, 2016 - Guidelines for the calculation of the percentage of differentiated collection of municipal waste

As provided by art. 205, paragraph 3-*quater* of the Environmental Consolidated Act, issue of "Guidelines on the calculation of the percentage of differentiated collection of municipal and assimilated solid waste" with Ministerial Decree May 26, 2016. These guidelines are intended to provide guidance and criteria for the calculation of the differentiated percentage of municipal and assimilated waste reached in each municipality, in order to standardize, throughout the country, the method of calculating the same. It also states that *"The contents of the guidelines are intended as provisions to which the individual regions shall abide in the formulation of their own method to calculate and check the percentages of differentiated collection for the achievement of the objectives set by the national legislation in force"*.

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 Unareti S.p.A. (formerly 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. Unareti S.p.A. (formerly A2A Reti Gas S.p.A.) had, 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 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.

Following the meetings with the Authority for the definition of the main characteristics of the plan and incentives, aimed at the publication of criteria for drawing up the plan and the bonus-penalty mechanism valid until 2019, DCO 247/2016/R/eel was published in regarding the incentive regulation for the reduction of interruptions with notice from which the particularly virtuous companies (including Unareti S.p.A.) would be excluded.

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;
b) expected levels of performance of the related second-generation smart metering systems (2G metering systems);

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. 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. (now Unareti 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 the Group's meters will be replaced in the period 2020-2025.

The replacement process envisages that the installation of the new meters take place following the conduct of a cost-benefit analysis with positive results, the methodology of which is expected to be published in the coming months.

By means of DCO 267/2016/R/eel, the Authority proposes its guidelines on methods for the recognition of costs incurred for the replacement of the current 1G smart meters, confirming that stranded costs will not be recognized (in this case, the non-depreciation of 1G meters decommissioned before the end of their useful life because replaced with 2G smart meters).

Operators must submit their plans for commissioning of the 2G smart meters that may access a fast track procedure in case of consistency of costs with respect to those of 1G meters, otherwise, they will be subjected to a careful cost/benefit analysis.

The recognition of costs in the tariff could be possible through: (i) valorization of meters through appropriate standard costs and use of sharing logics between the operator/user of any higher/lower actual costs with respect to standard costs; (ii) "partial" Totex methodology (applied only to capital costs); (iii) "complete" Totex methodology (Capex + Opex).

Mechanisms are hypothesized for optimizing the commissioning plans of the 2G smart meters in which no meter currently installed at the user shall be decommissioned before the end of its useful life (and, therefore, that the 2G meters shall only be installed in replacement of fully depreciated 1G meters).

In August 2016 is expected the publication of a new DCO containing the final guidelines regarding the Authority.

In case of insufficient incentive for early replacement of the meters, the risk would be to have a country with "2 speeds" with the major cities (Milan and Brescia, Rome, Turin) excluded from the possibility of benefiting from advantages - also commercial - offered by the new meters.

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, at the latest until 2036.

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.

b) Tariff regime

By means of Resolution 664/2015/R/idr, 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 6%). 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 decreased 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.

By means of Resolution no. 16/2016, the Board of Directors of the Ambit Government Entity for Brescia approved the payment of previous tariff items to A2A Ciclo Idrico S.p.A. pursuant to Resolution no. 643/2013/R/idr of the Italian Regulatory Authority for Electricity, Gas and the Water System for an amount of approximately 51.4 million euro. Said items:

- are attributable to the non-recognition of the capital invested in the period 2007-2001;
- have been subject only to the approval of the Ambit Government Entity without the approval of the AEEGSI;
- are not included in the Constraint to Operator Revenues (VRG);
- are invoiced through a specific component in the bill.

Given this recognition, A2A Ciclo Idrico S.p.A. shall:

- in a significant investment plan agreed with the Government Entity (about 160 million euro in the period 2016-2020) for the improvement of the water network, quality of services and overcoming of European infringement proceedings underway;
- the instalment payment of the amounts in 5 years (period 2016-2020) on 4 annual bills;
- activation of the water bonus on a voluntary basis for users in unfavourable economic conditions;
- the establishment of an investment monitoring committee at the Government Entity in order to avoid the application of penalties for failure to complete the planned infrastructure.

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 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 (Integrated water service), 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 beginning of May, the schemes were published and the first data communication will be in 2017 on the year 2016.

f) Metering activities

By means of Resolution 218/2016/R/idr, the Authority approved the Integrated Text for regulation of the metering service as part of the integrated water service at national level (TIMSII).

The measure, confirming the general approach of the DCO 42/2016/R/idr, introduces, with effect from January 1, 2017, a first set of provisions concerning utility metering, deferring to subsequent rulings the discipline relating to the metering of industrial users authorized to discharge into the public sewer, the theme of the water balance and introduction to definition of levels of performance of the metering service.

In particular, the regulation imposes on the operators of the water service the responsibility for the metering service, involving obligations of installation of meters and periodic collection (based on consumption) of metering.

Obligations are also introduced for the collection of self-reading of meters and archiving (5 years) and provision of consumption by the parties concerned.

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.

The provision envisages, for that purpose, 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 (Environmental Connection).

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 & Servizi S.r.l. received a further request for information on the costs of heat metering and accounting systems. Subsequently, there was the publication of the DCO 252/2016/R/tlr by means of which the Authority outlines:

- the regulatory, European and national reference framework, with regard to the installation requirements of supply meters, individual meters and distributors;
- the classification of metering systems for thermal energy and domestic hot water (the Authority refers to the survey conducted at the end of 2014);
- the minimum technical and performance requirements of supply and individual meters to be installed (with eventual remote-reading), also after December 31, 2016;
- the criteria for the evaluation of technical and economic feasibility of the installation of individual meters of heat and domestic hot water.

White Certificates and district heating incentives

Unareti S.p.A. is the third party responsible in Italy for the achievement of energy savings under the mechanism of White Certificates (WC) with an obligation of annulment 2016 equal to 565,231 WC (484,895 WC + 80,336 WC of recovery).

In recent years, A2A has submitted to the GSE several projects that have had approval problems and that can be divided into two macro types:

1) Projects rejected by the GSE (and for which appeal was filed to the Lazio Regional Administrative Court on October 30, 2015) and other projects that have not been received feedback by the GSE;
2) Projects "solved" or projects for which WC had already been released but the subsequent requests of which had no response. These Projects are related to the district heating network developments mainly in the period 2009 and 2011 in Milan and Brescia.

To resolve this impasse, was initiated a technical committee, which in May 2016 led to the release of the situation:

a) 4 Projects Milan: issued two annuities of WC (3rd and 4th year) for a total of over 200,000 WC. A calculation method was approved that also considers the electricity produced by cogeneration however only as of the end of the former CIP 6 incentive period, to which the Silla plant was subject.

b) 2 Projects Brescia: remain pending for 4th and 5th year requests.

Meanwhile, the Authority published the 2015 final balance of the tariff contribution recognized to obliged distributors and equal to 114.83 €/WC.

The WC issued in favour of the Group were already partly used by May 30, 2016 to fulfil the obligation of Unareti S.p.A., while the remaining part will be accounted for in the income statement when sold to third parties. In the third quarter 2016, addition WC will be issued in favour of the A2A Group relating to the fifth annuity of the 4 projects of Milan. At the end of 2016, the total counter-value of the White Certificates still registered will amount to about 28 million euro.

The Group has White Certificates (WC) as detailed below:

	Maturity	Total WC
WC	Without maturity	134,407

Regarding TLR WC, it is also noted that:

- *New Guidelines on White Certificates* for which the date of publication has been postponed to the second half of 2016;
- impossibility to obtain WC today for the TLR following MiSE Decree of December 22, 2015, which revoked 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;
- amendment to the Competition Bill aimed at limiting impacts on the WC already issued.

International 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 ("Decree on the Tariff System for the Establishment of Preferential Prices of Electricity from Renewable Sources of Energy and Efficient Co-generations") an incentivizing tariff 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, to be achieved by 2020.

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 2016

In the second 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 fragile and a risk factor for global growth. Moreover, the outcome of the advisory referendum of June 23 in the UK, which saw the prevalence of votes in favour of the exit of the country from the European Union, has produced a situation of uncertainty and increased volatility on international markets with repercussions on the world economy.

The gross domestic product (GDP) of the United States grew by 1.1% in the first quarter of 2016. This is the result of the third and final estimate prepared by the US Department of Commerce.

The figure is slightly higher than as estimated previously (+0.8%), but it is still one of the lowest in recent years. In Japan, after the decline in the latter part of 2015, in the first quarter of 2016, the GDP expanded more than expected (+1.9%), benefiting from the positive contribution of consumption, net exports and government spending.

China’s GDP grew by 6.7% on an annual basis in the second quarter of 2016, at the same rate in the first quarter and slightly above forecasts, which estimated a growth of 6.6% (source: National Bureau of Statistics in Beijing). GDP growth was driven by industrial production and retail sales while the investment trend shows a further slowdown.

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 expected to stand at +0.3% in the second quarter of 2016, driven in particular by domestic demand.

The growth of the Italian economy seems to have slowed in the second quarter. As provided by the Bank of Italy in fact, GDP, after a growth of 0.3% in the first quarter, is expected to slow by 0.1 percentage points. The Bank of Italy recalls that the growth in the first quarter of 2016 represents the fifth consecutive quarter with a positive sign, but is still considerably lower than pre-crisis levels of growth.

Consumer inflation is affected by global factors but also by national determinants. In the United States, inflation in the first half of the year stood at around 1%. In Japan, consumer prices decreased by 0.4% in May, while in the UK they increased slightly (0.3%). As for the main emerging economies, inflation was low in China (1.9% in June), in line with the objective of the Central Bank in India (5.8%), at high levels in Brazil and Russia (8.8% and 7.5%, respectively).

Regarding the Eurozone, Eurostat reported that inflation on an annual basis was 0.1% in June 2016, up from -0.1% in May thanks to the gradual recovery of energy commodity prices.

In Italy, the fall in consumer prices was further accentuated in June. The national consumer price index for the entire community (NIC), gross of tobacco, recorded an increase of 0.1% in June 2016 compared to May and a decrease of -0.4% compared to the same month the previous year. The overall performance was affected by the attenuation of the growth of prices for goods other than food and energy. The average inflation acquired for the first half of 2016 was -0.2% (source: ISTAT).

In the second quarter, the slight appreciation of the euro exchange rate against the US dollar continued (+2.5% change on a quarterly basis) even if the Brexit effect and uncertainty recorded in financial markets have slowed this trend especially in the last days of June (the exchange rate went from 1.14 on June 23 to 1.10 on June 27). The average value of the euro vs. the dollar for the first half of 2016 amounted to 1.12.

At its meeting on July 21, the ECB kept interest rates unchanged, which are therefore set at levels decided on March 10, 2016: 0% for reference rates, 0.25% for marginal refinancing and -0.40% on overnight deposits.

In the face of less favourable employment data observed in May in the United States and the increased uncertainty in international markets, the Federal Open Market Committee (FOMC) of the Federal Reserve, as occurred during the first quarter, kept official rates unchanged in the second quarter of 2016.

Outlook

The weakness of the global economy is confirmed in the forecasts on the performance of global growth (which were revised downwards) made by the main international organizations.

IMF economists reduced estimates on global growth by some decimal points, which should reach 3.1% this year and 3.4% in 2017. The international framework is impacted by the Brexit, China's slowdown (to 6.5% in 2016 and 6.2% in 2017), the recession in Brazil and Russia in addition to the difficulties of the oil exporting countries affected by the low price of crude oil (especially including Nigeria).

According to the International Monetary Fund, America will grow a little less than expected this year: it will rise by 2.2% in 2016, compared to 2.4% assumed in March, before returning to accelerate in 2017 with a forecast of 2.5%.

The complex of emerging economies reveals a growing differentiation within it, starting with 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 GDP decrease is expected for 2016 respectively of 3.8% and 1.8%, reflecting the expected impacts on the respective economies from the increased political risk.

The outcome of the British referendum has increased uncertainty about the Eurozone economic outlook: while the short-term effects, related mainly to foreign trade, is expected to be contained and limited to the fourth quarter of 2016, the medium-term effects will be conditioned by the nature of future agreements between the United Kingdom and the European Union.

According to estimates contained in the "Eurozone Economic Outlook" by Istat with the statistical institutes Ifo and Isaee, the Eurozone GDP is expected to grow by 0.4% in the third quarter of 2016 and 0.3% in the fourth. Consumption is expected to be the component of greatest support to expansion, thanks to the improvement of the labour market and the low level of prices. In the medium term, the IMF has revised downwards its growth forecasts of the Eurozone with GDP that from +1.6% in 2016 will slow to 1.4% in 2017. The risks have increased and include a further slowdown in the global economy, fears for safety, the weakness of banks and the financial sector.

According to the International Monetary Fund, the Brexit will also have a negative impact on the recovery in Italy, which is already impacted by the high public debt and the problems in the banking system, in addition to the suffering and, in some cases, the need for relevant "recapitalizations".

GDP growth forecasts have been revised downwards to 0.9% in 2016 (against the previous 1.1%) and 1.0% in 2017 compared to the previous 1.2%. This year, the Italian unemployment rate will stand at 12.6% with significantly high levels in some regions and among young people, to then drop to 11.4% in 2016 and to 10.9% in 2017 (source: IMF).

As regards the level of prices in the Eurozone, the recent recovery in oil prices could lead to a gradual increase in inflation: for the third and fourth quarters, respectively +0.4% and +0.7% are expected with an average growth of 0.3% for all of 2016 (source: ISTAT).

According to the estimate contained in the "Macroeconomic projections for the Italian economy" of the Bank of Italy, inflation is expected to remain close to zero on average in 2016, to then increase only gradually to 0.9% in 2017 and 1.5 % in 2018.

The euro-dollar exchange rate, according to the estimates of most financial institutions, may record a downward trend in the coming months. The trends in the levels of interest rate and therefore the roles of central banks will be decisive for exchange rates. At its meeting of July 21, the ECB announced that it will keep rates at current levels for an extended period, far beyond the horizon of the plan for the purchase of securities, which has as an indicative expiry of March 2017. Quantitative easing has been confirmed at 80 billion a month, and its action period could be extended to bring inflation close to the +2% target. In terms of the next steps of the Fed, expectations are reinforced regarding an extension of the rise in interest rates to cover the risk of a further decline in global growth.

Energy market trends

In the first half of 2016, the price of Brent recorded an upward trend with respect to the minimum recorded in January amounting to an average value of 41.0 $/bbl (corresponding to 36.7 €/bbl). This value is down by about 31% in comparison with the same period of 2015.

The strengthening of oil prices was mainly due to the drop in US supply and the temporary interruption of production in major exporting countries. According to the latest estimates of the International Energy Agency (IEA) in 2016, the excess supply is expected to decline by about 60%, largely due to the downsizing of the production of non-OPEC countries, while the demand is expected to recover gradually. Future contracts outline a modest increase in crude oil prices later in the year and 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 47.0 $/tonne in the first half of 2016, a fall of around 21% over the same period the previous year. It noted that in the second quarter, there was an upward trend, mainly due to the rise in oil commodities, which brought prices in June to over 52 $/tonne.

Electricity

As far as the national electricity scenario is concerned, in the first half of 2016, there was a net requirement of 151,005 GWh (source: Terna), with a decrease of 2.0% compared to the first half of 2015.

Net production of electricity remains weak, amounting to 129,688 GWh, down 1.9% on an annual basis. The normalization of water availability led to a significant decrease in production from hydroelectric sources, which stood at 21,505 GWh, a decrease of 8.9% compared to the same period in 2015. This reduction has only partially benefited from thermoelectric production, which in the period January-June remained stable compared to the same period of the previous year.

As for renewable sources, there has been a discordant trend: photovoltaic was down by 13.1% compared to the first half of 2015; on the other hand, there was an increase in both wind power (+13.9%) and geothermal production (+2.7%).

National production, excluding pumping, accounted for 85.2% 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-June fell by 26%, amounting to 37.0 €/MWh against 49.9 €/MWh in the first half of 2015.

Downward trend also for the price in high load time slots (-25% for the Peak Load PUN reaching 40.9 €/MWh). The price in low load time slots recorded a decrease of 24% in the first half of 2016 compared to the same period the previous year (-26% for the Off-Peak PUN reaching 34.9 €/MWh). For the second half of 2016, forward curves indicate a slight increase in prices with values slightly greater than 43 €/MWh.

Natural Gas

In the first half-year of 2016, the demand for natural gas increased by 1.3% compared with the corresponding period in 2015, amounting to 35,713 Mcm (source: Snam Rete Gas). Also in June, there was an increase in demand for gas that, confirming the trend of the entire half-year, marks an increase of 2.1% compared to 2015.

The recovery especially concerned consumption in the thermoelectric sector marking +10.1% compared to the first half of 2015, also benefiting from the decline in renewable energy production. The industrial sector also shows signs of recovery reaching 6,802 Mcm, with an increase of 2.7% over the corresponding period of 2015. In the first half of 2016, consumption in the residential and commercial sector recorded on the other hand a decrease of 3.4% compared to the same period of 2015, due to milder temperatures in the winter months.

Imports represented around 92% 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 2,705 Mcm (-16.1% compared to the first half of 2015).

In terms of prices, the price of gas to the PSV, recorded in the first half the minimum values in February (to coincide with the start of exports of US shale gas via LNG) following which there was a trend of steady recovery. Specifically, the price for the half-year amounted to 14.6 €/MWh, down 37.4% over the first half of 2015. In June, the prices amounted to a value of 15.7 €/MWh. For the second half of 2016, forward curves indicate an increase in prices with average values slightly greater than 17 €/MWh. The price of gas to the TTF amounted to 13.0 €/MWh, down by 38.6% compared to the same period the previous year.

The trend in prices recorded resulted in a PSV-TTF differential of 1.6 €/MWh for the first half of 2016, significantly lower than the 2015 differential of 2.1 €/MWh. The main factors that will characterize the value of the spread will be linked to the performance of gas supplies from the South (expected to increase for the renewed availability of Algeria) and to the portfolio optimization logic adopted by the leading Italian importers and related to expectations on price differentials for the coming months (source: Ref).

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

The activities of the Environment Business Unit relate 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

The activities of the Networks and Heat Business Unit mainly consists of the technical and operational management of networks for the distribution of electricity, the transport and distribution of natural gas and the management of the entire integrated water cycle (water captation, aqueduct management, water distribution, sewerage network management, purification). It is also aimed at the sale of heat and electricity produced by cogeneration plants (mostly owned by the Group), through district heating networks and ensures the operation and maintenance of cogeneration plants and district heating networks. Also included are 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.

International Business Unit

In the half-year reporting, the International 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	06 30 2016	06 30 2015	Changes	% 2016/2015
SOURCES				
Net production	**5,985**	**5,993**	**(8)**	**(0.1%)**
- thermoelectric production	3,722	3,713	9	0.2%
- hydroelectric production	2,262	2,278	(16)	(0.7%)
- photovoltaic production	1	2	(1)	(50.0%)
Purchases	**21,494**	**19,261**	**2,233**	**11.6%**
- exchange	4,847	3,783	1,064	28.1%
- wholesalers	1,863	2,806	(943)	(33.6%)
- Trading/Service portfolio	14,784	12,672	2,112	16.7%
TOTAL SOURCES	**27,479**	**25,254**	**2,225**	**8.8%**
USES				
Sales to Group retailers	3,041	2,727	314	11.5%
Sales to other wholesalers	3,122	4,373	(1,251)	(28.6%)
Sales on the exchange	6,532	5,482	1,050	19.2%
Trading/Service portfolio	14,784	12,672	2,112	16.7%
TOTAL USES	**27,479**	**25,254**	**2,225**	**8.8%**

Note: the sales figures are stated gross of any losses.

The Group's electricity output in the first half-year of 2016 amounted to 5,985 GWh, to which should be added purchases of 21,494 GWh for a total availability of 27,479 GWh.

Production show an overall substantial alignment (both hydroelectric production and thermoelectric production) compared to the same period of the previous year.

Purchases of electricity amounted to 21,494 GWh (19,261 GWh at June 30, 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 (-28.6%) were more than offset by higher volumes sold on spot markets (+19.2%) and to the Commercial Business Unit (+11.5%).

The amount of electricity traded in the trading context recorded an increase of 16.7%.

Overall in the first half, electricity sales of the Generation and Trading Business Unit reached a total of 27,479 GWh (25,254 GWh at June 30, 2015).

Quantitative data - gas sector

Millions of cubic metres	06 30 2016	06 30 2015	Changes	% 2016/2015
SOURCES				
Procurement	1,252	1,136	116	10.2%
Withdrawals from stock	97	114	(17)	(14.9%)
Internal consumption/GNC	(6)	(7)	1	(14.3%)
Trading/Service Portfolio	1,524	585	939	n.s.
TOTAL SOURCES	**2,867**	**1,828**	**1,039**	**56.8%**
USES				
Commercial Business Unit uses	679	638	41	6.4%
Thermoelectric uses	393	343	50	14.6%
Heat and Environment Business Unit uses	48	58	(10)	(17.2%)
Wholesalers	223	204	19	9.3%
Trading/Service Portfolio	1,524	585	939	n.s.
TOTAL USES	**2,867**	**1,828**	**1,039**	**56.8%**

Quantities are stated at standard cm at an HCV of 38100 MJ on delivery.

The volume of gas sold in the first half of 2016 amounted to 2,867 million cubic meters, up 56.8% over the corresponding period of 2015 (1,828 million cubic meters).

In particular, there was an increase in volumes of gas traded as part of the Trading Portfolio (+939 million cubic meters) due to an increase in related activities, volumes sold for thermoelectric uses (+14.6%), volumes sold on the wholesale markets (+9.3%), as well as volumes of gas sold to the Commercial Business Unit (+6.4%), while there was a slight reduction in sales to the other Business Units of the Group (-17.2%).

Economic data

Millions of euro	01 01 2016 06 30 2016	01 01 2015 06 30 2015	Changes	% 2016/2015
Revenues	1,225	1,381	(156)	(11.3%)
Gross operating income	170	192	(22)	(11.5%)
% of revenues	13.9%	13.9%		
Depreciation, amortizations, provisions and write-downs	(100)	(82)	(18)	22.0%
Net operating income	70	110	(40)	(36.4%)
% of revenues	5.7%	8.0%		
Investments	8	28	(20)	(71.4%)
FTE	1,135	1,250	(115)	(9.2%)
Labour costs	47	46	1	2.2%

Revenues amounted to 1,225 million euro, down by 156 million euro compared to the first half of the previous year, essentially due to lower forward sales and the decline recorded in the energy scenario which led to a reduction of both the forward prices and the spot prices.

The Gross operating income amounted to 170 million euro, down 22 million euro on the first six of the previous year.

As compared with the first half of 2015, the 2016 result benefits from greater non-recurring items of approximately 10 million euro, whilst, for approximately 4 million euro, it suffers the negative effect of the change in perimeter relating to the assignment of the hydroelectric plants of the Udine unit (apart from Ampezzo and Somplago) – known as the "Cellina unit" - to Cellina Energy S.r.l. due to the partial, non-proportional demerger of Edipower S.p.A. which came into effect January 1, 2016. Net of these non-recurring items, the Gross operating income of the Generation and Trading Business Unit was down by about 28 million euro. This decrease is mainly attributable to the exit of the thermoelectric plant of San Filippo del Mela from the essentiality regime at the end of May 2016, to the gas segment, affected by the negative performance of the energy scenario and the lower margin achieved on the activities of the Trading portfolio, due to the compression of spreads with foreign countries and the absence of some opportunities on the environmental certificates market (such as the conclusion of the Green Certificates mechanism).

Instead, said dynamics were partially offset by the good performance recorded in the environmental certificates market, as well as the results of gas combined-cycle plants, which benefited from increased activity in secondary markets and offset the sharp drop in sales prices of hydroelectric plants, as well as the decline in spreads of the coal plant in Monfalcone.

Depreciation, amortization, provisions and write-downs totalled 100 million euro (82 million euro at June 30, 2015). The increase of 18 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 70 million euro (110 million euro in the first half of 2015).

During the reporting period, investments amounted to around 8 million euro and mainly concerned extraordinary maintenance at the hydroelectric units in Mese, Calabria and Valtellina for 3.2 million euro thermoelectric plants in Monfalcone, Chivasso and Piacenza for about 3.3 million euro. There were also investments of 0.2 million euro realized at the company A2A Trading mainly concerning developments and evolutionary maintenance on hardware and software platforms.

The decrease in FTE recognized in the first half of 2016 compared to the corresponding period of 2015 is attributable for approximately -26 FTE to the sale of the “Cellina Unit” in favor of Cellina Energy S.r.l., the remaining part (-89 FTE) is instead attributable to the efficiency plan in place of the generation sector.

Commercial Business Unit

The following is a summary of the main quantitative and economic data relating to the Commercial Business Unit.

Quantitative data

Electricity sales	06 30 2016	06 30 2015	Changes	% 2016/2015
Electricity sales Free Market (GWh)	2,973	2,639	334	12.7%
Electricity sales under Greater Protection Scheme (GWh)	1,016	1,097	(81)	(7.4%)
Total electricity sales (GWh)	**3,989**	**3,736**	**253**	**6.8%**

Gas sales	06 30 2016	06 30 2015	Changes	% 2016/2015
Gas sales Free Market (Mcm)	373	309	64	20.7%
Gas sales under Greater Protection Scheme (Mcm)	291	319	(28)	(8.8%)
Total gas sales (Mcm)	**664**	**628**	**36**	**5.7%**

Note: the amounts of sales are stated net of losses.

In the first six months of 2016, there was an increase in electricity sales (+6.8%) and gas sales (+5.7%) 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 higher number of delivery points served on the free market and larger volumes sold to large customers.

Economic data

Millions of euro	01 01 2016 06 30 2016	01 01 2015 06 30 2015	Changes	% 2016/2015
Revenues	669	699	(30)	(4.3%)
Gross operating income	73	54	19	35.2%
% of revenues	10.9%	7.7%		
Depreciation, amortizations, provisions and write-downs	(9)	(8)	(1)	12.5%
Net operating income	64	46	18	39.1%
% of revenues	9.6%	6.6%		
Investments	2	1	1	100%
FTE	467	430	37	8.6%
Labour costs	12	13	(1)	(7.7%)

Revenues stood at 669 million euro (699 million euro at June 30, 2015), down on the first six 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 73 million euro, up by 19 million euro compared to the first half of 2015.

Net of the positive items of non-recurring income noted during the first six months of 2016, approximately 6 million euro, the Gross operating income for the Business Unit is up 13 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 9 million euro, in line with those at June 30, 2015.

As a result of the above changes, net operating income amounted to 64 million euro (46 million euro in the first half of the previous year).

In the reporting period, Investments of the Commercial Business Unit amounted to approximately 2 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

	06 30 2016	06 30 2015	Changes	% 2016/2015
Waste collected (Kton)	662	648	14	2.2%
Waste disposed of (Kton)	1,224	1,328	(104)	(7.8%)
Electricity sold (GWh)	665	665	-	-
Heat sold (GWht)*	692	650	42	6.5%

(*) Quantities at the plant entrance

In the first three six of 2016, the quantities of waste collected, amounting to 662 thousand tonnes, were up compared to the first half of 2015 (+2.2%). The quantities of waste disposed of show a decrease (-104 thousand tonnes) compared to the first half 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). This performance was partially offset by higher amounts disposed of at the landfill in Giussago (start in January 2016).

The quantities of electricity sold were in line compared to the first half of 2015, while heat production rose (+42 thermal GWh) due to higher quantities required by the district heating sector.

Economic data

Millions of euro	01 01 2016 06 30 2016	01 01 2015 06 30 2015	Changes	% 2016/2015
Revenues	403	406	(3)	(0.7%)
Gross operating income	119	110	9	8.2%
% of revenues	29.5%	27.1%		
Depreciation, amortizations, provisions and write-downs	(41)	(32)	(9)	28.1%
Net operating income	78	78	-	-
% of revenues	19.4%	19.2%		
Investments	28	23	5	21.7%
FTE	4,868	4,848	20	0.4%
Labour costs	130	128	2	1.6%

During the half-year, the Business Unit recorded revenues of 403 million euro (406 million euro at June 30, 2015).

The Gross operating income of the Environment Business Unit amounted to 119 million euro, up by 9 million euro compared to the same period of the previous year.

Net of the non-recurring items that characterized the two periods being compared, the industrial operating margin of the Business Unit was up by 3 million euro compared to the first six months of 2015.

The following contributed to the half year's increase in results:

- the increased margins of the collection segment following greater quantities collected, the higher number of inhabitants served, as well as greater proceeds deriving from the sale of after-treatment paper;
- the good performance of the Group's waste-to-energy plants, deriving mainly from higher sales of heat (following greater demand in the district heating sector) and electricity (above all following the stoppage of the turbine in the first half of 2015 carried out by the waste-to-energy plant in Brescia), the reduction of costs for the disposal of slag from the waste-to-energy plants, as well as the increase in prices for disposing of waste deemed similar to municipal waste;
- the start of disposal processes at the new landfill in Giussago from January 2016.

This trend was partially offset by a negative price effect (albeit mitigated by forward sales) attributable to the sale of electricity and heat produced by the Group's waste-to-energy plants, as well as the reduction in the quantities disposed of at the landfill of inert waste of Corteolona (by May 2015) and the landfills of Cavaglià and Montichiari.

Depreciation, amortization, provisions and write-downs amounted to 41 million euro (32 million euro in the first half-year of the previous year).

As a result of these changes, Net operating income amounted to 78 million euro, in line with the first six months of 2015.

Investments in the half-year totalled 28 million euro and were mainly related to maintenance and development work on waste-to-energy plants (7 million euro), treatment plants and landfills (4 million euro), the purchase of collection vehicles and containers (13 million euro), as well as the purchase of the majority shareholding of a company operating in the collection sector (4 million euro).

The growth of the FTE recorded in the first half of 2016 (+20 FTE) compared to the corresponding period of 2015 is attributable for approximately +68 FTE to changes in the perimeter in the two comparison periods (award of new tenders for collection and municipal sanitation and acquisition of a new company active in the collection sector in 2016, offset by lower FTE for the event EXPO 2015) and for approximately -48 resources to contain organic at constant perimeter.

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

	06 30 2016	06 30 2015	Changes	% 2016/2015
Electricity distributed (GWh)	5,466	5,522	(56)	(1.0%)
Gas distributed (Mcm)	1,039	1,068	(29)	(2.7%)
Gas transported (Mcm)	195	205	(10)	(4.9%)
Water distributed (Mcm)	31	29	2	6.9%

Electricity distributed in the first half of 2016 was 5,466 TWh, down (-56 GWh) compared to the first six months of 2015, following the downturn to consumption mainly as a result of use in medium and high voltage.

The quantity of gas distributed and transported in the half-year totalled respectively 1,039 million cubic meters (-2.7%) and 195 million cubic meters (-4.9%).

Water distributed instead amounted to 31 Mcm, up 2 Mcm compared to the corresponding period of the previous year.

Quantitative data - Heat

GWht	06 30 2016	06 30 2015	Changes	% 2016/2015
SOURCES				
Plants at:	**613**	**677**	**(64)**	**(9.5%)**
- Lamarmora	258	292	(34)	(11.6%)
- Famagosta	59	87	(28)	(32.2%)
- Tecnocity	42	42	-	-
- Other plants	254	256	(2)	(0.8%)
Purchases from:	**915**	**846**	**69**	**8.2%**
- Third parties	211	186	25	13.4%
- Other Business Units	704	660	44	6.7%
TOTAL SOURCES	**1,528**	**1,523**	**5**	**0.3%**
USES				
Sales to end customers	1,332	1,334	(2)	(0.1%)
Distribution losses	196	189	7	3.7%
TOTAL USES	**1,528**	**1,523**	**5**	**0.3%**

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 six months of 2016, sales of heat to end customers were in line with the first half of the previous year: lower sales due to the mild weather recorded in the period under review were fully offset by higher quantities of sales resulting from the commercial development in place.

Heat production decreased by 64 thermal GWh, while purchases increased by 69 thermal GWh.

Economic data

Millions of euro	01 01 2016 06 30 2016	01 01 2015 06 30 2015	Changes	% 2016/2015
Revenues	499	491	8	1.6%
Gross operating income	227	183	44	24.0%
% of revenues	45.5%	37.3%		
Depreciation, amortizations, provisions and write-downs	(60)	(60)	-	-
Net operating income	167	123	44	35.8%
% of revenues	33.5%	25.1%		
Investments	77	71	6	8.5%
FTE	2,182	2,157	25	1.2%
Labour costs	53	60	(7)	(11.7%)

Revenues of the Networks and Heat Business Unit during the first six months of 2016 stood at 499 million euro (491 million euro at June 30, 2015). This trend is mainly due to the recognition in the first half of 2016 of 51.4 million euro of non-recurring revenues for the company A2A Ciclo Idrico S.p.A..

In fact, with resolution no. 16/2016 the Board of Directors of the "Ente di Governo dell'Ambito" (Ambit Government Entity) for Brescia approved the previous tariff items (for the years 2007-2011) for A2A Ciclo Idrico S.p.A. pursuant to resolution no. 643/2013/R/idr of the Italian Regulatory Authority for Electricity, Gas and the Water System.

This trend was however almost entirely reabsorbed by the lower revenues recorded in the electricity and gas distribution sectors (mainly following the review of the WACC starting from 2016 as well as the new regulatory structure for the distribution of electricity), the sales of environmental certificates, as well as the strong contraction of the average sales prices for heat and electricity in the district heating and heat management sector.

The Gross operating income of the Networks and Heat Business Unit amounted to 227 million euro, an increase of 44 million euro compared to the first six months of 2015.

However, it is noted that said growth, as mentioned above, is attributable mainly to the recognition of said non-recurring revenue items for the water cycle and relating to the years 2007-2011.

Net of the positive non-recurring items recorded in the two comparison periods (respectively around 51 million euro in the first half of 2016 and around 2 million euro in the first half of the previous year), the operating income of the Business Unit was down by 4 million euro compared to the first half of the previous year.

This performance is essentially due to:

- greater revenues pertaining to the year 2016 relating to the aqueduct, purification and sewage service for approximately 4 million euro, following the tariff increases acknowledged by AEEGSI (new regulator for the activity in question from 2016) and higher quantities distributed during the period examined;
- lower revenues admitted and expected for the distribution of electricity and gas for around 12 million euro overall mainly attributable, in the distribution of gas, to the updating from 2016 of the WACC (Weighted Average Cost of Capital) by AEEGSI and, in the distribution of electricity, to the change of the regulatory period, the updating of the aforementioned WACC, and lower revenues from connections and services;
- lower margins related to district heating and heat management activities for about 6 million euro due mainly to the reduction in unit prices of heat sales, as well as lower revenues recorded in the environmental certificates market;

- lower fixed costs for the entire Networks and Heat Business Unit for approximately 10 million euro deriving partly from the Group's current operative efficiency plan and partly from higher capitalization.

The margins relating to public lighting activities were instead overall in line with those of the first half of the previous year.

Depreciation, amortization, provisions and write-downs amounted to 60 million euro, in line with the first six months of the previous year (60 million euro at June 30, 2015).

In light of the performances discussed above, Net operating income reached 167 million euro (123 million euro in the first half of 2015).

Investments for the reporting period amounted to 77 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 (26 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 (21 million euro);
- in the integrated water cycle, work carried out on the water transportation and distribution network and the sewerage networks and purification plants (11 million euro);
- in the public lighting sector, work carried out to replace lighting systems with LED equipment in the Municipalities managed (4 million euro);
- in the district heating and heat management sector, development and maintenance of plants and networks for a total of 15 million euro.

International Business Unit

The following is a summary of the main quantitative and economic data relating to the International Business Unit. In the half-year under review, the International Business Unit coincides with EPCG, for which the quantitative and economic data is shown.

Quantitative data - Electricity Production and Sale

GWh	06 30 2016	06 30 2015	Changes	% 2016/2015
SOURCES				
Production	**1,494**	**1,494**	**-**	**-**
- thermoelectric production	412	610	(198)	(32.5%)
- hydroelectric production	1,082	884	198	22.4%
Imports and other sources	**401**	**470**	**(69)**	**(14.7%)**
- import	348	441	(93)	(21.1%)
- other sources	53	29	24	82.8%
TOTAL SOURCES	**1,895**	**1,964**	**(69)**	**(3.5%)**
USES				
Domestic market consumption	1,160	1,410	(250)	(17.7%)
Distribution losses	205	241	(36)	(14.9%)
Transmission losses	69	67	2	3.0%
Other uses	20	10	10	100.0%
Export	441	236	205	86.9%
TOTAL USES	**1,895**	**1,964**	**(69)**	**(3.5%)**

The total availability of the EPCG Group in the first six months of 2016 was 1,895 GWh (1,964 GWh at June 30, 2015).

Demand was covered by the EPCG plants that produced a total of 1,494 GWh (substantially in line with the first six months of 2015), of which 412 GWh from thermoelectric source (-32.5%) and 1,082 GWh from hydroelectric source (+22.4%): 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 hydroelectric production recovered significantly especially in the second quarter of the year. The period under review also recorded a decrease in imports (-93 GWh), as well as an increase in quantities exported (+205 GWh).

EPCG group electricity sales on the domestic market stood at a total of 1,160 GWh, down 17.7% 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.

Quantitative data - Electricity distribution

GWh	06 30 2016	06 30 2015	Changes	% 2016/2015
Electricity distributed*	1,044	1,054	(10)	(0.9%)

(*) Data net of distribution losses.

Moreover, in the period in question, the electricity distributed on the medium and low voltage network in Montenegro amounted to 1,044 GWh (1,054 GWh at June 30, 2015).

Economic data

Millions of euro	01 01 2016 06 30 2016	01 01 2015 06 30 2015	Changes	% 2016/2015
Revenues	111	118	(7)	(5.9%)
Gross operating income	35	32	3	9.4%
% of revenues	31.5%	27.1%		
Depreciation, amortizations, provisions and write-downs	(15)	(17)	2	(11.8%)
Net operating income	20	15	5	33.3%
% of revenues	18.0%	12.7%		
Investments	10	7	3	42.9%
FTE	2,388	2,527	(139)	(5.5%)
Labour costs	22	23	(1)	(4.3%)

The revenues amounted to 111 million euro (118 million euro at June 30, 2015). The reduction in revenues in the period is mainly due to the lower sales of electricity to the customer Montenegro Bonus (supply interrupted from March 2016) and other end users (lower sales and distribution revenues).

The Gross operating income equalled 35 million euro, an increase of 3 million euro compared to the same period of the previous year. This trend is mainly due to recovery of the margin in the energy sector in the second quarter of the year thanks to the greater quantities of electricity exported and at the same time a reduction in the quantities imported, as well as the further improvement of the distribution sector's performance mainly due to lower operating costs.

Depreciation, amortization, provisions and write-downs equalled 15 million euro (17 million euro at June 30, 2015).

As a result of these changes, Net operating income was positive for 20 million euro, an increase of 5 million euro over the first half of 2015.

Investments amounted to about 10 million euro and mainly refer to work to replace traditional meters with remote controlled meters (6.6 million euro), maintenance of the primary and secondary distribution network (1.5 million euro), work on the central information systems and the purchase of new vehicles (approximately 0.6 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 1.1 million euro).

Other Services and Corporate

Economic data

Millions of euro	01 01 2016 06 30 2016	01 01 2015 06 30 2015	Changes	% 2016/2015
Revenues	89	89	-	-
Gross operating income	(10)	(9)	(1)	11.1%
% of revenues	(11.2%)	(10.1%)		
Depreciation, amortizations, provisions and write-downs	(9)	(49)	40	(81.6%)
Net operating income	(19)	(58)	39	(67.2%)
% of revenues	(21.3%)	(65.2%)		
Investments	4	3	1	33.3%
FTE	1,004	982	22	2.2%
Labour costs	47	44	3	6.8%

Other Services and Corporate earned revenues of 89 million euro in the first six months of 2016 (89 million euro at June 30, 2015).

Gross operating income was negative for 10 million euro, substantially in line with as recorded in the same period of the previous year.

Depreciation, amortization, provisions and write-downs equalled 9 million euro (49 million euro at June 30, 2015). This change is mainly attributable to the allocation in the first half of 2015, of higher non-recurring risks provisions for about 40 million euro.

After depreciation, amortization, provisions and write-downs there was a Net operating loss of 19 million euro (a net operating loss of 58 million euro at June 30, 2015).

Investments for the period amounted to 4 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, 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 estimated 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 solely 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.

Regulatory Affairs and Market implemented constantly updated monitoring and control tools (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;
- the regulation of local public services with the Consolidated Act of Local Public Services that in article 16 attributes powers of regulation, control and sanction to the Authority for electricity, gas and water system on the waste cycle, also differentiated, urban and assimilated;
- 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.

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 which, 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 and partly completed 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 realization of new plants for the treatment of the organic fraction of urban waste for 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 and currently the subject of unification and optimization, in view of the recent organizational developments, 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, and implementation was completed 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. Lastly, projects are being evaluated for the exploitation of heat in the water of the water supply network and in the water treated at waste water treatment plants.

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 have 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 and have already been partly realized 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; it is also noted that the Group's hydroelectric plants have different characteristics in terms of water resource exploitation and that they are distributed on the Italian territory. 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. 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 analyse 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. The section "Other Information/Interest Rate Risk" of the Financial Report illustrates the effects on the change in the fair value of derivatives resulting from a change in the forward curve of interest rates of +/- 50 bps.

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 June 30, 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 135 million euro and cash and cash equivalents totalling 633 million euro.

The management of liquidity risk is pursued by the Group also by maintaining a Bond Issue Program (Euro Medium Term Note Programme) sufficiently large and partially unused as to enable the company to timely resort to the Capital market. As of today, this program amounts to 4 billion euro, of which 1,650 million euro still available.

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.

The section "Other Information/Covenants Compliance Risk" of the Financial Report illustrates in detail these risks related to the A2A Group.

The same section also lists the loan that contain financial covenants.

At June 30, 2016, the book value of these loans amounted to 96 million euro.

Lastly, at June 30, 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 deposit and 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. 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 removal of sediments, 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.

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 evaluated for the upgrading and enhancement of existing infrastructure.

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 main activities of the structure consist in the definition of guidelines, oversight of Environment and Safety regulations and dissemination thereof within the Group and in conducting regular audits, both in terms of regulatory compliance and compliance with company procedures.

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.

The Group directly oversees the risk issues concerned also through the Environment, Health and Safety Organizational Structures of the company and site, which provide the necessary support to employees, officers and management in the oversight of significant environmental aspects, in implementing developments in regulations and in the HSE (Health Safety Environment) management system.

The Group is involved at various levels in constant and transparent dialogue in dealings with entities, with the communities of reference and with stakeholders, also through tools such as Environmental declarations (published for sites participating in the EMAS regulation) and the Sustainability Report.

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. 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.

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 carried out daily on the Power Exchange, particular attention is paid to the oversight of systems for interfacing with the market, activities have been completed that guarantee the continuity of operations for generation and energy bid areas, in case of failure of one of the CEDs. A specific control was developed to support trading activities.

Data confidentiality and security are subject to specific controls by the Group, through internal policies, tools to segregate access to information, as well as through specific contractual agreements with any third parties who may have to access sensitive information. To further improve the oversight in place, the alignment is being verified between the model of organizational roles and model of technical roles of Segregation of Duties implemented in the systems; said verification will be followed by the implementation of profiles designed to strengthen security aspects for critical information 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 as well as additional access control systems at the Group CEDs. 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 further 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 an increasingly driven integration with "IT" (Information Technology) systems, are potentially exposed to security and integrity risks.

Lastly, it is noted that insurance coverage is being evaluated specific for ICT aimed at mitigating the potential indirect damages as a result of the unavailability of systems and applications as well as those related to violations and intrusions into corporate systems.

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 analysing 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.

Responsible management for sustainability

Human resources and industrial relations

Workforce and Labour Cost

At June 30, 2016, the Group had 12,199 employees, of whom 2,346 work for the EPCG Group (of whom 40 employed through agency), a decrease of 298 compared to 12,497 employees at June 30, 2015 (decrease of 2.4%).

These changes include the effects of certain extraordinary operations carried out during the year and in particular:

- the company LA BI.CO DUE S.r.l. was consolidated in the first half of 2016 for a total of 73 employees;
- in June 2015, for the management of activities related to the Expo event, the subsidiary Amsa S.p.A. had 388 fixed-term employees;
- between June 2015 and June 2016, 185 resources were hired for activities that resulted in the expansion of the business scope, especially in the Environment Business Unit.

As a result, excluding the effect of these two events, the workforce fell by 168 employees, or 1.3%, over that at June 30, 2015.

The average labour cost per employee, net of EPCG, rose by 0.1% compared to the results for the first half-year of 2015, confirming the reduction trend of the effect of the growth dynamics linked to automatic contractual procedures (national collective bargaining agreement renewals and seniority increases) through cost efficiency measures.

Industrial Relations

In the first half of 2016, several trade union agreements were signed, which covered a variety of specific topics for individual Business Units.

The main ones, broken down by business unit, are related to:

- *Generation and Trading Business Unit*
  - Industrial relations at company level were specifically addressed to the pursuit of initiatives aimed at mitigating operational costs of production facilities which, with

particular reference to thermoelectric ones, continue to be affected by a particular criticality situation. To this end, territorial meetings continued at the various production sites aimed at implementing the Trade Union Agreement of October 13, 2015 which, among the various efficiency measures identified, again gave impetus to the infra-group territorial mobility tool aimed at re-employment of the staff of the thermoelectric plants, strongly impacted by reduced production structures, towards business areas less affected by the market crisis.

- On May 31, 2016, after a long and complex phase of trade union negotiations, the Trade Union Agreement was signed regarding the restructuring project of corporate assets and activities of the Generation and Trading Business Unit. The corporate transaction, in line with as announced in the Business Plan, will allow reducing the number of vehicle companies controlled by the parent company and unifying, within individual Group companies, homogeneous productive units in terms of the technology used (CCGT gas plants, conventional thermal plants and hydroelectric assets) with possible improvements in terms of operational synergies and managerial and organizational optimization.

- *Networks and Heat Business Unit*
  - On March 3, 2016, an important agreement regarding metering was signed with the Unitary Union Representatives of A2A Servizi alla Distribuzione S.p.A. (now merged in Unareti S.p.A.).
    With this agreement, in fact, the parties, in order to improve the efficiency and quality of the service and taking account of technological developments (introduction in the metering sector of latest generation meters that have, among other functions, the possibility of transmission and detection of data remotely) and the altered legislative framework, have redefined the management of the operating methods of meter reading activities. In order to encourage productivity, this agreement envisages the recognition of an additional unit amount upon exceeding certain thresholds of activity.
  - On March 23, 2016, after a complex negotiation, the union agreement was signed pursuant to art. 47 Law 428/90, regarding the corporate reorganization project of the Networks and Heat Business Unit.
    In fact, in line with the objective of simplification of the Group's corporate structure defined in the Business Plan, the sole company for the management of network services, Unareti S.p.A., was incorporated and has been operational since April 1st, 2016.
    Unareti S.p.A. integrated the subsidiaries 100% controlled by A2A that operated in the gas and electricity distribution sector, in addition to the distribution and logistics service companies, with the advantage to shorten the decision-making chain and facilitate infra-group synergies, with positive effects on operating costs. The new company, consisting of over 1,500 employees and included as part of the companies coordinated by the Networks and Heat Business Unit of the A2A Group, will be able, through the

professionalism and enhancement of expertise, to achieve a more flexible use of resources, achieving managerial synergies on the multi-service model with lower costs and better services. The sole company of the networks will also allow greater investment capacity, more facilitated access to financial markets as well as greater ease of business development.

The aforementioned trade union agreement also envisages the demerger of the business unit "Inspection Body" from the company A2A Servizi alla Distribuzione S.p.A. to Unareti Servizi Metrici S.r.l., a Body dedicated to the execution of periodic verifications of gas volume conversion devices.

The periodic verification activities are performed according to a defined technical procedure in full compliance with regulatory provision and aimed at ensuring compliance of all specific requirements imposed, optimizing operational processes with full respect of the roles and functions of the Body.

- After long discussions with the unions, on June 9, 2016, the minutes were signed of the agreement on the Summer Emergency.

  With this agreement, the parties disciplined some management institutes in order to ensure better oversight of the electricity distribution network of the city of Milan, guarantee efficient service and at the same provide operational support to Emergency interventions in the event of exceptional needs occasioned by abnormal heat waves and resulting extraordinary demands for electricity.

- *Environment Business Unit*
  - On March 3, 2016, the agreement was signed relating to the annual training plan of Amsa S.p.A. employees; moreover, within the same company, there was the deal aimed at reviewing the contents of the agreement related to the task of driver "team coordinator", which resulted in the unilateral termination of the related agreement with effect from January 1st, 2017.
  - It is also noted that on April 13, 2016, at the office of A2A Ambiente S.p.A. Caivano, an important agreement was signed regarding the definition of the figure of "Plant Mechanical Maintenance Specialist" entrusted with routine and non-routine maintenance of particular complexity and related testing and coordination of personnel assigned.
  - Of great importance is the trade union agreement signed on February 26, 2016, which introduced in the Municipality of Brescia, a new combined home waste collection service provided by Aprica S.p.A., in fulfilment of the Plan previously approved by the City Council in March 2015, regarding which the company had developed the detailed design of the new service, launched in April 2016 with the assumption of conclusion at the end of 2017.

With reference to the National Labour Agreement of the “electricity”, “water gas” and “environment” sector, it is noted that, during the period under consideration, negotiations were initiated for their renewal.

In particular, with reference to the “electricity” contract, negotiations are extremely complex both for the lack of a framework of agreed rules on the manner in which to proceed to the renewal of the National Labour Agreements (Confindustria and CGIL, CISL, UIL have yet to start negotiations for the establishment of a new model of union relations), and for the ongoing crisis in the electricity sector that requires a contract renewal characterized by a break with the past both in terms of reduction of renewal costs and increase in productivity/improvement in operational flexibility and efficiency.

With regard to the national labour agreements of the environmental sector, the contracts of which expired on December 31, 2013, the need has arisen to innovate some institutions that regulate employment in the sector, starting from the increase in weekly working hours from 36 to 38 hours, and the economic-regulatory contents of the two collective contracts. This has further delayed negotiation times. Two days of absence from work are recorded, May 30, 2016 and June 15, 2016, which led to an acceleration in comparison.

Lastly, it is noted that in April 2016, negotiations officially commenced concerning the Harmonization Project with the aim of identifying uniform treatments, as part of the Corporate and “Generation and Trading” and “Networks and Heat” Business Units concerning working hours, business trips, holidays, social and paid leave.

Internal Communication

As for the Group’s Internal Communication activities, in the first half of 2016, actions and projects continued aimed at promoting and implementing transversal and change management initiatives to accompany the evolution of the corporate culture.

In particular, the Group’s internal communication has increased, also through the improvement of the language, the realization and development of new internal communication tools and strengthening of coordination with the structures that manage Institutional and Territorial Communication and with the various Business Units.

In May 2016, the “Business Plan a year after” Convention was organized, dedicated to Management and Middle Management for an update on the Business Plan and objectives achieved by the Group. During the meeting, the issue of change management at A2A was also discussed.

During the half-year, communication actions continued and involved:

1. the realization of the Space Project at the Brescia headquarters through the non-invasive re-visitation of spaces dedicated to employees. Interventions were carried out for the redevelopment of the common areas, with a balance between past, present and future and different paths of attention dedicated to employees, visitors, guests were created. Attention to People and Business Awareness are the pillars of the initiative;
2. the realization of a new issue of the New Company House Organ, with the objective of developing dialogue and sharing with employees through the improvement of communication and flow of information between offices.

Numerous internal communication campaigns were also realized, across all the functions and Business Units of the Group, in support of training and change management initiatives in order to involve the various clusters identified with different ways of communication and thus also enhance the sense of belonging to the Group. These included "AD Incontra" (the series of meetings leading the CEO to get to know all the employees of A2A and the Group's offices); MiA2A (the light and gas offer dedicated to the employees of the A2A Group), the Nissan-A2A agreement (a green offer for all employees); Banco dell'Energia (initiative promoted by A2A and the AEM and ASM Foundations, with the aim to collect and disburse funds to support anyone who, more and more frequently, has difficulty paying bills); the Internal Communication Campaign dedicated to Amsa operational colleagues "Dire fare Pensare" (internal initiative to choose the slogans to put on the new Amsa vests); the Campaign for the launch and initiation of Smart Working (the new agile way of working that allows working from home or from a place other than the office for one day a week), and lastly, the Communication Campaign of the ABC-Managerial Development Project (the important project that aims to support the change process of A2A, identifying the key issues on which to act and the characteristics of the managers of tomorrow).

Education and Training

As far as Group employee training courses are concerned[(1)], at June 30, 2016, a total of over 69,000 hours of training were provided with more than 20,000 attendances.

In particular, 49% of the hours was dedicated to worker safety; technical and managerial training weighed respectively 16% and 24% of the total hours.

Language training involved over 170 people for a total of about 3,700 hours.

(1) Figures for training do not include the EPCG Group.

In a perspective of proximity to the needs of the various Business Units, “ad hoc” managerial training courses were also provided for specific populations in the Group to support staff in achieving business objectives:

- *Change management* HSE
  Support project to change management dedicated to professionals and specialists of the HSE (Health, Safety and Environment) professional family. The training event, which aims to create greater role awareness and trigger a change in conduct, involved 72 participants, for a total of 928 hours.
- *Contabilità Lavori* (Accountancy) Networks and Heat Business Unit
  Project aimed at aligning the various professionals involved in the value chain by providing tools and skills for effective management of the process of “work accounting”. Course designed for and dedicated to almost 600 people for more than 41 training sessions, equal to approximately 10,800 hours of training.
- *Environment Master*
  The training course dedicated to the Group HSE was started in late 2015 and concluded in the first half of 2016. The master, organized into 8 half-day sessions, dedicated to various topics, had the objective of strengthening the environmental expertise within the Environment, Health and Safety structures of the Group. Overall, approximately 60 participants were involved for a total of 1,200 hours of training.
- *New tender code* for A2A S.p.A.
  The initiative, addressed to the Procurement and Design to Cost structure, has been divided into 3 training days dedicated to Buyers, Managers and Executives, in order to allow the update on new regulations relating to the Special and Ordinary sectors, with focus on important matters for contracting entities such as the A2A Group. The initiative involved 97 participants, for a total of approximately 1,100 hours of training.
- *ICT skills project* for A2A S.p.A. and A2A *Smart City S.p.A.*
  Project aimed at developing and updating IT, technical and relationship skills, in order to enable a proper IT transformation, also through real empowerment of the people involved. In the first half of 2016, approximately 5,800 hours of training were provided for 128 participants.

Development

Regarding development activities, in line with previous years and based on the company competence model revised in 2014, the Group Performance Management process was carried out involving Executives, Managers and Employees with the aim of developing organizational conduct in line with the new business challenges and simplifying the performance assessment phase. The managers involved as appraisers received appropriate training over the years, both on the model adopted by the Group and on skill assessment and the feedback meeting.

At June 30, 44 ads were published for search of internal positions, through Job Postings, with increased use of this instrument compared to previous years. To date, about 25% of searches were successful, allowing he rotation and internal growth of resources.

Projects continued dedicated to specific population businesses/clusters. In particular, we note the project "La potenza dell'acqua" (The power of water), aimed at the enhancement of skills and professionalism in the field of hydroelectric plants present in Valtellina. The Project, which aims to preserve know-how and secure generation mix over the years, has seen the conclusion of the self-assessment phase of skills on the part of participants, about a hundred.

In the second half of 2016, the results will be analysed to define intervention plans and development actions.

The A2A strategic plan makes it necessary to develop a new corporate culture capable of producing energy, values, professional relationships and projects consistent with the challenges ahead. For this reason, in 2016, the project <ABC managerial development> was launched with the aim of supporting the change process of A2A, identifying the key issues on which to act and the characteristics of the managers of tomorrow. In June, about 35 listening groups were realized, dedicated to Management and Top Management, to collect evidence about the change underway. In July, a survey will be conducted, dedicated to all employees of the Group to collect further information. By the end of the year, the resulting evidence will be returned, a key activity to create responsible activation, dialogue, planning and taking on challenges on the part of all employees of A2A. The Project was accompanied by an Internal Communication Campaign that involved all Group employees.

Employer Branding and Social Policies

In the first half of 2016 continued the consolidation of partnerships with universities and greater presence of the Group in the territory and the realization of experimental initiatives started in 2015.

In the first half of 2016, 11 events were realized, which can be grouped into two macro areas: open events (organized by the University), and ad hoc events.

In March and May, there was (both in Milan and Brescia) the second edition of UNIversoA2A, the initiative to meet young graduates and recent graduates in science and economics from the Universities of Lombardy. This year, the institutions involved have been implemented

(Università Bocconi, Università degli Studi di Brescia, Università Cattolica del Sacro Cuore, Politecnico di Milano, Università degli Studi di Milano Bicocca, Università degli Studi di Bergamo, Università degli Studi di Pavia, Università degli Studi di Padova).

Many students welcomed the opportunity to have a closer look at the A2A Group's multi-business reality, and participated in the sessions visiting the waste-to energy plants in Brescia and Milan. In particular, for the edition of Brescia, there has been an increase in attendance of over 60% compared to the previous year, with an assessment of the satisfaction of the initiatives of 4.4 (scale 1-5).

The commitment to the development of communication activities on social networks also continued to increase the visibility of the initiatives and opportunities of the A2A Group.

The path of dialogue and listening of students, started with three "focus groups" (Università Bocconi and Università Cattolica del Sacro Cuore) in 2015, continued with other two focus groups (Università Cattolica di Brescia and Politecnico di Milano) in early 2016. Upon completion of the course aimed at understanding how students perceive A2A and analysing the positioning and attractiveness, an online survey was launched. The findings will be used to plan with the Universities specific activities and actions targeted on the various student clusters.

Regarding Social Policies, actions continue to develop, in conjunction with other Group functions, company welfare activities to the benefit of employees to improve work-life balance and increases the sense of unity, belonging to the Group as well as integration throughout the local area.

In particular, the activities of the "Melograno project", dedicated to the issues of "gender balance" and to foster the development of a corporate culture to enhance female resources at the company and the implementation of concrete welfare actions for the entire corporate population.

In the first months of 2016, the projects of the 5 Challenges were presented to the Steering Committee to select the best ideas to be implemented in the second half of 2016.

The projects identified and to be established concern issues related to: Organizational well-being, Gender competences and Smart Working.

In particular, with regard to Smart Working, on February 18, A2A adhered to the 3rd edition of "Giornata del Lavoro Agile" (Agile Work Day) promoted by the Municipality of Milan, through the participants of the project Melograno and Futura2a.

The pilot project Smart Working was started at the end of June and will end at the end of December; it involved more than 80% of the 300 employees identified, according to the criteria established by the trade union agreement and by the regulation.

The A2A Smart Working Project, developed from the ideas of co-workers who were part of the working groups of Futura2a and Melograno is an innovative method of work that involves, for one day a week, working from home or from a place other than the office, using the company's equipment to perform work activities.

In the second half, two surveys will be conducted with the aim of understanding the positive aspects and areas for improvement of the project, in order to check the results and possibly assess how to extend this way of working also to other co-workers in the future. The Smart Working Project was accompanied and supported by an Internal Communication Campaign and external communication and on social networks (Facebook and Linkedin).

In the area of Social Policies, activities continue regarding enhancement of services for work-family balance. Specifically, the annual agreement was renewed for the service of socio-psychological assistance and in February, a short assessment questionnaire of the service was disseminated as a moment of dialogue and listening of employees; through the questionnaires collected to date, employees have expressed a high satisfaction rating (3.8 out of the max value 4).

Recruitment

Continuing what started the previous year, the first half of 2016 is characterized by a strengthening of the Corporate and Commercial Business Unit, through the entry of figures that, with varying seniority and specialization, support the areas most impacted by challenging projects of change management, business development and expansion of the scope for new Resolutions, Regulations, M&A Transactions (Marketing, Tax, Commercial, ICT).

Generational change activities also continued in Operations, through the entry of young high school/university graduates in the plants of the Group and specialized figures in support of innovation projects with high impact on the territory and on citizens (new differentiated collection system in Brescia, Metrology verifiers, etc.).

Social responsibility and stakeholder relations

A2A has published its eighth **Sustainability Report**, which was approved, for the first time, on June 7, 2016 by the Shareholders' Meeting.

The document was prepared on the basis of the "Sustainability Reporting Guidelines G4" of the Global Reporting Initiative (GRI); with a view to continuous improvement with respect to the previous editions, A2A has also initiated a path of progressive adhesion to the Integrated Reporting Framework (IR Framework), outlined by the International Integrated Reporting Council (IIRC).

The approach to integrated reporting meets one of the objectives defined by the A2A Board of Directors, which, in November 2015, approved the launch of a development program of Corporate Social Responsibility activities, in line with international best practices.

A key objective of the Program was the development of a **Sustainability Policy** with commitments for 2030 and the establishment of a **Sustainability Plan**, which envisages quantifiable objectives in a time frame consistent with the Business Plan, until 2020. The Sustainability Policy is a statement to management, employees, customers and other stakeholders of the Group of values and commitments, in order to guide the actions and conduct of all stakeholders.

In particular, the commitments undertaken by A2A were outlined around four macro trends that characterize the sector:

- Circular Economy: sustainably manage waste throughout the life cycle;
- Decarbonisation Process: contribute to achieving national and EU targets for the reduction of greenhouse gas emissions;
- Smartness in grids and services: increase the reliability of grids through technological innovation;
- People Innovation: actively contribute to the welfare of the community and the improvement of working conditions.

In relation to the four macro areas, pillars of the of Policy and Sustainability Plan, the main objectives of A2A for 2030 are:

Circular Economy

- 70% share of differentiated collection in the municipalities served
- 99% of municipal waste collected sent for recovery of matter or energy
- 100% of territories reached by initiatives for the reduction, reuse and recovery of waste
- Capacity of recovery of matter in plants owned by the Group at least equivalent to the total of municipal waste collected separately

Decarbonisation Process

- -62% CO_2 emissions from electricity generation plants (on average 2008-2012)
- -37% carbon intensity (gCO_2/kWh) of electricity generation (on average 2008-2012)
- 50% heat from non-fossil fuels or recovery in the mix used for high efficiency district heating and cooling
- -46,000 tons of CO_2 per year thanks to the promotion of energy efficiency and renewable sources in end use

Smartness of grids and services

- +30% increase in the maximum sustainable load from the electricity distribution grid in case of heat waves
- 15% of smart grids (advanced automation) of the grid total
- 20% smart investments of total investments in the Networks and Heat Business Unit

People Innovation

- 100% of executives with MBO of Sustainability and employees evaluated on CSR parameters (to be reached already in 2020)
- 20% of dissemination smart working among employees in a systematic way, for roles where applicable
- -25% reduction in the weighted injury index (frequency index x severity index), already in 2020, compared to the average 2013-2015

On July 11, 2016, the Chairman, Giovanni Valotti, the CEO, Valerio Camerano and the Chairman of the Territory and Sustainability Committee, Stefano Pareglio presented in Milan, during an event dedicated to media and stakeholders in general, the new commitments of the Policy and the Sustainability Plan and the results achieved in 2015.

Always among the areas of the CSR Development Program, in the first six months of 2016, two **multi-stakeholder forums** dedicated to listening were realized:

- **Ascolto Valtellina e della Valchiavenna Forum**, which took place February 25, 2016, in Grosio. It was attended by 29 external stakeholders (local entities, customers, environmental associations, suppliers, entrepreneurs, economic, environment and culture experts and teachers). The day allowed stakeholders to discuss and identify the most relevant aspects for the territory, connected with the activities of A2A. Nine project ideas emerged from the debate, among which A2A will identify those to be realized in the coming months.
- **Ascolto Bergamo Forum**, which was held July 4, 2016, in Bergamo, at the Kilometro Rosso headquarters. It was attended by 44 stakeholders divided into four working tables. The tables proposed 7 initiatives that are being evaluated.

Environmental responsibility

The Group's Environmental Management System is based on the principles set out in the Group's Quality, Environment and Safety Policy and sector Environmental Policies, and has the aim of promoting a progressive and constant improvement in business performance in terms of effectiveness and efficiency in managing the environmental aspects connected with its activities. This system is adopted and implemented in a way that is integrated with the broader business management system, which also governs the other strategic matters regarding sustainability including those concerning quality and safety.

A proper implementation of the Environmental Management System is ensured by setting up various types of measures, such as the clear identification of principles, roles and responsibilities, the identification of activities that involve environmental aspects, the assessment of areas where steps may be taken to seek improvement from an organizational or structural standpoint, the definition of objectives and related action strategies, and the determination of suitable means of working and operational control.

Regular internal audits are planned and carried out in order to check the efficiency and effectiveness of the Management Systems and their ability to ensure that improvement objectives are reached and that the adopted principles are being complied with. The adequacy of the systems is confirmed by the audits performed by independent third parties and is attested by the ISO 14001 certifications and the EMAS registration at the Group's leading companies.

At the current date, 25 plants of the A2A Group have EMAS Registration.

Following the extension of the scope of Legislative Decree 231/01 to environmental offences, the parent company has undertaken a review and revision of the Environmental Management System to align it to the new requirements. At the same time, a revision of the way, in which the activities connected with the risk that this type of offence may be committed are managed internally, has begun in the operating companies, and this is currently in progress. The alignment of the Environmental Management System with the 231 Model is therefore at an advanced stage of consolidation in several of the Group's companies.

Innovation, development and research

The A2A Group carries out research and innovation activities that are consistent with the development programs of its business sectors. The organization by Business Units favours the focus of activities by work sector, while maintaining constant attention to the opportunities of transversal research programs.

In particular, the Networks Business Unit is committed to developing new solutions for the so-called smart grids, in which there will be the realization through the introduction of digital technologies of new functionalities needed both to improve the level of service in response to the demands of the Regulator and expectations of customers, and to manage the increasing complexity resulting from the dissemination of distributed generation sources connected to the distribution network.

Smart DomoGrid Project

In particular, the Smart Domo Grid project, co-financed by the Ministry for Economic Development, was completed; this saw Unareti S.p.A. (previously A2A Reti Elettriche S.p.A.) as project leader together with the Milan Politecnico University (Faculty of Energy) and Whirlpool as partners. The project included the design and implementation of a smart grid solution with demand/response functionality, enabling the power grid of the Distributor to regulate the load of customers in terms of cost optimization opportunities and services for the benefit of both. The solution has been successful in terms of both the interest and the willingness by users, which were available for the test, and the benefits achieved (albeit under conditions of experimentation in regulatory context still underway). In an area of Brescia, the experimentation involved twenty-one families with new appliances, tools and training for their use thus able to become aware of their consumption and make choices to optimize spending on energy.

AEEGSI 39/10 Projects

Projects for AEEGSI Resolution ARG/elt 39/10 are being completed as Unareti S.p.A. (previously A2A Reti Elettriche S.p.A.) has obtained the AEEGSI's approval to carry out two pilot projects: the first regards a primary cabin in Milan (Lambrate) and the second a primary cabin in Brescia (Gavardo) with different characteristics in the underlying network. Both set out to overcome the present limitations of the interface protection of generators connected to the medium-voltage grid, to introduce innovative voltage regulation functionalities and, potentially, to carry out local dispatch, only reporting summarized data to Terna S.p.A. of the production put into the MV grid. This will encourage the development of distributed generation and hence the use of renewable sources for the production of electricity. The Lambrate project also involves the experimentation of logic selectivity and automatic reconfiguration of some lines of the MV network to drastically reduce recovery time in the event of failure.

WFM and IDMS Projects

The WFM and IDMS projects are underway designed to improve network operational management processes through IT solutions. WFM focuses on the integration of the management of physical assets with the mapping system, also using GPS technology for the localization of facilities and operational teams available in the area, equipped with mobile devices for more effective and efficient management of operations. IDMS is a significant step forward in the management of all operational processes of electricity grid management, both during the conduction and planning stages. Its primary objectives also include the interoperability between the multi-service room in Brescia and the electrical control room in Milan, ultimately ensuring prompt disaster recovery between the two in the event of unavailability of one of the two sites. IDMS will also oversee the management of the public lighting network, recently involved by Unareti S.p.A. in the maximum renewal of the lighting fixtures (replacement of traditional incandescent lamps with LED) and the supervision and control system, with the aim of reducing energy consumption.

IDE4L Project

Unareti S.p.A. is carrying out the IDE4L Project (Ideal Grid for All), co-financed by the EU as part of the FP7 research and innovation program that capitalizes on the experience gained in the previous FP7 INTEGRIS project and sets as its objective the development and demonstration of a complete system for automating the management of the active electricity grid that takes into account distributed generation, both in terms of real time management and medium/long-term planning.

The project focuses on various functionalities, such as:

- research and automatic isolation of faulty sections for improved service quality;
- management of grid congestion, also by optimally addressing priority investments;
- integration and optimal management of distributed generation systems from renewable sources.

The three-year project will be concluded at the end of August 2016. The feedback provided by the evaluators of the European Commission have been highly positive, both during the periodic revisions and at the official presentation of the Project held in Brescia in May.

SCUOLA Project

The implementation and experimentation phase has been concluded of the SCUOLA project - Smart Campus as Urban Open Labs. A first event for the dissemination of results was held at the end of June 2016 at the Politecnico di Milano, while a second meeting will be held at the Università degli Studi of Brescia in October 2016. The project, presented in 2013 to the Lombardy Region notice, obtained first place in its ranking both in terms of quality and budget (10 million euro).

SCUOLA experiments an evolved Smart Grid system to intelligently integrate various "energy" functionalities of urban areas:

- efficient management of end use of energy;
- interaction network-end user to contribute to the stability of the network;
- smart charging of electric vehicles;
- innovative generation from renewable and non-renewable sources;
- energy efficiency of enclosures and systems in buildings;
- advanced communication technologies to provide services to citizens.

The heart of the project is the electric network, which aims to increase its intelligence through the introduction of innovative communication, control and management system, sensors/automation/protection, and modern implementation mechanisms to support the efficient and coordinated operation of the system and provide direct benefits to citizens.

The specific objectives of the project are:

- evolution of the electricity grid, to ensure greater continuity of service and enable the active participation of users;
- management of the charging of electric vehicles based on time and the available power, energy costs and the needs of balancing the network and the availability of production;
- new PV panel with integrated electrical energy storage and heat production, to simplify the management of non-programmable production and improve the overall efficiency;

- integration of buildings with sensors and automation to monitor comfort parameters and optimize consumption (possibly simulating positive interactions with the electric grid that can be obtained from restructuring techniques Nearly Zero Energy Building);
- demand-response extended, to enable user participation (consumer-prosumer) in the energy market (aggregator) and encourage them to adjust their load and feed-in profiles to the needs of the electricity grid;
- logic selectivity for isolating sections of faulty lines and quickly restoring the distribution service;
- sensors and smart devices in the area, to collect data in real time and provide information and services to users also in mobility, to optimize energy consumption.

Developments were realized on the following demonstrators:

- 2 buildings at Politecnico di Milano;
- 2 buildings at Università di Brescia;
- 1 domestic user in Brescia;
- 2 lines of the medium voltage electricity distribution grid;
- some public charging points for electric vehicles.

The electricity grid, the heart of the Smart City, is the key element of the integration of devices and systems for measurement, control management of energy components, not only electrical but also thermal.

A2A is the leader of a partnership that involves the participation of Politecnico di Milano and Università di Brescia, 3 large companies (ADB, CPL, LuVe), 7 SMEs (CEL, Coster, Eclipse, GFM-net, Italdata, SIEL, Thytronic) all closely linked to the territorial fabric in which A2A mainly operates.

Brescia Smart Living Project

Brescia Smart Living, ranking first in the evaluation ranking among the project winners of the 2012 MIUR Notice (DD591/2012), is a research project co-funded by the Ministry of University and Research and started in March 2015. The term of the project is expected in February 2018.

It is a project with a total budget of about 10 million euro and involves A2A S.p.A. in the forefront in the governance of a partnership with various Group companies (Unareti S.p.A., A2A Smart City S.p.A., A2A Calore & Servizi S.r.l., Aprica S.p.A., A2A Ciclo Idrico S.p.A.) and several subjects including research entities, universities, large and small and medium enterprises (Università degli Studi di Brescia, ENEA, Beretta Fabbrica D'Armi, Cavagna Group, ST Microlectronics, Cauto, Iperelle, TeamWare and FGE Elettronica).

The experimentation activities of the project relate to certain areas of the city of Brescia, on which an experimental program will be launched that will combine technologies for well-being, the environment and protection systems of fragile citizens.

The partnership aims to create a proof of concept of sustainable Smart City, liveable and with new and improved services both for municipalities, to improve the government of the city, and for citizens, to improve the quality of life.

The issues at the heart of the improvement are energy consumption, public lighting, the analysis of air quality and noise, waste collection, social interaction, protection of the weak, security, communication infrastructure, information and transparency.

The project is completing the analysis phase of the state of the art and definition of the specifications; it will soon focus on system design.

Sharing Cities Project

Sharing Cities is a research project co-funded by the EU under the program Horizon 2020, Call Smart Cities & Communities. The project started in January 2016 and its completion is scheduled for April 2020.

The Greater London Authority is the leader of a partnership consisting of 34 subjects. A2A S.p.A. took part in the initiative with Unareti S.p.A. and A2A Smart City S.p.A.. The total budget is approximately 28 million euro.

Among the various partners, the municipalities of Milan, London and Lisbon are involved (core cities) and those of Bordeux, Burgas and Warsaw (follower cities).

The partnership, through a digital approach and guided by data collection, aims to overcome some of the key environmental challenges of a city: CO_2 emissions from buildings and transport and air quality.

The objectives are to actively engage citizens in the development of mechanisms of participation and co-design of solutions for the retrofit of buildings, the integrated management of energy systems, electric mobility and services related to smart lampposts. To achieve these objectives, IT platforms will be developed able to gather information from the site and turn it into services for citizens.

The project is currently in its earliest stages.

Summary of co-funded projects

Project Name	Dates	Co-financing Entity	Participants for A2A
Sharing Cities	2016/01 2020/12	EU-H2020 Smart Cities & Communities SCC-01-2015 innovation Action – Proposal Id: SEP-210271592	A2A S.p.A. Unareti S.p.A. A2A Smart City S.p.A.
Brescia Smart Living	2015/03 2018/02	DD591/2012 Ministry of University and Research (MIUR)	A2A S.p.A. Unareti S.p.A. A2A Calore & Servizi S.r.l. A2A Smart City S.p.A. Aprica S.p.A. A2A Ciclo Idrico S.p.A.
IDE4L	2013/09 2016/08	EU-FP7 ENERGY.2013.7.1.1 grant agreement no. 608860	Unareti S.p.A.
Resolution 39/10	2011/03 2015/12	Authority for Electricity, Gas and Water System	Unareti S.p.A.
SCUOLA	2014/03 2015/12	Lombardy Region	A2A S.p.A. Unareti S.p.A
Smart Domo Grid	2011/08 2014/12	Ministry of Economic Development (MiSE)	Unareti S.p.A.
ECCOFLOW	2010/02 2013/12	EU-FP7 ENERGY.2009.7.3.1 grant agreement no. 241285	Unareti S.p.A.
INTEGRIS	2010/02 2012/12	EU-FP7 ICT-Energy-2009-1 grant agreement no. 247938	Unareti S.p.A.

E-moving Project

In addition, testing continues in the field of Electrical Mobility through the E-moving project, which has enabled public recharging columns to be set up in Milan, Brescia and Sondrio, in addition to the verification of operation of electric vehicles of multiple makes. This project was completed in its present form by AEEGSI at the end of 2015 and a further extension of the agreement with municipalities was decided until the end of 2016.

In May 2016, A2A, in partnership with Nissan and the Municipality of Milan, inaugurated the largest network in Italy of public infrastructure for quick recharge of electric vehicles. On the occasion of the final of the UEFA Champions League, the ambitious project allowed providing 13 Fast Charge stations in Milan and at the Linate airport and doubled the total number now present throughout Italy. The new infrastructures allow recharging 80% of the battery of electric vehicles in less than 30 minutes, facilitating their use and helping to reduce polluting emissions.

A2A has also sponsored the first Digital Islands, which are home to the charging of electric quadricycles, video surveillance services, Wi-Fi, info points and LED lighting. A2A has supported the installation of these new infrastructures within the city of Milan also to promote private electric mobility and car-sharing.

WEEE Parking

Even in the environmental sector projects continue: in 2015, Amsa S.p.A. participated in the project E-waste, partnership between the companies Tecnochimica S.r.l., RE.MEDIA, Stena Technoworld S.r.l., S.E.VAL. S.r.l., Gaser San Giuliano S.r.l., the research bodies of Politecnico di Milano and Cefriel, in collaboration with the Municipality of Milan and the Municipality of San Donato Milanese. The specific objective of the project was the optimization of recycling of WEEE (Waste Electrical and Electronic Equipment) and increase of the amount of rare earth and precious metals from the waste collected.

During the first half of 2016, Amsa provided supplementary experimental services in order to improve the quality and increase the quantity of differentiated collection at some utilities, in particular: cardboard collection by appointment (June 2016) in the same manner as bulky collection at the roadside for all households that have sporadic production of at least 10 pieces of cardboard; project for recognition of rewards to “virtuous” citizens who joined the initiative and will have conferred the highest number of electronic waste through the Mobile Environmental Center and a new collection tool called “WEEE parking”; this project will last 10 months, ending in January 2017 and consists of 5 mobile stations at appropriate places and easily accessible to citizens. The WEEE parking container is an autonomous and fully automated system for the identification and weighing of waste, with access via charter of regional services.

In all business sectors, the focus and commitment continue for the search for new solutions, both for optimizing processes and improving service quality and extending the offer. This involvement takes practical form in projects, which in some cases are funded by co-financing schemes, that are also triggered by the constant development and extension of relations with research bodies and universities and by participation in initiatives and conventions designed to gather needs and new ideas for grasping opportunities.

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

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

1. The undersigned Luca Camerano, in the name and on behalf of the entire Board of Directors of A2A S.p.A., and Andrea Eligio Crenna, as manager in charge of preparing the corporate accounting documents of A2A S.p.A., certify, also taking into account the contents of article 154-bis, paragraphs 3 and 4, of Legislative Decree 58 February 24, 1998:
   - the adequacy in relation to the characteristics of the business and
   - the effective application

of administrative and accounting procedures for the preparation of the condensed half-yearly financial statements in the first half-year of 2016.

2. It is also certified that:

2.1 the condensed half-yearly financial statements:

a) have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of July 19, 2002;

b) correspond to the information contained in the accounting ledgers and records;

c) provide a true and fair representation of the equity, economic and financial situation of the issuer and the whole of the companies included in the scope of consolidation;

2.2 the half-yearly report on operations includes a reliable analysis of the references to the significant events occurred in the first six months of the year and their incidence on the condensed half-yearly financial statements, as well as a description of the main risks and uncertainties for the remaining six months of the year. The half-yearly report on operations also includes a reliable analysis of the information regarding transactions with related parties.

Milan, July 29, 2016

Luca Camerano
(For the Board of Directors)

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