

2017

Separate Financial Statements



Separate financial statements

2017

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This is a translation of the Italian original "Bilancio separato 2017" and has been prepared solely for the convenience of international readers. In the event of any ambiguity the Italian text will prevail. The Italian original is available at the website www.a2a.eu.

Overview of performance, financial conditions and net debt

A2A S.p.A.

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

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

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

Following the extraordinary transactions described below, the contents of the Income Statement at December 31, 2017 are non-homogeneous and therefore not comparable with those of the end of the previous year which, in turn, included revenues and costs of some activities limited to the first half of 2016 due to the extraordinary transactions of the previous year. The extraordinary transactions for 2017 are listed below:

- transfer of the business unit relating to "Public Lighting Activities in the Municipalities of Bergamo, Brescia, Milan, Cassano, Pieve Emanuele and San Giuliano Milanese" in favour of the subsidiary A2A Illuminazione Pubblica S.r.l. with effect from January 1, 2017;
- acquisition of business units relating to "Administration and Finance", "Purchases (excluding the
 organizational structure of Gestione Magazzini)" and "Communication and External Relations"
 from the subsidiary Amsa S.p.A. with effect from January 1, 2017;
- sale of a business unit relating to "Security Control Room and Inspection Service" to the subsidiary A2A Security S.c.p.a. with effect from October 27, 2017.

Below is a summary, by period, of the plants included in the separate financial statements of A2A S.p.A.:

YEAR 2016		YEAR 2017
1st HALF 2016 (*)	2nd HALF 2016	
Hydroelectric Unit Valtellina	Hydroelectric Unit Valtellina	Hydroelectric Unit Valtellina
Hydroelectric Unit Calabria	Hydroelectric Unit Calabria	Hydroelectric Unit Calabria
Plant in Cassano D'Adda	-	-
Plant in Ponti sul Mincio	-	-
Plant in Monfalcone	(**)	-
Hydroelectric Unit Mese	Hydroelectric Unit Mese	Hydroelectric Unit Mese
Hydroelectric Unit Udine	Hydroelectric Unit Udine	Hydroelectric Unit Udine
Plant in Piacenza	-	-
Plant in Sermide	-	-
Plant in Chivasso	-	-
Plant in Brindisi	-	-

^(*) The so-called "Cellina Unit" owned by Edipower S.p.A. was sold to Cellina Energy S.r.l., effective January 1, 2016.

^(**) The Monfalcone plant was sold effective December 31, 2016, in the transitional period between July 1, 2016 and December 31, 2016, a business unit lease contract was in effect between A2A S.p.A. and A2A Energiefuture S.p.A..

Results millions of euro	01 01 2017 12 31 2017	01 01 2016 12 31 2016	Changes
Revenues			
Revenues from the sale of goods and services	3,037.5	2,554.2	483.3
Other operating income	51.8	206.7	(154.9)
Total revenues	3,089.3	2,760.9	328.4
Operating expenses	(2,787.9)	(2,326.2)	(461.7)
Labour costs	(127.8)	(151.7)	23.9
Gross operating income - EBITDA	173.6	283.0	(109.4)
Depreciation, amortization and write-downs	(81.3)	(333.2)	251.9
Provisions	(6.4)	(27.6)	21.2
Net operating income - EBIT	85.9	(77.8)	163.7
Result from non-recurring transactions	0.1	48.3	(48.2)
Financial balance	239.4	258.4	(19.0)
Result before taxes	325.4	228.9	96.5
Income taxes	(2.1)	45.2	(47.3)
Result after taxes from operating activities	323.3	274.1	49.2
Net result from discontinued operations	(54.8)	-	(54.8)
Net result of the year	268.5	274.1	(5.6)

In the year in question A2A S.p.A. shows revenues for a total of 3,089.3 million euro (2,760.9 million euro in the previous year). Sales revenues (2,885.1 million euro) mainly refer to electricity sales to wholesalers, institutional operators, even on IPEX markets (Italian Power Exchange) and subsidiaries, sales of gas and fuels to third parties and subsidiaries and the sale of environmental certificates. Revenues from services (152.4 million euro) mainly refer to services to subsidiaries of an administrative, fiscal, legal, managerial and technical nature. Other revenues (51.8 million euro) include, starting from January 1, 2016, incentives on net production from renewable sources.

Operating costs amounted to 2,787.9 million euro (2,326.2 million euro at December 31, 2016) and refer to costs for raw materials (2,298.0 million euro) related primarily to purchases of energy and fuels, both for electricity production and for resale, purchases of materials and environmental certificates; service costs (188.3 million euro), which refer to the costs for the transport and storage of natural gas, costs for plant maintenance as well as for professional and technical services costs and other operating costs (301.6 million euro), which include the contracting of thermoelectric production plants "tolling agreement" of both subsidiaries and associates, as well as water derivation fees, damages and penalties.

Labour costs amounted to 127.8 million euro (151.7 million euro at December 31, 2016).

Due to the dynamics mentioned above the "Gross Operating Margin" amounted to 173.6 million euro (283.0 million euro at December 31, 2016).

The "Amortisation and depreciation, provisions and write-downs" of the year amounted to 87.7 million euro (360.8 million euro at December 31, 2016) and include amortisation, depreciation and write-downs of the intangible and tangible assets for 81.3 million euro (333.2 million euro at December 31, 2016) and provisions for 6.4 million euro (27.6 million euro at December 31, 2016) mainly related to risks on receivables. In 2016, the item included 203.3 million euro relating essentially to the write-down of the thermoelectric plant of Monfalcone as a result of the findings of the appraisal carried out by an independent external expert as part of the transfer to the subsidiary A2A Energiefuture S.p.A..

The "Net Operating Result" is positive for 85.9 million euro (negative for 77.8 million euro at December 31, 2016).

The "Result from non-recurring transactions" amounted to 0.1 million euro and reflects the income deriving from the sale of the business segment relating to "Security Control Room and Inspection Service" to the subsidiary A2A Security S.c.p.a.. At December 31, 2016, this item had a balance of

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48.3 million euro and included the income deriving from the demerger of the "Cellina Unit" (formerly Edipower S.p.A.) in favour of Cellina Energy S.r.l..

Financial balance reported a positive balance of 239.4 million euro (positive for 258.4 million euro at December 31, 2016). This item includes dividends from investee companies of 345.8 million euro (449.1 million euro at December 31, 2016), the write-down of investments for a total of 1.5 million euro (in 2016, write-downs of investments amounted to 60.1 million euro), as well as net financial expenses of 104.9 million euro (130.6 million euro at December 31, 2016).

The "Result before taxes" was positive for 325.4 million euro (positive for 228.9 million euro at December 31, 2016).

"Income taxes" were positive for 2.1 million euro (positive for 45.2 million euro at December 31, 2016).

The tax is mainly due to the recognition of: i) positive current taxes by way of remuneration for the transfer to the consolidated tax interest expense, ii) decrease in deferred tax liabilities as a result of the reversal of temporary differences from previous years, partially offset by decrease in deferred tax assets also due, primarily, to the reversal of temporary differences from previous years and, second, the specific reversal of part of the IRAP deferred tax assets to adapt them to future taxable income of the plan.

The "Net result from discontinued operations" is negative for a total of 54.8 million euro and refers to the write-down of 29.0 million euro and discounting charges of 25.8 million euro to adjust the value of the investment in EPCG to the fair value.

* * *

Investments for the year amounted to 49.8 million euro and in particular concerned work on hydroelectric plants, improvements to third-party assets, investments on the Group's IT systems, as well as investments in shareholdings mainly to acquire an additional shareholding portion of Azienda Servizi Valtrompia S.p.A..

Balance sheet and financial position millions of euro	12 31 2017	12 31 2016 Restated	Changes
CAPITAL EMPLOYED			
Net fixed capital	4,613.9	4,926.6	(312.7)
- Tangible assets	1,118.6	1,193.1	(74.5)
- Intangible assets	95.2	115.8	(20.6)
- Shareholdings and other non-current financial assets (*)	3,657.2	3,901.9	(244.7)
- Other non-current assets/liabilities (*)	(9.9)	(13.5)	3.6
- Prepaid/deferred tax assets/liabilities	61.2	73.4	(12.2)
- Provisions for risks, charges and liabilities for landfills	(164.9)	(179.6)	14.7
- Employee benefits	(143.5)	(164.5)	21.0
of which with counter-entry to equity	(29.2)	(47.3)	
Working capital	(49.3)	116.8	(166.1)
- Inventories	78.6	71.6	7.0
- Trade receivables and other current assets (*)	716.7	1,020.8	(304.1)
- Trade payables and other current liabilities (*)	(931.7)	(1,001.2)	69.5
- Assets for current assets/liabilities for taxes	87.1	25.6	61.5
of which with counter-entry to equity	1.4	8.1	
Assets/liabilities held for sale (*)	224.2	-	224.2
of which with counter-entry to equity	-	-	
TOTAL CAPITAL EMPLOYED	4,788.8	5,043.4	(254.6)
SOURCES OF COVERAGE			
Equity	2,430.0	2,316.5	113.5
Total financial position beyond one year	3,339.2	2,530.4	808.8
Total financial position within one year	(980.4)	196.5	(1,176.9)
Total net financial position	2,358.8	2,726.9	(368.1)
of which with counter-entry to equity	(24.2)	(10.9)	
TOTAL SOURCES	4,788.8	5,043.4	(254.6)

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

"Capital employed" totalled 4,788.8 million euro at December 31, 2017, partly covered by "Equity" in the amount of 2,430.0 million euro and net debt of 2,358.8 million euro; provided below are the main items that make up the Capital Employed.

Net fixed capital amounted to 4,613.9 million euro and includes:

- tangible assets for 1,118.6 million euro mainly related to the hydroelectric plants in Valtellina, the Calabria, Mese and Udine units;
- intangible assets for 95.2 million euro that include software licenses and development projects of IT systems, goodwill and inventories of the environmental certificates related to the industrial portfolio;
- equity investments and other non-current financial assets of 3,657.2 million euro, which include investments in subsidiaries (3,610.5 million euro), net of the reclassification to the item "Non-current assets held for sale" of the investment in EPCG, equal to 41.75%, following management's decision of July 3, 2017 to exercise the sale put option on the entire shareholding and including the acquisition of an additional shareholding in the company Azienda Servizi Valtrompia S.p.A., in associated companies (43.2 million euro) including the investment in ACSM-AGAM S.p.A. and in other minor equity investments (3.5 million euro);
- other non-current assets/liabilities (-9.9 million euro) which mainly relate to the payable to the minority shareholders of Linea Group Holding S.p.A.;

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- deferred tax assets/liabilities for 61.2 million euro both IRES and IRAP on changes and provisions made solely for tax purposes;
- provision for risks, charges and liabilities for landfills for 164.9 million euro, which refer to tax provisions (2.3 million euro) for pending or potential disputes with the tax authorities; provisions for lawsuits and disputes with staff (20.7 million euro) in particular related to disputes with social security institutions and third parties; other risk provisions (141.9 million euro), which include provisions concerning the burden of the contractual obligations in the tolling contract with the company Ergosud S.p.A., the provisions relating to the public water derivation fees, the provisions relating to contractual charges as well as other risk provisions;
- employee benefits for 143.5 million euro that include the leaving entitlement (TFR) accrued to employees for 28.0 million euro and other provisions for benefits for 115.5 million euro.

Working capital is negative at -49.3 million euro and includes:

- inventories for 78.6 million euro relating primarily to inventories of fuels, also stored at third parties to produce electricity as well as gas inventories for the sale and storage thereof;
- trade receivables and other current assets of for 716.7 million that include trade receivables from
 third parties and Group companies for a total of 551.7 million euro and other current assets totalling
 165.0 million euro, which mainly include: assets for commodity derivatives (96.2 million euro);
 receivables from subsidiaries for tax consolidation (39.6 million euro); tax receivables for excise
 and withholding taxes (1.4 million euro); advances to suppliers (19.6 million euro); and receivables
 from Ergosud S.p.A. related to portions of emission rights for the Scandale plant (2.2 million euro);
- trade payables and other current liabilities for 931.7 million euro that include trade payables to
 third parties and to Group companies for a total of 689.6 million euro and other current liabilities
 totalling 242.1 million euro, which mainly include: liabilities for commodity derivatives (86.5 million
 euro); payables to subsidiaries for tax consolidation (64.8 million euro); payables to social security
 institutions and to employees (29.6 million euro); payables for fiscal transparency to Ergosud S.p.A.
 (7.2 million euro); and tax payables for VAT, excise and withholdings (39.8 million euro);
- assets for current taxes/tax payables for 87.1 million euro, which refer to IRAP receivables, IRES
 receivables for current taxes and amounts requested for reimbursement as well as receivables for
 Robin Tax paid in previous years.

Assets/Liabilities held for sale amounted to 224.2 million euro and refer to the reclassification of the investment in EPCG, held 41.75% by A2A S.p.A., following management' decision of July 3, 2017 to exercise the sales put option on the entire shareholding package. The investment was reclassified for a total of 279.0 million euro and was written down and discounted for a total of 54.8 million euro to adjust its value to fair value.

The "Net debt" of 2,358.8 million euro, improved by 368.1 million euro compared to December 31, 2016 and includes the effect of the non-recurring transactions during the year, which was positive by 2.8 million euro. Operations during the year generated resources of 612.8 million euro, partly offset by the resources absorbed by net investments in tangible and intangible assets and shareholdings of 49.3 million euro and dividends paid to shareholders of 153.0 million euro.

millions of euro	12 31 2017	12 31 2016
	6	<u> </u>
NET FINANCIAL POSITION AT THE START OF THE YEAR	(2,726.9)	(2,799.1)
CONTRIBUTIONS FROM NON-RECURRING TRANSACTIONS	2.8	(70.2)
Result of the year (**)	268.0	219.7
Amortization and depreciation	81.3	129.9
Net interest for the year	106.0	190.8
Net interest paid	(74.0)	(104.6)
Net taxes paid/receivables for taxes paid	23.4	8.0
Write-downs on shareholdings and fixed assets	1.9	265.5
Change in the assets and liabilities (*)	206.2	(249.8)
Cash flow from operating activities	612.8	459.5
Cash flow from investment activities	(49.3)	(121.3)
Dividends paid	(153.0)	(125.9)
Other changes	(32.0)	(86.2)
Changes in financial assets/liabilities with counter-entry to equity	(13.2)	16.3
NET FINANCIAL POSITION AT THE END OF THE YEAR	(2,358.8)	(2,726.9)

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

Below is a detail of the net debt:

millions of euro	12 31 2017	Effect of non-recurring transactions	12 31 2016
Medium/long-term debt	3,411.4	-	2,937.0
Medium/long-term financial receivables	(72.2)	3.7	(406.6)
Total non-current net debt	3,339.2	3,7	2,530.4
Short-term debt	510.1	-	857.4
Short-term financial receivables	(878.6)	(6.5)	(382.7)
Cash and cash equivalents	(611.9)	-	(278.2)
Total current net debt	(980.4)	(6.5)	196.5
Net debt	2,358.8	(2.8)	2,726.9

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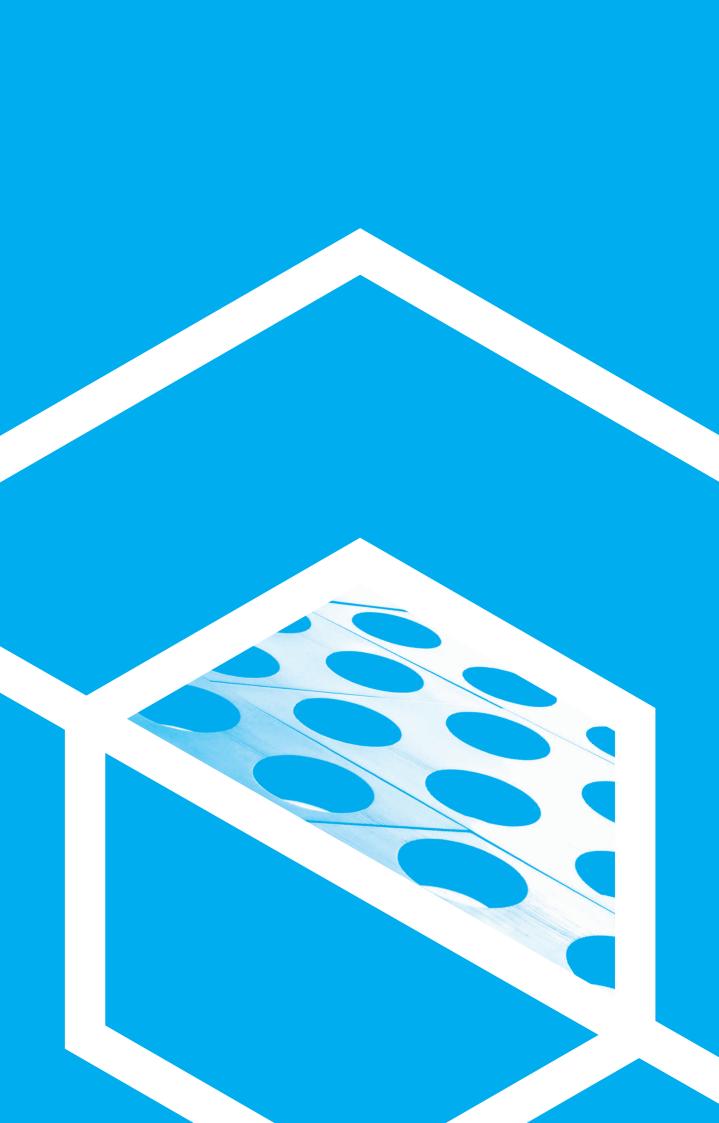
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^(**) Result of the year is exposed net of gains on shareholdings' and fixed assets' disposals.



Financial statements

Balance sheet (1) Assets

amounts in euro	Note	12 31 2017	12 31 2016 Restated (*)
NON-CURRENT ASSETS			
Tangible assets	1	1,118,635,048	1,193,119,976
Intangible assets	2	95,200,291	115,786,296
Shareholdings	3	3,653,742,408	3,898,166,008
Other non-current financial assets	3	75,696,307	406,463,302
Deferred tax assets	4	61,172,835	73,426,087
Other non-current assets	5	604,072	4,453,710
Total non-current assets		5,005,050,961	5,691,415,379
CURRENT ASSETS			
Inventories	6	78,566,348	71,635,325
Trade receivables	7	551,660,011	650,195,136
Other current assets	8	164,991,718	370,735,926
Current financial assets	9	878,625,624	382,645,017
Current tax assets	10	87,134,265	51,359,537
Cash and cash equivalents	11	611,941,606	278,207,406
Total current assets		2,372,919,572	1,804,778,347
NON-CURRENT ASSETS HELD FOR SALE	12	224,186,503	-
TOTAL ASSETS		7,602,157,036	7,496,193,726

^(*) Figures as at December 31,2016 reflect the conclusion of Group LGH Purchase Price Allocation on the shareholding acquired by A2A S.p.A..

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

Equity and liabilities

amounts in euro	Note	12 31 2017	12 31 2016 Restated (*)
EQUITY			
Share capital	13	1,629,110,744	1,629,110,744
(Treasury shares)	14	(53,660,996)	(53,660,996)
Reserves	15	586,135,725	466,984,916
Net result of the year	16	268,461,294	274,049,714
Total equity		2,430,046,767	2,316,484,378
LIABILITIES			
Non-current liabilities			
Non-current financial liabilities	17	3,392,948,136	2,922,181,214
Employee benefits	18	143,512,115	164,559,678
Provisions for risks, charges and liabilities for landfills	19	164,897,725	179,628,845
Other non-current liabilities	20	28,945,973	28,861,924
Total non-current liabilities		3,730,303,949	3,295,231,661
Current liabilities			
Trade payables	21	689,579,544	667,474,444
Other current liabilities	21	242,079,728	333,766,188
Current financial liabilities	22	510,147,048	857,449,886
Tax liabilities	23	-	25,787,169
Total current liabilities		1,441,806,320	1,884,477,687
Total liabilities		5,172,110,269	5,179,709,348
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE		-	-
TOTAL EQUITY AND LIABILITIES		7,602,157,036	7,496,193,726

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Income statement (1)

amounts in euro	Note	01 01 2017 12 31 2017	01 01 2016 12 31 2016
Revenues			
Revenues from the sale of goods and services		3,037,519,957	2,554,203,010
Other operating income		51,791,339	206,691,561
Total revenues	25	3,089,311,296	2,760,894,571
Operating expenses			
Expenses for raw materials and services		2,486,302,113	2,083,797,799
Other operating expenses		301,574,408	242,403,978
Total operating expenses	26	2,787,876,521	2,326,201,777
Labour costs	27	127,819,310	151,699,176
Gross operating income - EBITDA	28	173,615,465	282,993,618
Depreciation, amortization, provisions and write-downs	29	87,733,466	360,854,186
Net operating income - EBIT	30	85,881,999	(77,860,568)
Result from non-recurring transactions	31	156,721	48,336,439
Financial balance			
Financial income		361,022,925	491,423,599
Financial expenses		121,591,560	233,065,225
Result from disposal of other shareholdings (AFS)		-	-
Total financial balance	32	239,431,365	258,358,374
Result before taxes		325,470,085	228,834,245
Income taxes	33	2,177,578	(45,215,469)
Result after taxes from operating activities		323,292,507	274,049,714
Net result from discontinued operations	34	(54,831,213)	-
NET RESULT OF THE YEAR	35	268,461,294	274,049,714

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

Statement of comprehensive income

amounts in euro	12 31 2017	12 31 2016
Net result of the year (A)	268,461,294	274,049,714
Actuarial gains/(losses) on Employee's Benefits booked in the Net equity	17,889,911	(36,144,144)
Tax effect of other actuarial gains/(losses)	(5,332,920)	11,214,346
Total actuarial gains/(losses) net of the tax effect (B)	12,556,991	(24,929,798)
Effective part of gains/(losses) on cash flow hedge	(19,968,842)	24,378,320
Tax effect of other gains/(losses)	5,484,777	(6,302,733)
Total other gains/(losses) net of the tax effect (C)	(14,484,065)	18,075,587
Gains/(losses) from recalculation of availiable for sale	-	-
Tax effect of other gains/(losses)	-	-
Gains/(losses) from the restatement of financial assets available for sale (D)	-	-
Total comprehensive result (A) + (B) + (C) + (D)	266,534,220	267,195,503

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.

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Cash-flow statement

amounts in euro	12 31 2017	12 31 2016 Restated
		Restated
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	278,207,406	587,049,592
Contribution from non recurring transactions	-	28,102,900
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	278,207,406	615,152,492
Operating activities		
Result of the year (**)	268,044,777	219,713,275
Tangible assets depreciation	72,961,284	121,488,437
Intangible assets amortization	8,299,165	8,429,260
Fixed assets write-downs	423,449	205,394,156
Shareholdings write-downs	1,458,940	60,130,442
Net financial interests	106,326,911	190,769,030
Net financial interests paid	(74,043,539)	(104,618,280)
Net taxes paid/receivables for disposed taxes (a)	23,433,395	7,958,109
Gross change in assets and liabilities (b)	206,172,308	(249,871,300)
Total change of assets and liabilities (a+b) (*)	229,605,703	(241,913,191)
Cash flow from operating activities	613,076,690	459,393,129
Investment activities		
Investments in tangible assets	(24,753,413)	(27,568,056)
Investments in intangible assets and goodwill	(17,617,453)	(10,650,456)
Investments in shareholdings and securities (*)	(7,563,057)	(89,067,015)
Disposal of fixed assets and shareholdings	660,869	6,010,000
Cash flow from investment activities	(49,273,054)	(121,275,527)
FREE CASH FLOW	563,803,636	338,117,602

 $[\]begin{tabular}{ll} (*) & Cleared of balances in return of shareholders' equity and other balance sheet items. \end{tabular}$

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

Cash flow from financing activities (230,069,436) (675,062,688 CHANGE IN CASH AND CASH EQUIVALENTS 333,734,200 (336,945,086	amounts in euro	12 31 2017	12 31 2016 Restated
Changes in financial assets (82,471,142) 33,841,353 Issuance of loans (86,845,341) (400,000) Proceeds from loans 403,389,260 240,632 Other monetary changes 200,000 (1,400,000) Total monetary changes 200,000 (1,400,000) Total monetary changes 31,244,944 17,417,043 Total non-monetary changes 3,144,944 17,417,043 Total changes in financial assets (*) (162,582,279) 49,699,02 Changes in financial liabilities (154,781,888) (80,094,802) Monetary changes: (154,781,888) (80,094,802) Change in intercompany currency accounts (154,781,888) (80,094,802) Borrowings/bond issued 742,000,000 777,500,000 Repayment of borrowings/bond (476,886,822) (1,184,755,414) Dividends paid (152,971,846) (125,910,494) Other monetary changes 2,649,117 (7,811,055) Total monetary changes (39,991,439) (621,071,765) Non-monetary changes (25,668,779) (109,876,449)	Figure 1 and		
Monetary changes: (482,471,142) 33,841,353 Change in intercompany currency accounts (86,845,341) (400,000) Proceeds from loans 403,389,260 240,632 Other monetary changes 200,000 (1,400,000) Total monetary changes (165,727,223) 32,281,985 Non-monetary changes: 3,144,944 17,417,043 Other non-monetary changes 3,144,944 17,417,043 Total changes in financial assets (*) (162,582,279) 49,699,02 Changes in financial liabilities (154,781,888) (80,094,802) Monetary changes: (154,781,888) (80,094,802) Change in intercompany currency accounts (154,781,888) (80,094,802) Borrowings/bond issued 742,000,000 777,500,000 Repayment of borrowings/bond (476,886,822) (1,184,755,414) Dividends paid (152,971,846) (125,910,494) Other monetary changes 2,649,117 (7,811,055) Total monetary changes: (39,991,439) (621,071,765) Non-monetary changes: (25,668,779) (109,876,449) </td <td><u> </u></td> <td></td> <td></td>	<u> </u>		
Change in intercompany currency accounts (482,471,142) 33,841,353 Issuance of loans (86,845,341) (400,000) Proceeds from loans 403,389,260 240,632 Other monetary changes 200,000 (1,400,000) Total monetary changes (165,727,223) 32,281,985 Non-monetary changes: 3,144,944 17,417,043 Total non-monetary changes 3,144,944 17,417,043 Total changes in financial assets (*) (162,582,279) 49,699,02 Changes in financial liabilities (154,781,888) (80,094,802) Monetary changes: (154,781,888) (80,094,802) Borrowings/bond issued 742,000,000 777,500,000 Repayment of borrowings/bond (476,886,822) (1,184,755,414) Dividends paid (152,971,846) (125,910,494) Other monetary changes 2,649,117 (7,811,055) Total monetary changes (39,991,439) (621,071,765) Non-monetary changes (25,668,779) (109,876,449) Other non-monetary changes (25,668,779) (109,876,449)	<u> </u>		
Issuance of loans (86,845,341) (400,000) Proceeds from loans 403,389,260 240,632 Other monetary changes 200,000 (1,400,000) Total monetary changes (165,727,223) 32,281,985 Non-monetary changes 3,144,944 17,417,043 Total non-monetary changes 3,144,944 17,417,043 Total changes in financial assets (*) (162,582,279) 49,699,02 Changes in financial liabilities		(482 471 142)	33.8/1.353
Proceeds from loans 403,389,260 240,632 Other monetary changes 200,000 (1,400,000) Total monetary changes (165,727,223) 32,281,985 Non-monetary changes: 3,144,944 17,417,043 Total non-monetary changes 3,144,944 17,417,043 Total changes in financial assets (*) (162,582,279) 49,699,02 Changes in financial liabilities (154,781,888) (80,094,802) Monetary changes: (154,781,888) (80,094,802) Borrowings/bond issued 742,000,000 777,500,000 Repayment of borrowings/bond (476,886,822) (1,184,755,414) Dividends paid (152,971,846) (125,910,494) Other monetary changes 2,649,117 (7,811,055) Total monetary changes (39,991,439) (621,071,765) Non-monetary changes: (1,826,939) 6,186,498 Other non-monetary changes (25,668,779) (109,876,449) Total changes in financial liabilities (*) (67,487,157) (724,761,716 Cash flow from financing activities (230,069,436) (675,062,688			
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Total non-monetary changes 3,144,944 17,417,043 Total changes in financial assets (*) (162,582,279) 49,699,02 Changes in financial liabilities (154,781,888) (80,094,802) Monetary changes: (154,781,888) (80,094,802) Borrowings/bond issued 742,000,000 777,500,000 Repayment of borrowings/bond (476,886,822) (1,184,755,414) Dividends paid (152,971,846) (125,910,494) Other monetary changes 2,649,117 (7,811,055) Total monetary changes (39,991,439) (621,071,765) Non-monetary changes (1,826,939) 6,186,498 Other non-monetary changes (25,668,779) (109,876,449) Total non-monetary changes (27,495,718) (103,689,951) Total changes in financial liabilities (*) (67,487,157) (724,761,716 Cash flow from financing activities (230,069,436) (675,062,688 CHANGE IN CASH AND CASH EQUIVALENTS 333,734,200 (336,945,086		2 1// 0//	17 / 17 0 / 2
Total changes in financial assets (*) (162,582,279) 49,699,02 Changes in financial liabilities (154,781,888) (80,094,802) Monetary changes: (154,781,888) (80,094,802) Borrowings/bond issued 742,000,000 777,500,000 Repayment of borrowings/bond (476,886,822) (1,184,755,414) Dividends paid (152,971,846) (125,910,494) Other monetary changes 2,649,117 (7,811,055) Total monetary changes (39,991,439) (621,071,765) Non-monetary changes: (1,826,939) 6,186,498 Other non-monetary changes (25,668,779) (109,876,449) Total non-monetary changes (27,495,718) (103,689,951) Total changes in financial liabilities (*) (67,487,157) (724,761,716 Cash flow from financing activities (230,069,436) (675,062,688 CHANGE IN CASH AND CASH EQUIVALENTS 333,734,200 (336,945,086			
Changes in financial liabilities Monetary changes: Change in intercompany currency accounts (154,781,888) (80,094,802) Borrowings/bond issued 742,000,000 777,500,000 Repayment of borrowings/bond (476,886,822) (1,184,755,414) Dividends paid (152,971,846) (125,910,494) Other monetary changes 2,649,117 (7,811,055) Total monetary changes (39,991,439) (621,071,765) Non-monetary changes: (1,826,939) 6,186,498 Other non-monetary changes (25,668,779) (109,876,449) Total non-monetary changes (27,495,718) (103,689,951) Total changes in financial liabilities (*) (67,487,157) (724,761,716 Cash flow from financing activities (230,069,436) (675,062,688 CHANGE IN CASH AND CASH EQUIVALENTS 333,734,200 (336,945,086			
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Dividends paid (152,971,846) (125,910,494) Other monetary changes 2,649,117 (7,811,055) Total monetary changes (39,991,439) (621,071,765) Non-monetary changes: (1,826,939) 6,186,498 Other non-monetary changes (25,668,779) (109,876,449) Total non-monetary changes (27,495,718) (103,689,951) Total changes in financial liabilities (*) (67,487,157) (724,761,716 Cash flow from financing activities (230,069,436) (675,062,688 CHANGE IN CASH AND CASH EQUIVALENTS 333,734,200 (336,945,086		, ,	, ,
Other monetary changes 2,649,117 (7,811,055) Total monetary changes (39,991,439) (621,071,765) Non-monetary changes: (1,826,939) 6,186,498 Other non-monetary changes (25,668,779) (109,876,449) Total non-monetary changes (27,495,718) (103,689,951) Total changes in financial liabilities (*) (67,487,157) (724,761,716 Cash flow from financing activities (230,069,436) (675,062,688 CHANGE IN CASH AND CASH EQUIVALENTS 333,734,200 (336,945,086			
Total monetary changes (39,991,439) (621,071,765) Non-monetary changes: (1,826,939) 6,186,498 Other non-monetary changes (25,668,779) (109,876,449) Total non-monetary changes (27,495,718) (103,689,951) Total changes in financial liabilities (*) (67,487,157) (724,761,716 Cash flow from financing activities (230,069,436) (675,062,688 CHANGE IN CASH AND CASH EQUIVALENTS 333,734,200 (336,945,086)	•		
Non-monetary changes: (1,826,939) 6,186,498 Other non-monetary changes (25,668,779) (109,876,449) Total non-monetary changes (27,495,718) (103,689,951) Total changes in financial liabilities (*) (67,487,157) (724,761,716) Cash flow from financing activities (230,069,436) (675,062,688) CHANGE IN CASH AND CASH EQUIVALENTS 333,734,200 (336,945,086)			
Amortized cost valuations (1,826,939) 6,186,498 Other non-monetary changes (25,668,779) (109,876,449) Total non-monetary changes (27,495,718) (103,689,951) Total changes in financial liabilities (*) (67,487,157) (724,761,716 Cash flow from financing activities (230,069,436) (675,062,688 CHANGE IN CASH AND CASH EQUIVALENTS 333,734,200 (336,945,086)		(39,991,439)	(621,071,765)
Other non-monetary changes (25,668,779) (109,876,449) Total non-monetary changes (27,495,718) (103,689,951) Total changes in financial liabilities (*) (67,487,157) (724,761,716) Cash flow from financing activities (230,069,436) (675,062,688) CHANGE IN CASH AND CASH EQUIVALENTS 333,734,200 (336,945,086)			
Total non-monetary changes (27,495,718) (103,689,951) Total changes in financial liabilities (*) (67,487,157) (724,761,716 Cash flow from financing activities (230,069,436) (675,062,688 CHANGE IN CASH AND CASH EQUIVALENTS 333,734,200 (336,945,086	Amortized cost valuations	(1,826,939)	6,186,498
Total changes in financial liabilities (*) (67,487,157) (724,761,716) Cash flow from financing activities (230,069,436) (675,062,688) CHANGE IN CASH AND CASH EQUIVALENTS 333,734,200 (336,945,086)	Other non-monetary changes	(25,668,779)	(109,876,449)
Cash flow from financing activities (230,069,436) (675,062,688 CHANGE IN CASH AND CASH EQUIVALENTS 333,734,200 (336,945,086	Total non-monetary changes	(27,495,718)	(103,689,951)
CHANGE IN CASH AND CASH EQUIVALENTS 333,734,200 (336,945,086	Total changes in financial liabilities (*)	(67,487,157)	(724,761,716)
	Cash flow from financing activities	(230,069,436)	(675,062,688)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR 611,941,606 278,207,40	CHANGE IN CASH AND CASH EQUIVALENTS	333,734,200	(336,945,086)
	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	611,941,606	278,207,406

Overview of performance, financial conditions and net debt

1 Financial statements

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Cash-flow statement

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Statement of changes in equity

Description amounts in euro	Share Capital	Treasury Shares	
	Note 13	Note 14	
Equity at December 31, 2015	1,629,110,744	(60,891,196)	
Allocation of 2015 net result			
Ordinary dividend distribution			
Contribution from non-recurring transactions			
Operations on own shares		7,230,200	
IAS 32 and 39 reserves (*)			
IAS 19 reserve "Employee Benefits" (*)			
Net result of the year (*)			
Equity at December 31, 2016	1,629,110,744	(53,660,996)	
Allocation of 2016 net result			
Ordinary dividend distribution			
Contribution from non-recurring transactions			
IAS 32 and 39 reserves (*)			
IAS 19 reserve "Employee Benefits" (*)			
Other changes			
Net result of the year (*)			
Equity at December 31, 2017	1,629,110,744	(53,660,996)	
Availability of Equity Reserves			
A: For share capital increase			
B: To cover losses			
C: For distribution to Shareholders - available for euro 326,806,629 (**)			
D: Reserves not avaliable			

 $[\]begin{tabular}{ll} \textbf{(*)} & These form part of the statement of comprehensive income. \end{tabular}$

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

Reserves	Cash Flow hedge Reserve	Available for sale Reserve	Net result of the year	Total equity
Note 15	Note 15	Note 15	Note 16	
687,999,515	(20,678,149)	(462,146)	(73,487,107)	2,161,591,661
(73,487,107)			73,487,107	
(125,910,494)				(125,910,494)
(4,770,421)	(3,981,983)		48,336,439	39,584,035
2,833,104				10,063,304
	22,057,570			22,057,570
(16,614,973)				(16,614,973)
			225,713,275	225,713,275
470,049,624	(2,602,562)	(462,146)	274,049,714	2,316,484,378
274,049,714			(274,049,714)	
(152,971,846)				(152,971,846)
			156,721	156,721
	(14,484,064)			(14,484,064)
12,556,991				12,556,991
14				14
			268,304,573	268,304,573
603,684,497	(17,086,626)	(462,146)	268,461,294	2,430,046,767
A-B-C	D			

Overview of performance, financial conditions and net debt

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

Balance sheet

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

Assets

amounts in euro	12 31 2017	of which Related Parties (note 36)	12 31 2016 Restated	of which Related Parties (note 36)
NON-CURRENT ASSETS				
Tangible assets	1,118,635,048		1,193,119,976	
Intangible assets	95,200,291		115,786,296	
Shareholdings	3,653,742,408	3,653,742,408	3,898,166,008	3,898,166,008
Other non-current financial assets	75,696,307	72,258,893	406,463,302	402,792,009
Deferred tax assets	61,172,835		73,426,087	
Other non-current assets	604,072		4,453,710	
Total non-current assets	5,005,050,961		5,691,415,379	
CURRENT ASSETS				
Inventories	78,566,348		71,635,325	
Trade receivables	551,660,011	122,996,348	650,195,136	171,861,525
Other current assets	164,991,718	40,874,836	370,735,926	59,593,634
Current financial assets	878,625,624	877,425,624	382,645,017	381,245,017
Current tax assets	87,134,265		51,359,537	
Cash and cash equivalents	611,941,606		278,207,406	
Total current assets	2,372,919,572		1,804,778,347	
NON-CURRENT ASSETS HELD FOR SALE	224,186,503	224,186,503	-	<u> </u>
TOTAL ASSETS	7,602,157,036		7,496,193,726	·

Equity and liabilities

amounts in euro	12 31 2017	of which Related Parties (note 36)	12 31 2016 Restated	of which Related Parties (note 36)
EQUITY				
Share capital	1,629,110,744		1,629,110,744	
(Treasury shares)	(53,660,996)		(53,660,996)	
Reserves	586,135,725		466,984,916	
Net result of the year	268,461,294		274,049,714	
Total equity	2,430,046,767		2,316,484,378	
LIABILITIES				
Non-current liabilities				
Non-current financial liabilities	3,392,948,136		2,922,181,214	
Employee benefits	143,512,115		164,559,678	
Provisions for risks, charges and liabilities for landfills	164,897,725	85,562,099	179,628,845	94,019,372
Other non-current liabilities	28,945,973		28,861,924	
Total non-current liabilities	3,730,303,949		3,295,231,661	
Current liabilities				
Trade payables	689,579,544	76,991,347	667,474,444	79,573,486
Other current liabilities	242,079,728	73,865,565	333,766,188	36,420,057
Current financial liabilities	510,147,048	414,817,753	857,449,886	562,985,047
Tax liabilities	-		25,787,169	
Total current liabilities	1,441,806,320		1,884,477,687	
Total liabilities	5,172,110,269		5,179,709,348	
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	-		-	
TOTAL EQUITY AND LIABILITIES	7,602,157,036		7,496,193,726	

Overview of performance, financial conditions and net debt

1 Financial statements

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

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

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

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Income statement

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

amounts in euro	01 01 2017 12 31 2017	of which Related Parties (note 36)	01 01 2016 12 31 2016	of which Related Parties (note 36)
Revenues				
Revenues from the sale of goods and services	3,037,519,957	824,056,295	2,554,203,010	840,687,784
Other operating income	51,791,339	7,987,565	206,691,561	9,790,621
Total revenues	3,089,311,296		2,760,894,571	
Operating expenses				
Expenses for raw materials and services	2,486,302,113	111,509,436	2,083,797,799	136,621,523
Other operating expenses	301,574,408	183,350,873	242,403,978	123,250,578
Total operating expenses	2,787,876,521		2,326,201,777	
Labour costs	127,819,310	1,787,280	151,699,176	2,714,228
Gross operating income - EBITDA	173,615,465		282,993,618	
Depreciation, amortization, provisions and write-downs	87,733,466		360,854,186	
Net operating income - EBIT	85,881,999		(77,860,568)	
Result from non-recurring transactions	156,721		48,336,439	
Financial balance				
Financial income	361,022,925	356,932,677	491,423,599	471,792,883
Financial expenses	121,591,560	1,498,808	233,065,225	63,569,466
Result from disposal of other shareholdings (AFS)	-		-	
Total financial balance	239,431,365		258,358,374	
Result before taxes	325,470,085		228,834,245	
Income taxes	2,177,578		(45,215,469)	
Result after taxes from operating activities	323,292,507		274,049,714	
Net result from discontinued operations	(54,831,213)	(54,831,213)	-	
NET RESULT OF THE YEAR	268,461,294		274,049,714	

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General information on A2A S.p.A.

A2A S.p.A. is a company with legal personality organized under the laws of the Italian Republic which operates, also through its subsidiaries ("Group"), both in Italy and abroad.

In particular, as the "Parent Company", A2AS.p.A. is responsible for the guiding strategy, administration, planning and control, financial management and coordinating the activities of the A2A Group.

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

The A2A Group mainly operates in the following sectors:

- production, sale and distribution of electricity even from renewable resources;
- · sale and distribution of gas;
- production, distribution and sale of heat through district heating networks;
- waste management (from collection and sweeping to disposal) and the construction and management of integrated waste disposal plants and systems, also making these available for other operators;
- integrated water cycle management;
- technical consultancy relating to energy efficiency certificates.

The separate financial statements for A2A S.p.A. are presented in euro, which is also the functional currency in the economies in which the company operates. In particular, the following notes are prepared in thousands of euro.

The separate financial statements of A2A S.p.A. at December 31, 2017, have been prepared on a going-concern basis and comprise the balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and these notes.

The separate financial statements of A2A S.p.A. at December 31, 2017 have been prepared:

- in compliance with Legislative Decree 58/1998 (art. 154-ter) as amended and with the Issuers' Regulations published by Consob;
- in accordance with the International Financial Reporting Standards (IFRS) issued by the International
 Accounting Standard Board (IASB) and approved by the European Union. IFRS means all the revised
 international accounting standards (IAS) and all the interpretations of the International Financial
 Reporting Interpretations Committee (IFRIC), formerly known as the Standing Interpretations
 Committee (SIC).

In preparing the separate financial statements, the same standards used for the financial statements at December 31, 2016 were applied, other than the principles and interpretations described in detail in the paragraph below "Changes in accounting principles" adopted for the first time on January 1, 2017.

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

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

These separate financial statements for the year ended December 31, 2017, were approved on March 20, 2018, by the Board of Directors, which authorized its publication, and has been audited by EY S.p.A. in accordance with their appointment by the shareholders of June 11, 2015, for the nine years from 2016 to 2024.

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For the balance sheet, the company A2A S.p.A. has adopted a format which separates current and non-current assets and liabilities, as required by paras. 60 et seq. of IAS 1.

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

The specific line items "Result from non-recurring transactions" and "Result from disposal of other shareholdings (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/held for sale. In particular, it should be noted that the item "Result from non-recurring transactions" is intended to include the results from the sale of investments in subsidiaries and associates and other non-operating expenses/income. This item is presented between net operating income and the financial balance. In this way net operating income is not affected by non-recurring operations, making it easier to measure the effective performance of the Group's ordinary operating activities.

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

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

The formats adopted for the financial statements are the same as those used to prepare the annual separate financial statements at December 31, 2016.

Basis of preparation

The separate financial statements as at December 31, 2017, have been prepared on a historical cost basis, with the exception of those items which under IFRS must be or can be measured at fair value, as discussed in further detail in the accounting policies.

The accounting principles, the accounting policies and the methods of measurement used in the preparation of the separate financial statements are consistent with those used to prepare the annual separate financial statements at December 31, 2016, except as specified below.

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Changes in international accounting standards

Pursuant to IAS 8, the subsequent paragraph "Accounting standards, amendments and interpretations applicable by the company as of the current year" indicates and briefly illustrates the amendments in force as of January 1, 2017.

The following paragraphs, "Accounting standards, amendments and interpretations not yet approved by the European Union" and "Accounting standards approved by the European Union but applicable in future years" instead detail the accounting standards and interpretations already issued, whether not yet approved or approved by the European Union and therefore not applicable for the preparation of the financial statements at December 31, 2017, 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 company from the current year

As from January 1, 2017, some additions have been applied following specific paragraphs of the international accounting standards already adopted by the company in previous years, none of which had an effect, with respect to December 31, 2016, on the company's economic and financial results.

The main changes are described in the following:

- IAS 7 "Cash Flow Statement": issued by the IASB on January 29, 2016 and published in the Official
 Journal of the European Union on November 9, 2017, the amendment to the standard in question
 requires that information be provided to enable the user of the financial statements to evaluate
 changes in liabilities deriving from financing activities, including both changes deriving from
 financial flows, and changes that did not result in a cash flow (non-cash changes). Specifically,
 the A2A Group has provided for the presentation of the data relating to this financial year and the
 comparison one, highlighting the changes deriving from financing cash flow (loans and leasing) and
 changes deriving from business combinations.
- IAS 12 "Income Taxes": issued by the IASB on January 19, 2016 and published in the Official Journal
 of the European Union on November 9, 2017, the amendment to the standard in question aims to
 clarify that an entity must consider whether tax limits the sources of taxable income against which it
 could make deductions related to the reversal of the deductible temporary differences. In addition,
 the amendment provides guidelines on how an entity should determine future taxable income and
 explains the circumstances in which taxable income could include the recovery of certain assets for
 a value greater than their carrying amount.

The amendment did not have any effects on the economic and financial results of the A2A Group or on the presentation methods at December 31, 2017.

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

The following standards and amendments to existing standards are still pending approval by the European Union and are therefore not applicable by the company. 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:

- IFRIC 22 "Transactions in foreign currency and recognition of prepayments or collections": issued
 by the IASB on December 8, 2016, the interpretation of IAS 21 "Transactions in foreign currency"
 aims to clarify the date on which to use the exchange rate for the purpose of recording the nonmonetary asset/liability relating to transactions in foreign currency. Specifically, the recognition
 of the advance asset/liability must be carried out at the exchange rate on the day of payment/
 collection of the advance and in the same terms the "derecognition" of the same, once the transaction
 is concluded with the recognition of the related sales revenues, will take place at the same exchange
 rate with which the non-monetary asset/liability was recorded. Ratification of this interpretation is
 expected in the first quarter of 2018.
- IFRIC 23 "Treatment of uncertainties of a fiscal nature": issued on June 7, 2017, the interpretation aims to define a method for dealing with fiscal uncertainties. The company, in recording the taxes

for the year in the financial statements, must ask the question whether the tax treatment in question will be accepted by the tax authority; in case of negative assumption, the amount of taxes recorded in the financial statements will differ from that indicated in the tax declaration as it will reflect the uncertainty under analysis.

- On June 20, 2016, the IASB issued some amendments to IFRS 2 "Share-based payments" which
 deal with two main areas: the classification of a share-based payment transaction settled net of
 obligations for withholding tax; accounting if a change in the terms and conditions of a sharebased payment transaction changes its classification from settled in cash to settled with equity
 instruments. The approval of this amendment is expected in the course of 2018, which, however,
 will not have any impact on the A2A Group as no share-based payments are envisaged.
- On October 12, 2017, the IASB published an amendment to IFRS 9 "Financial instruments" that allows valuing at amortized cost the expenses related early repayment of financial instruments that were previously measured at fair value through profit and loss.
- On September 11, 2014, the IASB published an amendment to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Shareholdings in affiliates and joint ventures", in order to resolve the conflict between IAS 28 and IFRS 10. According to the provisions of IAS 28, the gain or loss resulting from the sale or transfer of a non-monetary asset to a joint venture or associate in exchange for a share in the capital of the latter is limited to the shareholding in the joint venture or associate by other investors extraneous to the transaction. In contrast, IFRS 10 requires the recording of the entire gain or loss in the event of loss of control of a subsidiary, even if the entity continues to hold a non-controlling stake in it, including in this case also the sale or transfer of a subsidiary to a joint venture or associate. The amendments introduced require that for a sale or transfer of an asset or a subsidiary to a joint venture or associate, the measure of the gain or loss to be recognized in the financial statements of the seller (or transferor) depends on whether the asset or subsidiary sold (or transferred) constitute a business, under the meaning of IFRS 3. If the assets or the subsidiary sold represent a business, the entity shall recognize the gain or loss on the entire investment held; otherwise, the portion of the gain or loss related to the share still held by the entity shall be eliminated. For said amendments, a date of first application has not been established yet.
- 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 1, 2016.
- Issued by the IASB respectively on December 8, 2016 and December 12, 2017, some amendments
 to the standards approved in the three-year period 2014 2016 and 2015 2017. In particular, the
 following standards issued between 2014 and 2016 are amended:
 - i. IFRS 1, some exemptions are eliminated as provided by specific paragraphs of the standard;
 - ii. the amendment to IAS 18 provides that, if the parent is a venture capital company, it has the power to measure its shareholdings in associates and joint ventures at fair value with recognition of any changes in the income statement;
 - iii. the amendment to IFRS 12 establishes that the disclosure requirements also apply in cases where shareholdings in subsidiaries, associates and joint ventures are classified as "Non-current assets held for sale" in accordance with IFRS 5;

and the following standards approved between 2015 and 2017:

- i. IAS 12 (Income Taxes): it is specified that taxes related to the distribution of dividends must be recognized when the obligation to recognize the liability to pay the dividend arises;
- ii. IAS 23 (Financial expenses): the amendment aims to clarify the amount and timing within which it is allowed to capitalize the financial expenses related to financial liabilities entered into in order to acquire assets of lasting value;
- iii. IAS 28 (Investments in associates): further cases of investments in associates or joint ventures are specified which, although valued at equity, are subject to the provisions of IFRS 9 (including impairment valuations).

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- On December 8, 2016, the IASB issued an amendment to IAS 40 "Property Investments", which
 clarifies when an entity is required to transfer the ownership of properties (including those under
 construction). It also establishes that the only intention of the management to change the use of
 a property is not evidence of a change in the use of the property investment. The approval by the
 European Union of the amendment to the standard in question is expected during the first quarter
 of 2018.
- IFRS 17 "Insurance contracts": issued by the IASB on May 18, 2017, will be applicable to companies that issue insurance contracts from the financial statements closed as of January 1, 2021. No impact expected on the A2A Group.

Accounting standards approved by the European Union but applicable in future years

The following standards have been approved by the European Union but will apply from 2018; therefore, they are not applicable by the company in the financial statements at December 31, 2017.

• IFRS 9 "Financial instruments": this standard, approved by the European Union on November 29, 2016, entirely replaces IAS 39 "Financial instruments: recognition and measurement" and introduces two new criteria to recognize and measure financial assets and liabilities. The main changes introduced by IFRS 9 may be summarized as follows: financial assets can be measured either at fair value or at their amortized cost. As a result, the categories "loans and receivables", "available-for-sale financial assets" and "held-to-maturity investments" disappear. Classification within the two categories is carried out on the basis of an entity's business model and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost if both of the following requirements are met: the objective of the entity's business model is to hold assets to collect contractual cash flows (and therefore in substance not to earn trading profits) and the characteristics of the cash flows of the asset are solely payments of principal and interest. A financial asset is measured at fair value if it is not measured at amortized cost. The rules to account for derivatives have been simplified, as the embedded derivative and the host financial asset are no longer recognized separately.

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

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

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

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

- i. the substantial revision of the "Hedge accounting", which will allow entities to better reflect their risk management activities in the financial statements;
- ii. enabling entities to change the accounting of liabilities measure at fair value: in particular the effects of a worsening of an entity's own credit risk will no longer be recognized in the income statement:
- iii. the effective date of the standard is deferring, originally effective as of January 1, 2015.

A partial amendment to the standard was issued in July 2014 on the subject of the valuation of financial instruments, with the introduction of the expected-loss impairment model for loans which replaces the impairment model based on realized losses.

Said impairment model uses a "forward looking" information in order to obtain early recognition of losses on receivables with respect to the "incurred loss" model that defers the recognition of the loss until occurrence of the event with reference to financial assets measured at amortized cost, financial assets measured at fair value recorded in other items of the comprehensive income

statement, receivables arising from lease contracts, as well as assets arising from contracts and certain loan commitments and financial guarantee contracts.

The amendment in question is applicable from January 1, 2018.

The company carried out an in-depth analysis of the financial instruments in the portfolio impacted by the application of IFRS 9 and the write-down of receivables from customers according to the new logic (expected losses). On the basis of the information currently available, which could be subject to changes as a result of further information that could become available to the company in 2018, the analysis ended with the identification of non-significant impacts on the valuation of financial assets and liabilities and on the method used to calculate the provision for risks on receivables of the company. The company will adopt the new standard from the date of entry into force of the same and will not re-state the comparative data.

- IFRS 15 "Revenues from contracts with customers": the standard, issued by the IASB on May 28, 2014 and approved by the European Union on October 29, 2016, 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. The essential element of IFRS 15 requires the recognition of revenue to be carried out for an amount that reflects the amount that the Group expects to be entitled to receive in respect of the transfer of goods and/or services. 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.

The provisions of IFRS 15, following the amendments made with the amendment issued respectively on September 11, 2015 and April 12, 2016, will be effective for years beginning on or after January 1, 2018; at the present state, the Group does not expect to exercise the option of early adoption granted by the standard. The standard includes mandatory retroactive application and the transition can take place in two possible ways: retroactively to each previous year presented in accordance with IAS 8 (full retrospective approach) or retroactively by accounting for the cumulative effect from the initial application date (modified retrospective approach), in opening equity at January 1, 2018. In case of choosing the second approach, IFRS 15 is only applied retroactively to contracts that are not concluded at the initial application date (January 1, 2018).

The company will apply IFRS 15 following the second approach presented.

For the purpose of implementing IFRS 15, the company completed the analyzes in 2017 and, following what has been identified, in the first few months of 2018 the information systems will be modified in order to record revenues for the year in compliance with the standard introduced. On the basis of the information currently available, which could be subject to changes as a result of further information that could become available to the company in 2018, the analysis ended with the identification of non-significant impacts on the separate financial statements.

• IFRS 16 "Leases": the standard issued by the IASB on January 13, 2016 and approved by the European Union in November 2017, fully replaces all the previous IFRS accounting requirements for the accounting of leases (IAS 17 and IFRIC 4). The standard applies to all contracts concerning the right to use an asset for a certain period of time in exchange for a specific fee. IFRS 16 sets, for lessees, a single accounting model for all leases (with specific cases of exclusion and exemption), eliminating the distinction between operating and financial leases. The accounting forecasts for lessors remain substantially unchanged compared to the previous provisions.

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The initial recognition, for the lessee, involves the recording of assets equal to the right to use the asset and a financial liability corresponding to the present value of the future fees to be paid. The subsequent valuation involves the recognition of the amortization of the right of use on the basis of IAS 16 (or alternative valuation method) and the discounting of the financial liability created during initial recognition using a discount rate defined in the leasing contract. Financial expenses and depreciation/amortization are recognized separately in the income statement.

At the end of the balance sheet, the "off-balance sheet obligations" no longer have to be indicated. The new standard will be in force for the financial years closed from January 1, 2019, with early application permitted on condition that the new IFRS 15 is already adopted or is applied on the same date as the first application of the IFRS 16 in question.

The analyzes to identify impacts and changes to the economic and financial situation of the A2A Group will be carried out in 2018, in time to correctly adopt the standard in question starting from the financial statements closed from January 1, 2019.

IFRS 4 "Insurance contracts": issued by the IASB on September 12, 2016 and published in the Official
Journal of the European Union in November 2017, an amendment to this standard that allows
companies that issue insurance contracts to defer the application of IFRS 9 for the accounting of
financial investments aligning the date of first application with that of IFRS 17, expected in 2021
(deferral approach) and at the same time eliminating from the income statement some distorting
effects deriving from the early application of IFRS 9 with respect to the application of IFRS 17
(overlay approach).

Accounting standards and policies

Translation of foreign currency items

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

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

Tangible assets

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

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

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

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

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

Assets acquired under finance leases are accounted for on the basis of IAS 17 "Leases", which requires the leased asset to be recognized as a tangible asset together with a financial liability of the same amount. The liability is progressively reduced on the basis of the scheme for the repayment of the capital portion of the contractual lease instalments, while the carrying amount of the asset is systematically depreciated over its economic and technical life or over the shorter of the lease term and the asset's useful life, but only if there is reasonable certainty that the lessee will obtain ownership by the end of the lease term.

For assets acquired in leasing by Group companies, the guidance contained in IFRIC 4 "Determining whether an Arrangement contains a Lease" is applied. This interpretation provides guidance for arrangements which do not take the legal form of a financial lease but in substance transfer the risks and rewards of ownership of the assets included in the arrangement.

Applying the interpretation leads to the same accounting treatment as that required by IAS 17 "Leasing".

Tangible assets are stated net of accumulated depreciation and any write-downs. Depreciation is charged from the year in which the individual asset enters service on a straight-line basis over the estimated useful life of the asset for the business. The estimated realizable value which is deemed to be recoverable at the end of an asset's useful life is not depreciated. The useful life of each asset is reviewed annually and any changes, if needed, are made with a view to showing the correct value of the asset. During the reporting year, the useful lives of the CCGT plants were reviewed, as described in note "1) Tangible assets".

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

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

buildings	0.1 % - 12 %
production plants	0.2 % - 36.4 %
distribution networks	1.4 % - 10 %
fiber-optic networks	5%
miscellaneous equipment	10% - 33.3 %
mobile phones	100 %
furniture and fittings	6 % - 16.7 %
electric and electronic office machines	8.3 %- 33.3 %
means of transport	10%
e-moving	10% - 16.9%
improvements to third-party assets - buildings	5 % - 6.3 %

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

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

Intangible assets

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

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

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

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

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

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

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

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

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

Service concession arrangements

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

Impairment of non-current assets

Tangible and intangible assets are subjected to impairment testing if there is any specific indication that they may be impaired.

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

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

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. To determine an asset's value in use, the entity calculates the present value of the estimated future cash flows on the basis of business plans prepared by management, before tax, applying a pre-tax discount rate which reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is lower than its carrying amount, a loss is recognized in the income statement. If a loss recognized for an asset other than goodwill no longer exists or is reduced, the carrying amount of the asset or cash-generating unit is increased to the new estimate of recoverable value, which may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset. Reversals of impairment losses are immediately recognized in the income statement.

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

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

Environmental certificates: emission quotas and Green Certificates

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

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

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

Shareholdings in subsidiaries, associates and joint ventures

Subsidiaries are those companies over which A2A S.p.A. exercises 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", as defined by IFRS 10.

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

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

Investments in subsidiaries, associates and joint ventures are recognized in the separate financial statements at their purchase cost less any distributions of capital or impairment losses determined through the Impairment Test.

Should the portion attributable to the company of any impairment losses for the shareholding exceed the carrying value of the investment, the value of the investment is set to zero, and the excess share of the loss is recognized among liabilities as a provision in the event the company in responsible for said liability.

The cost is restored in subsequent periods if the reasons for the impairment should cease to apply.

Long term construction contracts in progress

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

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

Inventories

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

Financial instruments

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

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

Financial assets and liabilities are accounted for in accordance with IAS 39 "Financial Instruments: Recognition and Measurement".

Financial assets are initially recognized at fair value, increased by ancillary charges (purchase/issue costs) in the case of assets and liabilities not measured at fair value through the income statement.

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

- non-derivative financial assets and liabilities at fair value through profit or loss regarding:
 - financial assets and liabilities held for trading (HFT), meaning with the intention of reselling or repurchasing them in the short term;
 - financial liabilities which on initial recognition have been designated as being at fair value through the income statement;
- other non-derivative financial assets and liabilities which consist of:
 - loans and receivables (L&R);
 - investments held to maturity (HTM);
 - financial liabilities measured at amortized cost;
- available-for-sale financial assets (AFS);
- derivatives.

The following is a detailed explanation of the accounting policies applied in measuring each of the above categories after initial recognition:

- non-derivative financial assets and liabilities at fair value through the income statement are measured at fair value;
- other non-derivative financial assets and liabilities, other than investments with fixed or determinable payments, are measured at amortized cost. Any transaction costs incurred during the acquisition or sale are treated as direct adjustments to the nominal value of the asset or liability (e.g. issue premium or discount, loan acquisition costs, etc.). Interest income and expense is then remeasured on the basis of the effective interest method. Financial assets are assessed regularly to see if there is any indication that they are impaired. In the assessment of receivables in particular, account is taken of the solvency of debtors, as well as the characteristics of credit risk which is indicative of the ability of the individual debtors to pay. Any write-downs are recognized in the income statement for the period. This category includes investments held with the intent and ability to hold them to maturity, non-current loans and receivables, trade receivables and other receivables originated by the operations of the business, financial payables, trade payables, other payables and other financial liabilities;
- available-for-sale financial assets are non-derivative financial assets that are not classified as
 financial assets at fair value through the income statement or other financial assets, which therefore
 makes them a residual item. They are measured at fair value and any gains or losses generated are
 recognized directly in equity until the assets are written-down or realized, at which stage they are
 reclassified to the income statement. Losses recognized in equity are in any case reversed and
 recognized in the income statement, even if the financial asset has not been eliminated, if there
 is objective evidence that the asset is impaired. Unlisted investments with a fair value that cannot
 be reliably measured are measured at cost less any write-downs. Write-downs are reversed when
 the reasons originating the loss no longer exist, with the exception of write-downs on equity
 instruments. This category essentially includes the other investments (i.e. not subsidiaries, jointly
 controlled entities or associates), except for those held for trading (trading investments);
- derivative instruments, including embedded derivatives separate from the main agreement are
 measured at current value (fair value) and any changes are recognized in the income statement
 if they do not qualify as hedging instruments. Derivatives qualify as hedging instruments when
 the relationship between the derivative and the hedged item is formally documented and the

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effectiveness of the hedge is high, this being checked periodically. When derivatives hedge the risk of fluctuation in the fair value of hedged items (fair value hedges), they are measured at fair value through the income statement; consistent with this, the hedged items are adjusted to reflect variations in the fair value associated with the hedged risk. When derivatives hedge the risk of changes in the cash flows of the instruments being hedged (cash flow hedges), the effective portion of changes in the fair value of the derivatives is recognized directly in equity, while the ineffective portion is recognized in the income statement. The amounts recognized directly in equity are then reflected in the income statement in line with the economic effects produced by the hedged item.

Changes in the fair value of derivatives that do not meet the conditions to qualify as hedging instruments are recognized in the income statement. In particular, changes in the fair value of derivatives which hedge interest rate risk or currency risk but do not qualify for hedge accounting are recognized in "Financial income/expense" in the income statement; on the other hand changes in the fair value of derivatives which hedge commodity risk but do not qualify for hedge accounting are recognized in "Other operating income" in the income statement.

A financial asset (or where applicable, part of a financial asset or parts of a group of similar financial assets) is derecognized when:

- contractual rights to the cash flows from the financial asset expire; in particular, the time frame for derecognition relates to the "value date";
- the company has retained the right to receive the future cash flows of the assets but has assumed a contractual obligation to pass them on to a third party without material delay;
- the company has transferred the right to receive the cash flows from the asset and (i) has transferred substantially all of the risks and rewards of ownership of the financial asset, or (ii) it has neither transferred nor retained substantially all of the risks and rewards of the asset but has transferred control of the asset.

In the cases in which the company has transferred the rights to receive financial flows from an asset and has neither transferred nor retained substantially all of the risks and rewards or has not lost control of the asset, it continues to recognize the asset to the extent of its continuing involvement in the asset. When continuing involvement takes the form of guaranteeing the transferred asset the extent of the continuing involvement is the lower of the initial carrying amount of the asset and the maximum amount that the company could be required to repay. Trade receivables considered definitively unrecoverable after all necessary recovery procedures have been completed are also removed from the balance sheet.

A financial liability is removed from the balance sheet when the underlying obligation is either discharged or cancelled or when it expires.

Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this exchange or modification is accounted for as a cancellation of the original financial liability and the recognition of a new financial liability. The difference in carrying amounts is recognized in the income statement.

The fair value of financial instruments that are listed in an active market is based on market prices at the balance sheet date. The fair value of instruments that are not listed on an active market is determined by using valuation techniques. In particular, in the absence of a forward market curve the measurement at fair value of financial derivatives for electricity has been estimated internally, using models based on industry best practice.

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

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

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

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

The net economic results arising from discontinued operations, and only discontinued operations, pending the disposal process, any gains or losses on disposal and the corresponding comparative figures for the previous year or period are recognized in a specific line of the income statement: "Net result from discontinued operations/held for sale".

Employee benefits

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

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

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

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

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

Provisions for risks, charges and liabilities for landfills

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

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

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

Treasury shares

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

Grants

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

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

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

Revenues and costs

Revenues from sales and services are recognized to the extent that it is possible to establish their fair value on a reliable basis and it is probable that the related economic benefits will flow to the Group on the transfer of all significant risks and benefits normally deriving from ownership of the asset or on completion of the service. Depending on the type of transaction, revenues are recognized on the basis of the following specific criteria:

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

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

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

Result from non-recurring transactions

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

Financial income and expenses

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

Financial expense is recognized in the income statement on an accrual basis on the basis of the effective interest.

Dividends

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

Income taxes

Current taxes

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

Deferred tax assets and liabilities

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

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

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

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

Use of estimates

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

Estimates have been used for making assessments for impairment testing, for calculating certain sales revenues, provisions for risks and charges, provisions for receivables and other provisions, depreciation and amortization and for measuring derivatives, employee benefits and taxation. The underlying estimates and assumptions are regularly reviewed and the effect of any change is immediately recognized in the income statement.

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

Impairment Test

The book value of the investments is subjected to periodic verification and whenever circumstances or events require more frequent verification. If it is considered that the carrying amount is impaired, the same is written down to its recoverable amount which is estimated with reference to its use or future disposal, depending on the company's latest plans. Management is of the opinion that the estimates of such recoverable amounts are reasonable, although possible changes in the factors underlying the estimates on which these recoverable amounts have been calculated could produce different measurements. For further details on the way in which impairment testing was carried out on the shareholdings of the Parent Company and the results of such testing, reference is made to the specific paragraph.

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Revenue recognition

Revenues are recognized to the extent that it is probable that the economic benefits are achieved by the company and the related amount can be determined reliably, regardless of the date of collection. Revenues are valued at the fair value of the amount received or to be received, taking into account the payment terms contractually defined and excluding commercial discounts and rebates.

Revenues from sales to retail and wholesale customers are recognized on an accrual basis. The recognition of revenues presupposes the use of estimates based on the best information available that may be subject, however, to changes as a result of new information, not available at the time of estimation.

Provisions for risks and charges

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

Bad debts provision

The provision for bad debts reflects the estimated losses in the company's receivables portfolio. Provisions have been made to cover specific cases of insolvency as well as estimated losses expected on the basis of past experience with balances of similar credit risk

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

Depreciation

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

Measurement of derivative instruments

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

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

Employee benefits

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

Business combination

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

Current taxes and future recovery of deferred tax assets

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

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

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The Balance Sheet of A2A S.p.A. includes, with respect to the situation at December 31, 2016, the effect of the following non-recurring transactions:

- transfer of the business unit relating to "Public Lighting Activities in the Municipalities of Bergamo, Brescia, Milan, Cassano, Pieve Emanuele and San Giuliano Milanese" in favour of the subsidiary A2A Illuminazione Pubblica S.r.l. with effect from January 1, 2017;
- acquisition of business units relating to "Administration and Finance", "Purchases (excluding the
 organizational structure of Gestione Magazzini)" and "Communication and External Relations"
 from the subsidiary Amsa S.p.A. with effect from January 1, 2017;
- sale of a business unit relating to "Security Control Room and Inspection Service" to the subsidiary A2A Security S.c.p.a. with effect from October 27, 2017.

The figures at December 31, 2016 have been restated to include the capital effects deriving from the Purchase Price Allocation of the LGH Group on the investment acquired by A2A S.p.A..

The shareholding in EPCG, held 41.75% by A2A S.p.A., was reclassified to "Non-current assets held for sale", being a discontinued operation in compliance with the provisions of IFRS 5, following management's decision of July 3, 2017 to exercise the sale put option on the entire shareholding package.

ASSETS

NON-CURRENT ASSETS

1) Tangible assets

thousands of euro	Balance at 12 31 2016	Effect of non- recurring transactions		Chan	ges during th	e year		Balance at 12 31 2017
	12 31 2010		Invest.	Other changes	Disposals and sales net of prov.	Depreciation and write-downs	Total changes	12312017
Land	32,692		93	821	(366)		548	33,240
Buildings	248,564		1,168	1,918	(59)	(10,809)	(7,782)	240,782
Plant and machinery	861,770		953	8,220		(58,478)	(49,305)	812,465
Industrial and commercial equipment	1,336		390			(328)	62	1,398
Other assets	1,803	2	6,076	8,699		(3,343)	11,432	13,237
Construction in progress and advances	18,440	(316)	16,073	(16,697)			(624)	17,500
Leasehold improvements	28,515	(28,499)				(3)	(3)	13
Total tangible assets	1,193,120	(28,813)	24,753	2,961	(425)	(72,961)	(45,672)	1,118,635
of which:								
Historical cost	2,842,080	(33,279)	24,753	3,784	(1,168)		27,369	2,836,170
Accumulated depreciation	(1,282,987)	4,466		(823)	743	(72,961)	(73,041)	(1,351,562)
Write-downs	(365,973)							(365,973)

At December 31, 2017, "Tangible assets" amounted to 1,118,635 thousand euro (1,193,120 thousand euro in the previous year) and include the negative effect of non-recurring transactions for the year for a total of 28,813 thousand euro.

"Tangible assets" in 2017, net of non-recurring transactions, show a decrease of 45,672 thousand euroresulting from the following:

- investments for 24,753 thousand euro;
- other positive changes for 2,961 thousand euro, mainly due to reclassifications from intangible to tangible assets;
- disposal of assets, net of accumulated depreciation, for 425 thousand euro;
- amortization for the year for 72,961 thousand euro.

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

Investments made during the year refer to:

- "Land" for a total of 93 thousand euro, referring to the purchase of new land of the Calabria Unit Power Station Satriano 1° Salto and the Brescia site;
- "Buildings" for a total amount of 1,168 thousand euro. In detail, they refer: for 555 thousand euro
 to various interventions on the buildings in Via della Signora, Piazza Trento, Via Orobia, Canavese,
 Caracciolo and Gonin Warehouse in Milan; for 384 thousand euro to investments in the office in via
 Lamarmora in Brescia; for 201 thousand euro to interventions on the buildings in Via Suardi and
 Via Codussi in Bergamo; for 23 thousand euro to interventions on the buildings in Vobarno; for 5
 thousand euro to interventions on the buildings of Bormio;

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- "Plant and machinery" for 953 thousand euro. In particular, they refer to interventions for 417 thousand euro at the power stations of the hydroelectric units of Calabria; for 214 thousand euro to the power stations of the Valtellina Unit; for 134 thousand euro to the power stations of the Mese and Udine unit; 188 thousand euro for telematic wiring of buildings and for plant automation upgrades;
- "Industrial and commercial equipment" for 390 thousand euro;
- "Other assets" relating to furniture, furnishings, IT equipment and assets worth less than 516 euro, for 6,076 thousand euro;
- "Construction in progress and advances" for an amount of 16,073 thousand euro.

"Tangible assets" include "Construction in progress and advances" for 17,500 thousand euro (18,440 thousand euro at December 31, 2016), which, net of the negative effect of non-recurring transactions for 316 thousand euro, decreased by 624 thousand euro resulting from the counter effects of the following items:

- the increase of 16,073 thousand euro is mainly due: for 1,373 thousand euro to works on buildings (mainly in the Piazza Trento area in Milan, for the Canavese plant, on the Via Lamarmora site in Brescia, on the Via della Signora site in Milan and for the building of Grosio and Vobarno); 12,083 thousand euro to interventions on plants and machinery, on the Calabria hydroelectric plants (3,366 thousand euro), on the Premadio plants (3,581 thousand euro), on the Grosio and Lovero plants (676 thousand euro), on other Valtellina plants (689 thousand euro), interventions on data, electricity and telephone networks in Valtellina (54 thousand euro), on the Mese and Udine hydroelectric plants (3,623 thousand euro) and 94 thousand euro to the improvement of the generic systems and control room of the Signora site;
- the decrease resulting from entry into service, amounting to 16,565 thousand euro, including: 1,621 thousand euro for the completion of the works mainly related to the buildings of the Canavese and Lamarmora site; 8,388 thousand euro for works related to the production plants (of which 3,194 thousand euro for the hydroelectric plants of Calabria, 628 thousand euro for the plants in Valtellina, 4,566 thousand euro for the plants in Mese and Udine); 6,556 thousand euro for other assets for the new data center;
- the decrease of 132 thousand euro due to other changes in the accounts.

2) Intangible assets

thousands of euro	Balance at Effect 12 31 2016 of non-						Balance at 12 31 2017
	recurr	recurring transactions	Invest.	Other changes	Amort.	Total changes	12 31 2017
Industrial patents and intellectual property rights	6,954		2,729	1,174	(3,977)	(74)	6,880
Concessions, licences, trademarks and similar rights	10,279	(177)	1,849	133	(4,312)	(2,330)	7,772
Goodwill	37,480	1,207				-	38,687
Assets in progress	2,906		12,996	(3,476)		9,520	12,426
Other intangible assets	58,167		43	(28,765)	(10)	(28,732)	29,435
Total intangible assets	115,786	1,030	17,617	(30,934)	(8,299)	(21,616)	95,200

At the reporting date, "Intangible assets" amounted to 95,200 thousand euro (115,786 thousand euro at December 31, 2016) and include the effect of non-recurring transactions in the year for a total of 1,030 thousand euro.

In applying IFRIC 12, from 2010 intangible assets also include assets in concession.

The decrease for the year, excluding non-recurring transactions, was 21,616 thousand euro and is due to the combined effect of the following components:

investments for 17.617 thousand euro:

- negative changes for 30,934 thousand euro mainly related to the change in environmental certificates and industrial CO₂ portions;
- amortization for 8,299 thousand euro accounted for in the year.

More specifically, investments made during the year refer to the following:

- 2,729 thousand euro for industrial patents and intellectual property rights mainly concerning the implementation of information technology and computer systems;
- 1,849 thousand euro for concessions, licences, trademarks and similar rights related to the purchase
 of software;
- 12,996 thousand euro for intangible assets under construction;
- 43 thousand euro for other intangible assets.

Included in the total balance of "Intangible assets" are "Assets in progress" for 12,426 thousand euro (2,906 thousand euro as at December 31, 2016), resulting in an increase of 9,520 thousand euro due to the combined effect of the following items:

- increase of 12,996 thousand euro mainly relating to the IT projects;
- decrease of 3,476 thousand euro due to the entry into service of software and IT applications.

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

Goodwill

thousands of euro	Balance at 12 31 2016		,,,,					Balance at
		of non- recurring transactions	Invest.	Reclass./ Other changes	Disp./ Write- downs	Amort.	Total changes	12 31 2017
Goodwill	37,480	1,207	-	-	-	-	1,207	38,687
Total goodwill	37,480	1,207	-	-	-	-	1,207	38,687

Goodwill, amounting to 38,687 thousand euro at December 31, 2017 (37,480 thousand euro at December 31, 2016), was formed as a result of non-recurring transactions with third parties; the increase for the year, amounting to 1,207 thousand euro, derives from the extraordinary acquisition of the business units relating to "Administration and finance", "Purchases (excluding the organizational structure of Gestione Magazzini)" and "Communication and External relations" by the subsidiary Amsa S.p.A..

This goodwill was allocated to the following CGUs: "A2A Reti elettriche" for 4,000 thousand euro, "A2A Reti Gas" for 3,700 thousand euro, "A2A Gas" for 6,800 thousand euro, "A2A Calore" for 18,000 thousand euro and "A2A Ambiente" for 6,187 thousand euro.

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

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

From the impairment test carried out, the recoverable value of the CGU revealed no need for write-downs. More specifically, the future cash flows associated with the goodwill of A2A S.p.A. allow the recovery thereof.

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

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3) Shareholdings and other non-current financial assets

thousands of euro	Balance at 12 31 2016 Restated	Effect of non- recurring	Changes during the	Balance at 12 31 2017	of which included in the NFP	
	Restated	transactions	year		12 31 2016 Restated	12 31 2017
Shareholdings in subsidiaries	3,851,480	28,500	(269,434)	3,610,546	-	-
Shareholdings in affiliates	46,686	-	(3,490)	43,196	-	-
Other non-current financial assets	406,463	(3,704)	(327,063)	75,696	402,749	72,216
Total shareholdings and other non-current financial assets	4,304,629	24,796	(599,987)	3,729,438	402,749	72,216

Shareholdings in subsidiaries

"Shareholdings in subsidiaries" amounted to 3,610,546 thousand euro (3,851,480 thousand euro at December 31, 2016 Restated).

The following table illustrates the changes during the year:

Shareholdings in subsidiaries thousands of euro	TOTAL
Balance at December 31, 2016	3,851,480
Effect of non-recurring transactions	28,500
Changes during the year:	
- acquisitions and capital increases	7,562
- sales and decreases	(10)
- revaluations	-
- write-downs	(1,352)
- other changes	-
- reclassifications	(275,634)
Total net changes in the year	(269,434)
Balance at December 31, 2017	3,610,546

The value of shareholdings in subsidiaries, net of the positive effect of non-recurring transactions for the year 2017 for 28,500 thousand euro, a total decrease of 269,434 thousand euro compared to the previous year-end and is due:

- for 7,562 thousand euro to acquisitions for the year, in particular for 7,375 thousand euro, to the subscription of the capital increase of the company Azienda Servizi Valtrompia S.p.A., which brought the shareholding of A2A S.p.A. in the company from 48.77% to 74.55%, consequently, the investment was reclassified to the item "Investments in subsidiaries" under the item "Investments in affiliates"; for 50 thousand euro to the incorporation of the company A2A Rinnovabili S.p.A.; for 23 thousand euro to the incorporation of the company A2A Security S.c.p.a.; for 10 thousand euro to the incorporation of the company Energy Solution S.r.l. and for 10 thousand euro to the incorporation of the company A2A IDRO4 S.r.l., as well as for 94 thousand euro to the payment of the shareholder loan for the company Ecofert S.r.l. in liquidation;
- for 10 thousand euro to the decrease resulting from the sale of the investment in LaboRAEE S.r.l. (formerly Mincio Trasmissione S.r.l.) to the subsidiary Amsa S.p.A.;
- for 1,352 thousand to the write-down of the following shareholdings: Camuna Energia S.r.l. (727 thousand euro) and Ecofert S.r.l. in liquidation (625 thousand euro);

for -279,017 thousand euro to the reclassification of the shareholding in EPCG, held 41.75% by A2A S.p.A., under "Non-current assets held for sale" following management's decision of July 3, 2017 to exercise the sale put option on the entire shareholding package and for 3,383 thousand euro to the reclassification of the shareholding in the company Azienda Servizi Valtrompia S.p.A. from the item "Investments in affiliates companies".

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

Shareholdings in affiliates and joint ventures

"Shareholdings in affiliates and joint ventures" amounted to 43,196 thousand euro (46,686 thousand euro as at December 31, 2016).

The changes in the year are shown below:

Shareholdings in affiliates and joint ventures thousands of euro	TOTAL
Balance at December 31, 2016	46,686
Changes during the year:	
- effect of non-recurring transactions	-
- acquisitions and capital increases	-
- sales and decreases	-
- revaluations	-
- write-downs	(107)
- reclassifications	(3,383)
Total net changes in the year	(3,490)
Balance at December 31, 2017	43,196

At December 31, 2017, the value of shareholdings in affiliates presented an overall decrease of 3,490 thousand euro with respect to the previous year attributable:

- for 3,383 thousand euro to the effect of the reclassification to the item "Investments in subsidiaries" of the investment in Azienda Servizi Valtrompia S.p.A. following the subscription of the capital increase of the same;
- for 107 thousand to the write-down of the following shareholdings: Sviluppo Turistico lago d'Iseo S.p.A. (102 thousand euro) and Centrale Termoelettrica del Mincio S.r.l. in liquidation (5 thousand euro).

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

Impairment of shareholdings in subsidiaries, affiliates and joint ventures

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

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

The shareholdings did not require any write-downs.

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Shareholdings millions of euro	Pre-impairment test values at 12 31 2017	Recoverable amount (value in use) at 12 31 2017	Post-tax WACC	Growth rate g
Aspem S.p.A.	26.5	69.0	5.0%-6.1%-5.0% (*)	1.0%

(*) The values indicated refer respectively to the three sectors in which the company operates (gas-environment-water networks).

Shareholdings millions of euro	Pre-impairment test values at 12 31 2016	Recoverable amount (value in use) at 12 31 2016	Pre-tax WACC	Growth rate g
Aspem S.p.A.	26.5	39.0	7.3%-8.9%-7.0%(*)	1.0%
EPCG	279.0	283.0	9.9%	1.0%

(*) The values indicated refer respectively to the three sectors in which the company operates (gas-environment-water networks).

Shareholdings millions of euro	Pre- impairment test values at 12 31 2016	Recoverable amount (value in use) at 12 31 2016	Write-down	Pre-tax WACC	Growth rate g
A2A gencogas S.p.A.	564.3	510.3	(54.0)	9.9%	1.0%
Rudnik Uglja Ad Pljevlja	12.1	7.1	(5.0)	12.9%	1.0%

The adoption of the WACC Post-tax calculation method in 2017 compared to the method adopted in 2016, WACC Pre-tax did not entail significant changes.

Other non-current financial assets

"Other non-current financial assets", which include the negative effect of non-recurring transactions for 3,704 thousand euro, amounted to 75,696 thousand euro (406,463 thousand euro at December 31, 2016), of which:

- financial assets held to maturity represented by Government securities for 96 thousand euro (unchanged from the previous year);
- financial assets with related parties in the amount of 72,120 thousand euro (402,653 thousand euro at December 31, 2016). This item refers to financial receivables from subsidiaries: Linea Group Holding S.p.A. (42,000 thousand euro), companies acquired by A2A Rinnovabili S.p.A. (HELIOS 1 S.r.l., INTHE 1 S.r.l., INTHE 2 S.r.l., TFV 1 S.r.l. and TFV 2 S.r.l. for a total of 29,438 thousand euro), A2A Montenegro d.o.o. (400 thousand euro) and Seasm S.r.l. (282 thousand euro). During the year under review, A2A gencogas S.p.A. fully repaid the loan recognized at December 31, 2016 for 398,000 thousand euro; non-recurring transactions led to a decrease of 3,704 thousand euro relating to the receivable from the Municipality of Brescia, in application of IFRIC 12, transferred to the subsidiary A2A Illuminazione Pubblica S.r.l.;
- financial assets held for sale amounted to 3,480 thousand euro (3,714 thousand euro at December 31, 2016) and decreased by 234 thousand euro due to the sales and liquidations in the year under review and consist of other minority shareholdings.

4) Deferred tax assets

thousands of euro	Balance at 12 31 2016	Effect of non-recurring transactions	Changes during the year	Balance at 12 31 2017
Deferred tax assets	73,426	316	(12,569)	61,173

This item, which includes the net effect of deferred tax liabilities and deferred tax assets as per corporate income tax and regional tax as well as provisions made solely for tax purposes, resulted in a net asset of 61,173 thousand euro. The recoverability of "Deferred tax assets" recognized in the financial statements is considered likely, since future plans include IRES taxable income sufficient to absorb the temporary differences that will be reversed; for the years of the plan for which the IRAP taxable income is not provided sufficiently to absorb IRAP temporary differences, it was decided to repay the related IRAP deferred tax assets and liabilities.

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

At December 31, 2017, the amounts relative to deferred tax assets/deferred tax liabilities have been expressed as net ("offsetting") as per IAS 12 standards.

This item is detailed within the table below:

thousands of euro	Balance at 12 31 2017	Balance at 12 31 2016
Value differences of tangible assets	159,959	171,511
Adoption of the financial lease standard (IAS 17)	5,528	5,592
Value differences of intangible assets	2,906	2,886
Deferred capital gains	30	-
Employee leaving entitlement (TFR)	1,226	1,226
Amounts to be paid in 2017	-	-
Other deferred tax liabilities	5,980	6,103
Deferred tax liabilities (A)	175,629	187,318
Tax loss carryforwards	-	-
Taxed risk provisions	83,586	93,488
Amortization, depreciation and write-downs	85,392	89,989
Application of the financial instrument standard (IAS 39)	359	359
Bad debts provision	2,716	2,008
Grants	2,654	2,654
Goodwill	50,466	65,914
Amounts to be paid in 2017	-	(1)
Other deferred tax assets	11,629	6,333
Deferred tax assets (B)	236,802	260,744
Net effect deferred tax assets (B-A)	61,173	73,426

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

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5) Other non-current assets

thousands of euro	Balance at 12 31 2016	Effect of non- recurring	f non- during the	Balance at 12 31 2017	of which in the	included NFP
		transactions	year		12 31 2016	12 31 2017
Non-current derivatives	3,868	-	(3,868)	-	3,868	-
Other non-current assets	586	-	19	605	-	-
Total other non-current assets	4,454	-	(3,849)	605	3,868	-

"Other non-current assets" amounted to 605 thousand euro (4,454 thousand euro as at December 31, 2016), presenting a decrease of 3,849 thousand euro over the previous year and consist of other current receivables. In 2016, this item included non-current derivative instruments for 3,868 thousand euro related to the fair value valuation of a financial instrument at the end of the year; at December 31, 2017, said derivative instrument had a fair value valuation recognized under non-current liabilities.

CURRENT ASSETS

6) Inventories

thousands of euro	Balance at 12 31 2016	Effect of non-recurring transactions	Changes during the year	Balance at 12 31 2017
- Materials	1,326		(16)	1,310
- Material obsolescence provision	(508)		(97)	(605)
Total materials	818	-	(113)	705
- Fuel	63,754		10,330	74,084
- Others (include environmental certificates)	8		2	10
Raw and ancillary materials and consumables	64,580	-	10,219	74,799
Third-party fuel	7,055		(3,288)	3,767
Total inventories	71,635	-	6,931	78,566

At December 31, 2017, inventories amounted to 78,566 thousand euro (71,635 thousand euro at December 31, 2016), resulting in a positive change of 6,931 thousand euro for the year.

This item includes:

- inventories of materials amounting to 705 thousand euro, net of relative provisions for obsolescence for 605 thousand euro;
- inventories of fuels, for 74,084 thousand euro, which include the inventories of fuels for the production of electricity, as well as the gas inventories for the sale and storage thereof;
- inventories of environmental certificates related to the trading portfolio for 10 thousand euro;
- fuels at third parties, for 3,767 thousand euro, relating to coal at the warehouse in Koper that have not cleared customs in Italy yet.

7) Trade receivables

thousands of euro	Balance at 12 31 2016	Effect of non-recurring transactions	Changes during the year	Balance at 12 31 2017
Trade receivables invoices issued	102,812	(8,272)	167,803	262,343
Trade receivables invoices to be issued	557,953	(5,721)	(248,316)	303,916
Bad debts provision	(10,570)	99	(4,128)	(14,599)
Total trade receivables	650,195	(13,894)	(84,641)	551,660

At December 31, 2017, trade receivables amounted to 551,660 thousand euro (650,195 thousand euro at December 31, 2016), with a decrease of 84,641 thousand euro, net of the effect of non-recurring transactions, negative for 13,894 thousand euro. These receivables include:

- 428,667 thousand euro of receivables from customers;
- 122,993 thousand euro of receivables from subsidiaries, controlling entities and associates.

At the reporting date, the allowance for bad debts amounted to 14,599 thousand euro, with an increase of 4,128 thousand euro, net of the effect of non-recurring transactions of 99 thousand euro. This provision is considered adequate to cover the risks to which it relates.

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

thousands of euro	Balance at 12 31 2016	Effect of non-recurring transactions	Accruals	Utilizations	Other changes	Balance at 12 31 2017
Bad debts provision	10,570	(99)	5,750	(1,622)	-	14,599

The following is the aging of trade receivables:

thousands of euro	Balance at 12 31 2017	Balance at 12 31 2016
Trade receivables of which:	551,660	650,195
Current	219,563	32,428
Past due of which:	42,780	70,384
- Past due up to 30 days	12,956	45,302
- Past due from 31 to 180 days	12,112	2,137
- Past due from 181 to 365 days	1,350	3,109
- Past due over 365 days	16,362	19,836
Invoices to be issued	303,916	557,953
Bad debts provision	(14,599)	(10,570)

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8) Other current assets

thousands of euro	Balance at Effect 12 31 2016 of non recurrin		Changes during the year	Balance at 12 31 2017	of which included in the NFP	
		transactions	year		12 31 2016	12 31 2017
Current derivatives instruments	260,433	-	(164,261)	96,172	65	-
Other current assets of which:	110,303	-	(41,483)	68,820	-	-
- receivables from Cassa per i Servizi Energetici e Ambientali	5,827		(5,827)	-		
- advances to suppliers	6,958		12,661	19,619		
- receivables from employees	218		(3)	215		
- tax receivables	21,351		(19,971)	1,380		
- receivables related to future years	963		559	1,522		
- receivables from subsidiaries for tax consolidation	59,594		(20,017)	39,577		
- receivables from social security entities	1,032		(57)	975		
- receivables for water derivation fees	53		-	53		
- Stamp office	128		(2)	126		
- receivables for security deposits	482		524	1,006		
- receivables from Ergosud	9,136		(6,961)	2,175		
- receivables for hedging	2,750		(2,750)	-		
- other sundry receivables	1,811		361	2,172		
Total other current assets	370,736	-	(205,744)	164,992	65	-

"Other current assets" presented a balance of 164,992 thousand euro (370,736 thousand euro at December 31, 2016), a decrease of 205,744 thousand euro with respect to the previous year.

"Current derivative instruments" amounting to 96,172 thousand euro (260,433 thousand euro at December 31, 2016) refer to the fair value valuation of commodity derivatives at the end of the year under review.

Receivables from Cassa per i Servizi Energetici e Ambientali (Energy and Environmental Services Fund) amounted to zero (5,827 thousand euro at December 31, 2016): during the year in question, the receivables recorded at December 31, 2016 were fully collected, referring to the conclusion of the mechanism concerning Resolution 196/2013/R/gas.

Tax receivables, amounting to 1,380 thousand euro, mainly relate to tax receivables from the tax authorities for excise and withholding taxes, while in the previous year, they included the VAT receivable.

Receivables from Ergosud, amounting to 2,175 thousand euro (9,136 thousand euro at December 31, 2016) refer to the receivable due for new entry plants (Scandale Plant), regarding portions of emission allowances as provided by ARERA Resolutions no. ARG/elt 194/10 and no. 117/10; the decrease compared to the end of the previous year is due to the portion collected in 2017.

9) Current financial assets

thousands of euro	Balance at 12 31 2016	Effect of non- recurring	Changes during the year	Balance at 12 31 2017	of which in the	included NFP
		transactions	gear		12 31 2016	12 31 2017
Financial assets from third parties	1,400	-	(200)	1,200	1,400	1,200
Financial assets from related parties	381,245	6,504	489,676	877,425	381,245	877,425
Total current financial assets	382,645	6,504	489,476	878,625	382,645	878,625

"Current financial assets" amounted to 878,625 thousand euro and refer to:

- 1,200 thousand euro of financial receivables from third parties;
- 877,175 thousand euro of financial receivables from subsidiaries for both the balance of intra-group current accounts on which interest rates are applied, at market conditions, with a variable Euribor basis with specific spreads for companies and for the current portion of loans grated to Linea Group Holding S.p.A. and the companies acquired by A2A Rinnovabili S.p.A. (HELIOS 1 S.r.l., INTHE 1 S.r.l., INTHE 2 S.r.l., TFV 1 S.r.l. and TFV 2 S.r.l.);
- for 250 thousand euro, to financial receivables from associates.

This item, net of the effect of non-recurring transactions, positive for 6,504 thousand euro, increased by 489,476 thousand euro and mainly refers to higher receivables accrued on the correspondence current accounts held with the subsidiaries.

10) Current tax assets

thousands of euro	Balance at 12 31 2016	Effect of non-recurring transactions	Changes during the year	Balance at 12 31 2017
Current tax assets	51,360	-	35,775	87,135

At December 31, 2017, this item amounted to 87,135 thousand euro (51,360 thousand euro at December 31, 2016) and refers to IRAP receivables (13,463 thousand euro), as well as to IRES receivables (61,190 thousand euro), relating to current IRES and to amounts requested for reimbursement on payments of previous years, and the remaining credit for Robin Tax (12,482 thousand euro) paid in previous years and that will be recovered in subsequent years.

11) Cash and cash equivalents

thousands of euro	Balance at 12 31 2016		Changes during the year	Balance at 12 31 2017	of which in the	
		transactions			12 31 2016	12 31 2017
Cash and cash equivalents	278,207	-	333,735	611,942	278,207	611,942

"Cash and cash equivalents" at December 31, 2017 amounted to 611,942 thousand euro (278,207 thousand euro at December 31, 2016), with an increase of 333,735 thousand euro compared with the end of the previous year. Bank deposits include accrued interest not yet credited by the end of the year.

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12) Non-current assets held for sale

thousands of euro	Balance at 12 31 2016	Effect of non-recurring transactions	Changes during the year	Balance at 12 31 2017
Non-current assets held for sale	-	-	224,186	224,186

The item "Non-current assets held for sale" at December 31, 2017 shows a balance of 224,186 thousand euro and includes the shareholding in EPCG, held 41.75% by A2A S.p.A., was reclassified to "Non-current assets held for sale", being a discontinued operation in compliance with the provisions of IFRS 5, following management's decision of July 3, 2017 to exercise the sale put option on the entire shareholding package. The investment was reclassified for a total of 279,017 thousand euro and was written down for 29,017 thousand euro and discounted for a 25,814 thousand euro to adjust its value to fair value.

EQUITY AND LIABILITIES

EQUITY

Equity, which at December 31, 2017 amounted to 2,430,047 thousand euro (2,316,485 thousand euro at December 31, 2016), is set forth within the following table:

thousands of euro	Balance at 12 31 2016	Effect of non-recurring transactions	Changes during the year	Balance at 12 31 2017
Equity				
Share capital	1,629,111	-	-	1,629,111
(Treasury shares)	(53,661)	-	-	(53,661)
Reserves	466,985	-	119,151	586,136
Result of the year	274,050	157	(5,746)	268,461
Total equity	2,316,485	157	113,405	2,430,047

13) Share capital

At December 31, 2017, the "Share capital" amounted to 1,629,111 thousand euro and is comprised of 3,132,905,277 ordinary shares with a unitary value of 0.52 euro each.

14) Treasury shares

The "Treasury shares" amounted to 53,661 thousand euro, unchanged with respect to December 31, 2016 and consist of 23,721,421 own shares held by the company.

15) Reserves

thousands of euro	Balance at 12 31 2016	Effect of non-recurring transactions	Changes during the year	Balance at 12 31 2017
Reserves	466,985	-	119,151	586,136
of which:		-		
Change in the fair value of cash flow hedge derivatives and fair value bonds	(2,830)	-	(19,969)	(22,799)
Tax effect	227	-	5,485	5,712
Cash flow hedge and fair value bonds reserves	(2,603)	-	(14,484)	(17,087)
Change in the IAS 19 Revised reserve - Employee Benefits	(65,723)	-	17,890	(47,833)
Tax effect	18,726	-	(5,333)	13,393
IAS 19 Revised reserve - Employee Benefits	(46,997)	-	12,557	(34,440)
Change in the Available-for-sale reserves	(608)	-	-	(608)
Tax effect	146	-	-	146
Change in Available-for-sale	(462)	-	-	(462)

"Reserves", which at December 31, 2017 amounted to 586,136 thousand euro (466,985 thousand euro at December 31, 2016), increased by 119,151 thousand euro mainly due to the distribution of the 2016 dividend.

This item includes the following unavailable reserves:

for 104,939 thousand euro the reserve arising from the corporate separation occurred in 1999.
 Such reserve will be available for distribution in portions in the following years based on the amortization carried out by the receiving company on the higher values determining capital gains from contribution;

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- 17,087 thousand euro for the negative cash flow hedge reserve including the fair value of hedging derivatives and bonds in foreign currency, net of tax;
- for 34,440 thousand euro, the negative reserve arising from the adoption of IAS 19 Revised –
 Employee Benefits which requires actuarial profits and losses to be recognized directly in an equity
 reserve, net of the tax effect;
- for 462 thousand euro, the negative available-for-sale reserve including the fair value of certain available-for-sale shareholdings net of the tax effect;
- for 200,170 thousand euro, the legal reserve.

It should be noted that during 2017, dividends amounting to 152,972 thousand euro corresponding to 0.0492 euro per share were distributed, as approved by the shareholders' meeting on May 15, 2017.

16) Result of the year

This item was positive for 268,461 thousand euro and includes the net result for the reporting year.

Reserves and the profits that in case of distribution must be considered as IRES tax suspension amounted to 73,333 thousand euro.

LIABILITIES

NON-CURRENT LIABILITIES

17) Non-current financial liabilities

thousands of euro	Balance at 12 31 2016	Effect of non- recurring	Changes during the	Balance at 12 31 2017	of which in the	
		transactions	year		12 31 2016	12 31 2017
Non-convertible bonds	2,182,566	-	467,344	2,649,910	2,182,566	2,649,910
Payables to banks	739,615	-	3,423	743,038	739,615	743,038
Total non-current financial liabilities	2,922,181	-	470,767	3,392,948	2,922,181	3,392,948

[&]quot;Non-current financial liabilities" amounted to 3,392,948 thousand euro (2,922,181 thousand euro at December 31, 2016), with an increase of 470,767 thousand euro.

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

- 509,378 thousand euro, maturing in November 2019 and a coupon of 4.50%, the nominal value of which at December 31, 2017, net of the partial repurchase in October 2017 for 56,822 thousand euro nominal, is equal to 510,703 thousand euro;
- 349,515 thousand euro, maturing in January 2021 and a coupon of 4.375%, the nominal value of which at December 31, 2017, net of the partial repurchase in October 2017 for 78,523 thousand euro nominal, is equal to 351,457 thousand euro;
- 497,589 thousand euro, maturing in January 2022 and coupon of 3.625%, the nominal value of which is equal to 500,000 thousand euro;
- 299,121 thousand euro, Private Placement maturing in December 2023 and coupon of 4.00%, the nominal value of which is equal to 300,000 thousand euro;
- 297,072 thousand euro, maturing in February 2025 and coupon of 1.75%, the nominal value of which is equal to 300,000 thousand euro;
- 299,116 thousand euro, Private Placement maturing in December 2024 and coupon of 1.25%, the nominal value of which is equal to 300,000 thousand euro;

- 294,826 thousand euro, maturing in December 2027 and coupon of 1.625%, the nominal value of which is equal to 300,000 thousand euro;
- 103,293 thousand euro, Private Placement in yen maturing in August 2036 and fixed rate of 5.405%, the nominal value of which is equal to 14 billion yen.

The increase in the non-current component of "Non-convertible bonds", equal to 467,344 thousand euro compared to December 31, 2016, is due to new issues, offset by partial repurchases during the year.

Non-current "Payables to banks" amounted to 743,038 thousand euro, an increase of 3,423 thousand euro.

The following table shows the comparison, for each long-term debt category, between the book value and the fair value, including the portion falling due in the next 12 months. For listed debt instruments, the fair value is determined using stock prices, while for unlisted securities the fair value is determined using valuation models for each category of financial instrument and using market data relating to the closing date of the financial year, including the credit spreads of A2A S.p.A..

thousands of euro	Nominal value	Book value	Current portion	Non-current portion	Fair Value
Bonds	2,665,856	2,695,769	45,859	2,649,910	2,914,540
Bank loans	791,762	790,159	47,121	743,038	780,401
Total	3,457,618	3,485,928	92,980	3,392,948	3,694,941

18) Employee benefits

At the end of the fiscal year, "Employee Benefits" amounted to 143,512 thousand euro (164,560 thousand euro as of December 31, 2016) with changes as follows during the period:

thousands of euro	Balance at 12 31 2016	Effect of non- recurring transactions	Provisions	Utilizations	Other changes	Balance at 12 31 2017
Employee leaving entitlement (TFR)	27,679	841	5,125	(1,120)	(4,519)	28,006
Employee benefits	136,881	84	-	(5,481)	(15,978)	115,506
Total employee benefits	164,560	925	5,125	(6,601)	(20,497)	143,512

The change in the year is attributable for 6,601 thousand euro to the decrease due to the net disbursements of the year, to the increase of 925 thousand euro relating to the effect of extraordinary transactions for the year and to the net decrease of 15,372 thousand euro mainly to actuarial valuations for the year, which include the increase deriving from the service cost for 365 thousand euro, the increase deriving from interest cost for 1,898 thousand euro and the decrease deriving from actuarial gains/losses for 17,743 thousand euro.

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

	2017	2016
Discount rate	from 0.0% to 1.3%	from 0.0% to 1.31%
Annual inflation rate	1.5%	1.5%
Annual seniority bonus increase rate	2.0%	2.0%
Annual additional months increase rate	0.0%	0.0%
Annual cost of electricity increase rate	2.0%	2.0%
Annual cost of gas increase rate	0.0%	0.0%
Annual salary increase rate	1.0%	1.0%
Annual TFR increase rate	2.6%	2.6%
Average annual increase rate of supplementary pensions	1.1%	1.1%
Annual turnover frequencies	from 4.0% 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%

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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 annual rate of salary increase applied exclusively to companies with fewer than 50 employees on average in 2006 was determined on the basis of the reference data communicated by Group companies;
- the annual rate of TFR increase, according to art. 2120 of the Civil Code, is equal to 75% of inflation plus 1.5 percentage points;
- the annual advance and turnover frequencies are derived from historical experiences of the Group and the frequencies arising from the experience of the Actuary on a significant number of similar companies;
- for the demographic technical bases, it is noted that:
 - for "death", the tables TG62 (Premungas, Electricity and gas discount) and RG48 (other plans) were used;
 - for "inability", the INPS tables divided by age and gender were used;
 - for "retirement", the 100% parameter was used upon reaching the requirements of AGO (Obligatory General Insurance);
 - 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.

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

thousands of euro	Turnover rate + 1%	Turnover rate - 1%	Inflation rate + 0.25%	Inflation rate - 0.25%	Actualization rate + 0.25%	Actualization rate - 0.25%
Employee leaving entitlement (TFR)	27,475	27,741	27,896	27,312	27,137	28,080

thousands of euro	Actualization rate + 0.25%	Actualization rate - 0.25%	Mortality table increased by 10%	Mortality table decreased by 10%
Premungas	23,985	24,870	23,263	25,720
Electricity and gas discount	83,136	87,918	88,070	83,151
Additional months	3,192	3,373	n.s.	n.s.

19) Provisions for risks, charges and liabilities for landfills

thousands of euro	Balance at 12 31 2016	Effect of non- recurring transactions	Provisions	Releases	Utilizations	Other changes	Balance at 12 31 2017
Tax provisions	3,912	-	601	(2,155)	(51)		2,307
Personnel lawsuits and disputes provisions	31,641	(316)	963	(5,169)	(6,858)	482	20,743
Other risk provisions	144,076	-	6,917	(434)	(8,520)	(191)	141,848
Provisions for risks, charges and liabilities for landfills	179,629	(316)	8,481	(7,758)	(15,429)	291	164,898

"Tax Provisions", which amounted to 2,307 thousand euro, refer to provisions for pending or potential litigation with the tax authorities or territorial entities for levies and direct and indirect taxes. The changes in the year were related to the provisions for 601 thousand euro and releases for 2,155 thousand euro, mainly relating to the ICI/IMU dispute with some regional authorities. Utilizations, for 51 thousand euro, refer to disbursements for the year resulting from the closure of some disputes in which the company was unsuccessful.

The "Personnel lawsuits and disputes provisions" amounted to 20,743 thousand euro and refer to lawsuits pending with Social Security Institutions, for contributions not paid for 9,148 thousand euro, to lawsuits with third parties for 10,235 thousand euro and with employees for 1,360 thousand euro, to cover the liabilities that could arise from litigations in progress. Non-recurring transactions brought a negative effect of 316 thousand euro. Provisions for the year, for 963 thousand euro, mainly refer to disputes pending with third parties. Releases amounting to 5,169 thousand euro refer to the disputes in progress with Social Security Institutions following the resolution of the disputes with Social Security Institutions and with third parties. Other changes totalled 482 thousand euro.

"Other risk provisions", amounting to 141,848 thousand euro, relate to the provision concerning the burden of existing bonds present in the tolling contract with the company Ergosud S.p.A. for 83,457 thousand euro, to provisions relating to public water derivation fees for 35,658 thousand euro, to provisions for contractual charges for 14,601 thousand euro and other risk provisions for 8,132 thousand euro. Provisions for the year amounted to 6,917 thousand euro and mainly refer to allocations to provisions relating to public water derivation fees. Releases amounted to 434 thousand euro. Utilizations, amounting to 8,520 thousand euro mainly refer to outlays during the year for onerous contracts. Other changes were negative for 191 thousand euro.

20) Other non-current liabilities

thousands of euro Balance at Effect Changes 12 31 2016 of non-during the Restated recurring year	Balance at 12 31 2017	of which in the				
	Kestateu	transactions	gear		12 31 2016 Restated	12 31 2017
Other non-current liabilities	14,050	-	(3,588)	10,462	-	-
Non-current derivatives	14,812	-	3,672	18,484	14,812	18,484
Total other non-current liabilities	28,862	-	84	28,946	14,812	18,484

"Other non-current liabilities" amounted to 28,946 thousand euro and are divided as follows:

- 18,484 thousand euro for the fair value of financial derivatives to hedge interest rate risk on variable rate mortgages and bonds;
- for 7,032 thousand euro to the payable to the minority shareholders of Linea Group Holding S.p.A.
 recognized according to the contractual agreements signed by A2A S.p.A., regulated by specific
 and clearly identified earn-out clauses, the occurrence of which is considered probable, whereby it
 is agreed that by the third year following the closing date of the acquisition and upon the fulfilment
 of certain conditions, up to a maximum of 7,032 thousand euro will be paid;
- for 3,354 thousand euro to non-current liabilities related to long-term service agreements relating to the maintenance of the plants;
- 76 thousand euro for "Other non-current liabilities".

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CURRENT LIABILITIES

21) Trade payables and other current liabilities

thousands of euro	Balance at 12 31 2016	Effect of non- recurring	Changes during the year	Balance at 12 31 2017	of which in the	
		transactions	geai		12 31 2016	12 31 2017
Advances	7	-	-	7	-	-
Payables to suppliers	588,271	-	24,824	613,095	-	-
Trade payables to related parties:	79,196	(10,630)	7,912	76,478	-	-
- subsidiaries	64,446	(10,630)	9,837	63,653	-	-
- parent companies	479	-	66	545	-	-
- associates	14,271	-	(1,991)	12,280	-	-
Total trade payables	667,474	(10,630)	32,736	689,580	-	-
Payables to social security institutions	12,683	-	442	13,125	-	-
Current derivatives instruments	247,372	-	(160,852)	86,520	-	-
Other payables:	73,711	(196)	68,919	142,434	-	-
- payables for tax consolidation	28,494	-	36,329	64,823	-	-
- payables for tax transparency	7,167	-	-	7,167	-	-
- payables to personnel	17,841	87	(1,478)	16,450	-	-
- payables to Cassa per i Servizi Energetici e Ambientali	3	-	-	3	-	-
- tax payables	5,466	-	34,308	39,774	-	-
- payables for liabilities of competence of the following year	495	-	2	497	-	-
- payables for collections to be allocated	6,168	-	(220)	5,948	-	-
- payables to insurance companies	1,153	-	445	1,598	-	-
- payables to customers for work to be performed	283	(283)	-	-	-	-
- payables to waterway municipalities	1,107	-	76	1,183	-	-
- others	5,534	-	(543)	4,991	-	-
Total other current liabilities	333,766	(196)	(91,491)	242,079	-	-
Total trade payables and other current liabilities	1,001,240	(10,826)	(58,755)	931,659	-	-

[&]quot;Trade payables and other current liabilities" amounted to 931,659 thousand euro (1,001,240 thousand euro at December 31, 2016), representing an overall decrease of 58,755 thousand euro net of the effect of non-recurring transactions, negative for 10,826 thousand euro.

"Other current liabilities" mainly refer to:

- payables to subsidiaries for the Group tax consolidation and VAT regime for 64,823 thousand euro;
- payables for fiscal transparency for 7,167 thousand euro to the associate Ergosud S.p.A.;

[&]quot;Trade payables" amounted to 689,580 thousand euro and include both debt exposure to third-party suppliers (613,102 thousand euro) and trade payables to related parties (76,478 thousand euro).

[&]quot;Payables to social security institutions" amounted to 13,125 thousand euro and relate to the company's debt position with social security and pension institutions, related to contributions of the month of December 2017 not yet paid.

[&]quot;Current derivative instruments" amounted to 86,520 thousand euro and refer to the fair value valuation of commodity derivatives.

- payables to employees for 16,450 thousand euro relating to payables to employees for the productivity bonus accrued during the year, as well as the expense for holidays accrued but not taken at December 31, 2017;
- tax payables for 39,774 thousand euro that mainly refer to payables to the tax authorities for VAT, excise and withholding taxes.

22) Current financial liabilities

thousands of euro	Balance at 12 31 2016	Effect of non- recurring	Changes during the year	12 31 2017	of which in the	included e NFP
		transactions	gcoi		12 31 2016	12 31 2017
Non-convertible bonds	45,482	-	377	45,859	45,482	45,859
Payables to banks	248,982	-	(201,861)	47,121	248,982	47,121
Other current financial liabilities	-	-	2,349	2,349	-	2,349
Financial payables to related parties	562,985	-	(148,167)	414,818	562,985	414,818
Total current financial liabilities	857,449	-	(347,302)	510,147	857,449	510,147

"Current financial liabilities" amounted to 510,147 thousand euro, a decrease of 347,302 thousand euro.

"Non-convertible bonds" showed an increase of 377 thousand euro due to the calculation of coupons for interest that at December 31, 2017 amounted to 45,859 thousand euro (45,482 thousand euro at December 31, 2016).

Current "Payables to banks" decreased during the year by 201,861 thousand euro, mainly due to the repayment of credit lines and portions of loans.

"Other current financial liabilities" amounted to 2,349 thousand euro.

"Financial payables to related parties" amounted to 414,818 thousand euro and relate to intercompany current accounts on which rates are applied at market conditions, with variable Euribor base with specific spreads for companies.

23) Tax liabilities

thousands of euro	Balance at 12 31 2016	Effect of non-recurring transactions	Changes during the year	Balance at 12 31 2017
Tax liabilities	25,787		(25,787)	

At December 31, 2017, this item had no value, while at December 31, 2016, it amounted to 25,787 thousand euro and referred to the current IRES payable that in the financial year 2017 had a credit balance.

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Net debt

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

The following table provides details of net debt:

thousands of euro	Notes	12 31 2017	Effect of non-recurring transactions	12 31 2016
Bonds - non-current portion	17	2,649,910	-	2,182,566
Bank loans - non-current portion	17	743,038	-	739,615
Other non-current liabilities	20	18,484	-	14,812
Total medium/long-term debt		3,411,432	-	2,936,993
Non-current financial assets with related parties	3	(72,120)	3,704	(402,653)
Other non-current financial assets and other non-current assets	3-5	(96)	-	(3,964)
Total medium/long-term financial receivables		(72,216)	3,704	(406,617)
Total non-current net debt		3,339,216	3,704	2,530,376
Bonds - current portion	22	45,859	-	45,482
Bank loans - current portion	22	47,121	-	248,982
Financial liabilities to third parties - current portion	22	2,349	-	-
Other current liabilities	21	-	-	-
Financial liabilities to related parties - current portion	22	414,818	-	562,985
Total short-term debt		510,147	-	857,449
Other current assets	8	-	-	(65)
Financial assets with third parties - current portion	9	(1,200)	-	(1,400)
Financial assets with related parties - current portion	9	(877,425)	(6,504)	(381,245)
Total short-term financial receivables		(878,625)	(6,504)	(382,710)
Cash and cash equivalents	11	(611,942)	-	(278,207)
Total current net debt		(980,420)	(6,504)	196,532
Net debt		2,358,796	(2,800)	2,726,908

Changes in financial assets and liabilities pursuant to IAS 7 "Cash Flow Statement" are set out in the table below:

thousands of euro	12 31 2016	Cash flow	Non-cash flow			12 31 2017
			Effect of non- recurring transactions	Change in fair value	Other changes	
Bonds	2,228,048	465,032	-	5,696	(3,007)	2,695,769
Financial payables	1,551,582	(352,051)	-	-	7,795	1,207,326
Other liabilities	14,812	-	-	3,672	-	18,484
Financial assets	(785,394)	(165,727)	(2,800)	-	3,080	(950,841)
Other assets	(3,933)	-	-	3,933	-	-
Net liabilities deriving from financing activities	3,005,115	(52,746)	(2,800)	13,301	7,868	2,970,738
Cash and cash equivalents	(278,207)	(333,734)	-	-	(1)	(611,942)
Net debt	2,726,908	(386,480)	(2,800)	13,301	7,867	2,358,796

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Following the extraordinary transactions described below, the contents of the Income Statement at December 31, 2017 are non-homogeneous and therefore not comparable with those of the end of the previous year which, in turn, included revenues and costs of some activities limited to the first half of 2016 due to the extraordinary transactions of the previous year. The extraordinary transactions for 2017 are listed below:

- transfer of the business unit relating to "Public Lighting Activities in the Municipalities of Bergamo, Brescia, Milan, Cassano, Pieve Emanuele and San Giuliano Milanese" in favour of the subsidiary A2A Illuminazione Pubblica S.r.l. with effect from January 1, 2017;
- acquisition of business units relating to "Administration and Finance", "Purchases (excluding the
 organizational structure of Gestione Magazzini)" and "Communication and External Relations"
 from the subsidiary Amsa S.p.A. with effect from January 1, 2017;
- sale of a business unit relating to "Security Control Room and Inspection Service" to the subsidiary A2A Security S.c.p.a. with effect from October 27, 2017.

25) Revenues

Revenues in 2017 amounted to 3,089,311 thousand euro (2,760,895 thousand euro at December 31, 2016).

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

Revenues thousands of euro	12 31 2017	12 31 2016	CHANGE
Revenues from the sale of goods	2,885,105	2,380,908	504,197
Revenues from services	152,415	173,295	(20,880)
Total revenues from the sale of goods and services	3,037,520	2,554,203	483,317
Other operating revenues	51,791	206,692	(154,901)
Total revenues	3,089,311	2,760,895	328,416

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Details of the main items are as follows:

thousands of euro	12 31 2017	12 31 2016	CHANGE
Sales of electricity of which:	1,938,607	1,658,868	279,739
- third-party customers	1,662,298	1,377,429	284,869
- subsidiaries	274,335	280,309	(5,974)
- associates	1,974	1,130	844
Sales of gas and fuels of which:	922,216	656,931	265,285
- third-party customers	539,913	312,866	227,047
- subsidiaries	382,194	344,065	38,129
- associates	109	-	109
Sales of heat of which:	285	463	(178)
- third-party customers	-	22	(22)
- subsidiaries	285	441	(156)
Sales of materials and plants of which:	5,520	4,312	1,208
- third-party customers	1,151	797	354
- subsidiaries	4,323	3,444	879
- associates	46	71	(25)
Sales of emission certificates and allowances of which:	18,477	60,334	(41,857)
- third-party customers and inventory change	7,036	17,046	(10,010)
- subsidiaries	11,441	43,288	(31,847)
Total revenues from the sale of goods	2,885,105	2,380,908	504,197
Services of which:			
- third-party customers	3,407	5,365	(1,958)
- subsidiaries	144,963	129,513	15,450
- Municipalities of Milan and Brescia	3,249	36,959	(33,710)
- associates	796	1,458	(662)
Total revenues from services	152,415	173,295	(20,880)
Total revenues from the sale of goods and services	3,037,520	2,554,203	483,317
Other operating revenues of which:			
Other revenues from subsidiaries	7,971	9,759	(1,788)
Other revenues from associates	16	32	(16)
Reinstatement of costs plant S.Filippo del Mela (essential Unit plant - period January/May 2016)	-	41,755	(41,755)
Damage compensation	607	3,086	(2,479)
Contingent assets	6,565	20,591	(14,026)
Incentives for production from renewable sources (feed-in-tariff)	34,137	94,894	(60,757)
Gains on disposals of tangible assets	66	6,271	(6,205)
Other revenues	2,429	30,304	(27,875)
Total other operating revenues	51,791	206,692	(154,901)
Total revenues	3,089,311	2,760,895	328,416

"Revenues from the sale of goods and services" amounted to 3,037,520 thousand euro (2,554,203 thousand euro in 2016).

Sales revenues amounted to 2,885,105 thousand euro and mainly refer to the sale of electricity (1,938,607 thousand euro) to wholesalers and institutional operators (Gestore Mercato Elettrico S.p.A. and Terna S.p.A.), also through sales on the IPEX markets (Italian Power Exchange) as well as to subsidiaries and associates for a total of 26,440 million kWh, to the sale of gas and fuel to third parties and subsidiaries (922,216 thousand euro) from the commercialization of 2,311 million cubic meters of gas, the sale of heat and materials in particular to subsidiaries (5,805 thousand euro) and the sale of environmental certificates to third parties and subsidiaries (18,477 thousand euro).

Revenues from services amount to 152,415 thousand euro and mainly relate to revenues from provisions to subsidiaries of administrative, fiscal, legal, managerial and technical services, and revenues from the Municipality of Milan for the video surveillance service.

"Other operating revenues", equal to 51,791 thousand euro (206,692 thousand euro in the previous year), refer to the recognition, as of 2016, of incentives on net production from renewable sources (34,137 thousand euro) for the entire remaining period of right to Green Certificates after 2015 recognized by the Energy Services Operator, in implementation of the Ministerial Decree of July 6, 2012 as regards plants from renewable sources (entered into service by December 31, 2012 and that have acquired the right to benefit from Green Certificates); as well as rents from subsidiaries and associates, contingent assets recorded as a result of the difference of appropriations in previous years, reimbursements for damages and penalties received from customers, insurance and private entities.

26) Operating expenses

"Operating expenses" totalled 2,787,877 thousand euro (2,326,202 thousand euro in 2016).

The main components of this item are as follows:

Operating expenses thousands of euro	12 31 2017	12 31 2016	CHANGE
Costs for raw materials and consumables	2,297,983	1,882,551	415,432
Costs for services	188,319	201,247	(12,928)
Total expenses for raw materials and services	2,486,302	2,083,798	402,504
Other operating expenses	301,575	242,404	59,171
Total operating expenses	2,787,877	2,326,202	461,675

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

Expenses for raw materials and services			
thousands of euro	12 31 2017	12 31 2016	CHANGE
Purchases of power and fuel of which:	2,264,696	1,776,216	488,480
- third-party suppliers	2,187,882	1,698,592	489,290
- subsidiaries	76,727	77,178	(451)
- associates	87	446	(359)
Change in inventories of fuel	(10,363)	18,991	(29,354)
Purchases of water of which:	220	383	(163)
- third-party suppliers	145	317	(172)
- subsidiaries	75	66	9
Purchases of materials of which:	7,227	11,114	(3,887)
- third-party suppliers	7,209	11,076	(3,867)
- subsidiaries	18	38	(20)
Change in inventories of materials	146	1,582	(1,436)
Hedging gains on operating derivatives	(13,665)	(19,255)	5,590
Hedging losses on operating derivatives	6,689	4,234	2,455
Purchases of emission certificates and allowances of which:	43,033	89,286	(46,253)
- third-party suppliers	42,879	64,020	(21,141)
- subsidiaries	154	25,247	(25,093)
- associates	-	19	(19)
Total expenses for raw materials and consumables	2,297,983	1,882,551	415,432
Delivery and transmission costs of which:	90,651	65,555	25,096
- third-party suppliers	87,590	62,629	24,961
- subsidiaries	3,061	2,926	135
Maintenance and repairs	27,503	36,957	(9,454)
Services of which:	70,165	98,735	(28,570)
- third-party suppliers	55,896	68,902	(13,006)
- Municipalities of Milan and Brescia	-	101	(101)
- subsidiaries	13,977	29,433	(15,456)
- associates	292	299	(7)
Total service costs	188,319	201,247	(12,928)
Total costs for raw materials and services	2,486,302	2,083,798	402,504
Leasehold improvements:	227,493	173,977	53,516
- third-party suppliers	44,322	54,114	(9,792)
- subsidiaries	166,716	100,528	66,188
- associates Other possition seets of which	16,455	19,335	(2,880)
Other operating costs of which: Other expenses from subsidiaries	74,082	68,427	(2.265)
Other expenses from substitutines Other expenses from associates	104 76	3,369	(3,265)
Water derivation concession fees		25 122	
Damages and penalties	35,499 808	35,122 731	377 77
Contingent liabilities	13,433	3,142	10,291
contingent doubles	417	466	(49)
Losses on disposal of tanoible assets		700	(+3)
Losses on disposal of tangible assets		25 597	(1 852)
Losses on disposal of tangible assets Sundry operating expenses Total other operating costs	23,745 301,575	25,597 242,404	(1,852) 59,171

"Expenses for raw materials and services" amounted to 2,486,302 thousand euro (2,083,798 thousand euro in 2016).

Costs for raw materials and consumables amounted to 2,297,983 thousand euro and mainly refer to costs for purchases of electricity and fuel (2,264,696 thousand euro) from third parties and subsidiaries for both electricity production and for resale to customers and wholesalers; the change in inventories of fuels (-10,363 thousand euro), net of the positive effect of gains/losses from hedging derivatives (-6,976 thousand euro); the purchase of materials and water (7,593 thousand euro including the change in inventories); and the purchase of environmental certificates (43,033 thousand euro).

Service costs amounted to 188,319 thousand euro and relate to the logistics costs for transport on the natural gas network (90,651 thousand euro), costs for maintenance and repairs (27,503 thousand euro) related to both the plants and information systems of the company, as well as costs for services from third parties and subsidiaries (70,165 thousand euro) that include costs for administrative and technical professional services, costs for certification activities, gas storage costs, expenses for insurance, monitoring, banking and other services.

"Other operating costs" amounted to 301,575 thousand euro (242,404 thousand euro in 2016). This item includes the use of third-party assets for 227,493 thousand euro mainly relating to the contracting of thermoelectric production plants "tolling agreement" owned by the subsidiaries A2A Energiefuture S.p.A. and A2A gencogas S.p.A., costs related to the use of part of a portion of the electricity capacity of Ergosud S.p.A. under the "tolling" contract and administration stipulated between the parties contract and the contracting of the plant in Bertonico (Lodi) within the framework of the agreement stipulated last year with the companies Sorgenia S.p.A. and Sorgenia Power S.p.A. for the first nine months of the year because since October 1, 2017, the contract has been suspended due to regulatory uncertainties. Other costs amounted to 74,082 thousand euro and mainly refer to public water derivation fees, damages and penalties and contingent liabilities.

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

Trading margin

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

Trading margin thousands of euro	NOTES	12 31 2017	12 31 2016
Revenues	25	1,497,038	1,179,532
Operating costs	26	(1,494,586)	(1,192,696)
Total trading margin		2,452	(13,164)

The increase in the volatility of the energy markets allowed highlighting a positive result of the more systematic activities of the trading desk as, in particular, those of relative value trading, liquidity provider and statistical arbitrage. This positive performance made it possible to offset the depreciation trend in the value of interconnection capacity with foreign countries, which had affected the results in the first half.

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27) Labour costs

Net of capitalized expenses, labour costs at December 31, 2017, amounted to 127,819 thousand euro (151,699 thousand euro in the previous year).

"Labour costs" may be analyzed as follows:

Labour costs thousands of euro	12 31 2017	12 31 2016	CHANGE
Wages and salaries	85,264	98,499	(13,235)
Social security charges	27,663	32,867	(5,204)
Employee leaving entitlement (TFR)	5,125	5,892	(767)
Other costs	11,126	15,770	(4,644)
Total labour costs before capitalizations	129,178	153,028	(23,850)
Capitalized labour costs	(1,359)	(1,329)	(30)
Total labour costs	127,819	151,699	(23,880)

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

	2017	2016	CHANGE
Managers	92	76	16
Supervisors	259	198	61
White-collar workers	969	866	103
Blue-collar workers	167	156	11
Total	1,487	1,296	191

At December 31, 2017, A2A S.p.A. employees totalled 1,500, including the effects of non-recurring transactions for the year, while at December 31, 2016, they were equal to 1,410.

The item "Other labour costs" includes early retirement incentives for 191 thousand euro (598 thousand euro at December 31, 2016).

The item also includes the remuneration paid by A2A S.p.A. to the members of the Board of Directors in the year for a total of 2,002 thousand euro; for further details, reference is made to the specific file "Remuneration Report - 2018".

28) Gross operating income

Due to the effect of the dynamics explained above, "Gross operating income" totalled 173,615 thousand euro (282,994 thousand euro in 2016).

29) Depreciation, amortization, provisions and write-downs

"Depreciation, amortization, provisions and write-downs" equalled 87,733 thousand euro (360,854 thousand euro at December 31, 2016).

The following table provides details of the individual items:

Depreciation, amortization, provisions and write-downs thousands of euro	12 31 2017	12 31 2016	CHANGE
Amortization of intangible assets	8,299	8,429	(130)
Depreciation of tangible assets	72,961	121,489	(48,528)
Other write-downs of fixed assets	-	203,300	(203,300)
Total amortization, depreciation and write-downs	81,260	333,218	(251,958)
Bad debts provision included in current assets and cash and cash equivalents	5,750	4,528	1,222
Provisions for risks	723	23,108	(22,385)
Total depreciation, amortization, provisions and write-downs	87,733	360,854	(273,121)

In particular, "Depreciation and Amortization" totalled 81,260 thousand euro (129,918 thousand euro in 2016). This item includes, in addition to the effect of non-recurring operations, depreciation and amortization resulting from investments made during the year in question net of the depreciation and amortization following the conclusion of the process of depreciation of plant parts and disposals during the year. Depreciation is calculated on the basis of technical and economic rates considered representative of the remaining useful life of the related tangible assets.

At December 31, 2017, write-downs of assets had no value, while at December 31, 2016, they amounted to 203,300 thousand euro and included for 202,000 thousand euro the write-down of the thermoelectric plant in Monfalcone as a result of the findings of the appraisal carried out by an independent external expert and for 1,300 thousand euro the write-down carried out on some plants in the first half of 2016 by the former Edipower S.p.A..

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 company had carried out, as of June 2012, a series of simulations using ISTAT coefficients, which were found to be the only possible data that is 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, since June 30, 2012, depreciation and amortization is no longer charged only for those concessions nearing expiry, while the same valuation methods continue to be applied to the remaining concessions.

The "Bad debt provision" amounted to 5,750 thousand euro (4,528 thousand euro at December 31, 2016), increasing by 1,222 thousand euro.

The balance of "Provisions for risks" shows a net effect of 723 thousand euro (23,108 thousand euro at December 31, 2016) due to allocations of 8,481 thousand euro made during the year, offset by the 7,758 thousand euro of risk provisions made in previous years, released in the current year since the original disputes have ceased to exist. Provisions in the year included for 6,917 thousand euro provisions to "Other risk provisions" mainly related to public water derivation fees and contractual charges, for 963 thousand euro provisions to "Personnel lawsuits and disputes provision", for 601 thousand euro provisions to "Tax provisions"; releases mainly refer to "Personnel lawsuits and disputes provisions" relating to ongoing lawsuits with Social Security Institutions, and "Tax provisions", in particular the ICI/IMU dispute. For further details, reference is made to note 19) Provisions for risks, charges and liabilities for landfills.

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30) Net operating income

The "Net Operating Income" is positive by 85,882 thousand euro (negative by 77,860 thousand euro at December 31, 2016).

31) Result from non-recurring transactions

At December 31, 2017, the item in question amounted to 157 thousand euro and reflects the income deriving from the sale of the business segment relating to "Security Control Room and Inspection Service" to the subsidiary A2A Security S.c.p.a.. At December 31, 2016, this item had a balance of 48,336 thousand euro and included the income deriving from the demerger of the "Cellina Unit" (formerly Edipower S.p.A.) in favour of Cellina Energy S.r.l..

32) Financial balance

Financial income exceeded financial expenses by 239,431 thousand euro (positive for 258,358 thousand euro at December 31, 2016). Details of the most significant items are shown in the table below:

Financial income

Financial income thousands of euro	12 31 2017	12 31 2016	CHANGE		
Income on derivatives	28	16,234	(16,206)		
Income from financial assets:	360,995	475,189	(114,194)		
Income from dividends:	345,758	449,127	(103,369)		
- subsidiaries	344,202	446,885	(102,683)		
- associates	1,444	1,014	430		
- in other companies	112	1,228	(1,116)		
Gains from disposal financial assets	495	-	495		
Income on receivables/securities recorded as non-current assets:	-	4	(4)		
- from others	-	4	(4)		
Income on receivables/securities recorded as current assets:	13,823	24,848	(11,025)		
- from subsidiaries	11,253	17,568	(6,315)		
- from associates	34	192	(158)		
- from parent companies	-	6,134	(6,134)		
- from others:	2,536	954	1,582		
a) on bank accounts	153	484	(331)		
b) on other receivables	2,383	470	1,913		
Foreign exchange gains	919	1,210	(291)		
Total financial income	361,023	491,423	(130,400)		

[&]quot;Financial income" totalled 361,023 thousand euro (491,423 thousand euro at December 31, 2016), and relate to income from financial assets.

In particular, the income on derivatives amounted to 28 thousand euro (16,234 thousand at December 31, 2016) and refer to the realized gains on financial derivative contracts.

Income on financial assets amounted to 360,995 thousand euro (475,189 thousand euro at December 31, 2016) and concerned:

- income on dividends in the amount of 345,758 thousand euro (449,127 thousand euro in the previous year) which refer to dividends distributed by subsidiaries, 344,202 thousand euro, associates, 1,444 thousand euro, and certain investees of A2A S.p.A., 112 thousand euro;
- income from gains on the disposal of financial assets for 495 thousand euro, in particular the sale of the investment in Laborae S.r.l. (formerly Mincio Trasmissione S.r.l.) to the subsidiary Amsa S.p.A.;

- income on receivables/securities booked under current assets in the amount of 13,823 thousand euro (24,848 thousand euro at December 31, 2016), including 11,253 thousand euro (17,568 thousand euro at December 31, 2016) interest from subsidiaries on intercompany loans; 34 thousand euro (192 thousand euro at December 31, 2016) in interest income from affiliates; 2,536 thousand euro (954 thousand euro at December 31, 2016) in interest on bank deposits and sundry receivables. At December 31, 2016, this item included income from the Municipality of Brescia, in accordance with the interpretation of IFRIC 12 relating to public lighting systems, for 6,134 thousand euro;
- foreign exchange gains in the amount of 919 thousand euro (1,210 thousand euro in the previous year).

Financial expenses

Financial expenses thousands of euro	12 31 2017	12 31 2016	CHANGE		
Expenses on financial assets held for trading	1,459	60,130	(58,671)		
- Shareholdings write-downs	1,459	60,130	(58,671)		
Expenses on derivatives	4,190	4,609	(419)		
Expenses on financial assets	115,943	168,326	(52,383)		
- from subsidiaries	40	3,539	(3,499)		
- from associates	-	-	-		
- parent company	-	-	-		
- others:	115,903	164,787	(48,884)		
a) interest on bond loans	91,043	119,512	(28,469)		
b) banks	4,827	5,784	(957)		
c) discounting charges	2,120	2,609	(489)		
d) sundry	16,618 36,3		(19,707)		
e) foreign exchange losses	1,295	557	738		
Total financial expenses	121,592	233,065	(111,473)		

"Financial expenses" amounted to 121,592 thousand euro (233,065 thousand euro in 2016) and referred to:

- for 1,459 thousand euro (60,130 thousand euro at December 31, 2016) to the write-down of the shareholdings in Camuna Energia S.r.l., Ecofert S.r.l. in liquidation, Sviluppo Turistico lago d'Iseo S.p.A. and the thermoelectric plant of Mincio S.r.l. in liquidation. In 2016, this item included the write-downs of the shareholdings in A2A gencogas S.p.A., Rudnik Uglja Ad Pljevlja and in A2A Alfa S.r.l.;
- realized losses on derivatives for 4,190 thousand euro (4,609 thousand euro at December 31, 2016);
- for 115,943 thousand euro (168,326 thousand euro at December 31, 2016) for expenses from financial liabilities, made up of:
 - interest charged by subsidiaries in the amount of 40 thousand euro (3,539 thousand euro in 2016) on intercompany loans extended under the Group's cash management system;
 - other financial charges in the amount of 115,903 thousand euro (164,787 thousand euro at December 31, 2016), which relate to interest on bonds and interest on the revolving credit lines used with various banks and other financial expenses. Other financial expenses include, for 16,722 thousand euro (35,665 thousand euro in 2016), the charges incurred by the company for the partial buyback of bonds maturing in 2019 and 2021 for an amount respectively of 56,822 thousand euro and 78,523 thousand euro; said charges are determined by the difference between the repurchase price and the carrying value in the financial statements of the bond concerned.

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

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33) Income taxes

Income taxes thousands of euro	12 31 2017	12 31 2016	CHANGE
Current IRES	(7,511)	(17,572)	10,061
Current IRAP	-	-	-
Effect of differences - taxes of previous years	(823)	3,560	(4,383)
Total current taxes	(8,334)	(14,012)	5,678
Deferred tax assets	21,797	39,617	(17,820)
Deferred tax liabilities	(11,285)	(70,821)	59,536
Total losses/gains for income taxes	2,178	(45,216)	47,394

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

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

The deferred tax assets and liabilities calculated when determining the subsidiaries' taxable income, again only for IRES purposes, are not transferred to the parent company, A2AS.p.A., but are recognized in the income statement of the individual subsidiary each time there is an effective divergence between net income calculated for tax reporting purposes and net income calculated for financial reporting purposes due to any temporary differences. The deferred tax assets and liabilities shown in the income statement of A2A are therefore calculated exclusively on the divergences between its income for taxable purposes and income for financial reporting purposes.

Current income tax (IRES) of A2A S.p.A. is calculated on its own taxable income net of the adjustments relating to the national tax consolidation filing, in accordance with appendix E of accounting standard OIC 25 of August 2014.

In compliance with accounting standard OIC 25, the "income/expense related to consolidation", which constitute the remuneration/counter-entry for the transfer to the parent company A2A of a tax loss or taxable income, are recognized in the balance sheet.

The total amount of IRAP is calculated at 5.57% of the net value of production, suitably adjusted for the items foreseen in the relevant tax legislation (see below for information on the rate).

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

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

At December 31, 2017, income taxes for the year (IRES and IRAP), amounted to 2,178 thousand euro (-45,216 thousand euro at the end of the previous year) and were made up as follows:

- 5,426 thousand euro in current IRES for the year;
- -12,188 thousand euro for remuneration for the transfer of interest payable to the tax consolidation system;
- -34 thousand euro for transfer to Equity reserve of part of income taxes;
- -715 thousand euro for the recognition of tax receivables on "art bonus" disbursements;
- -823 thousand euro related to taxes of previous years;
- -11,268 thousand euro for deferred tax liabilities for IRES purposes;

- -17 thousand euro for deferred tax liabilities for IRAP purposes;
- 21,511 thousand euro in deferred tax assets for IRES purposes;
- 286 thousand euro in deferred tax assets for IRAP purposes.

The main permanent increases in IRES include write-downs of shareholding in the amount of 56,290 thousand euro, non-deductible extraordinary expenses in the amount of 5,088 thousand euro, as well as property taxes (IMU) in the amount of 10,337 thousand euro.

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

IRES - reconciliation between theoretical and effective taxation

Pre-tax profit	270,638,872	
Theoretical tax expense		64,953,329
Permanent differences	(204,189,323)	
Income before taxes adjusted for permanent differences	66,449,549	
Temporary differences deductible in subsequent years	15,826,597	
Temporary differences taxable in subsequent years	(192,422)	
Reversal of prior year temporary differences	(59,474,090)	
Taxable income	22,609,634	
Current taxes on income for the year		5,426,312
Other income to deducted from tax consolidation		(12,187,630)
Taxes to be deducted to equity		(34,797)
Other tax receivables to be deducted		(715,000)
Total current income taxes for the year		(7,511,115)

IRAP - reconciliation between theoretical and effective taxation

Difference between production value and costs	123,167,411	
Costs not relevant for IRAP purposes	143,568,197	
Total	(20,400,786)	
Theoretical tax expense (5.57%)		(1,136,324)
Temporary differences deductible in subsequent years	10,646,969	
Temporary differences taxable in subsequent years	(67,045)	
Reversal of prior year temporary differences	(26,806,199)	
Taxable income for IRAP purposes	(36,627,061)	
Current IRAP on income for the year		-

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

IRES - Deferred tax assets and liabilities for the year

Taxable temporary differences

Case description units of euro	Deferred tax liabilities A2A previous year	Transactions non- recurring 2017	Deferred tax liabilities previous year			A	djustmen	ts	Uses			
	Taxable amount	Taxable amount	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	
Measurement differences for tangible assets	626,899,320	(1,685,314)	625,214,006	24.0%	150,051,361	40,049	24.0%	9,612	46,487,130	24.0%	11,156,911	
Application of finance lease standard (IAS 17)	19,903,842	-	19,903,842	24.0%	4,776,922	-	24.0%	-	267,751	24.0%	64,260	
Application of the financial instrument standard (IAS 39)	-	-	-	24.0%	-	-	24.0%	-	-	24.0%	-	
Measurement differences of intangible assets	12,023,400	-	12,023,400	24.0%	2,885,616		24.0%			24.0%	•	
Deferred capital gains	-	-	-	24.0%	-		24.0%		-	24.0%	-	
Employee leaving entitlement (TFR)	5,108,781	-	5,108,781	24.0%	1,226,107	-	24.0%		-	24.0%	-	
Other deferred tax liabilities	22,530,750	-	22,530,750	24.0%	5,407,380	6,620	24.0%	1,589	431,676	24.0%	103,602	
Total	686,466,094	(1,685,314)	684,780,780		164,347,387	46,669		11,201	47,186,556		11,324,773	

Deductible temporary differences

Case description units of euro	Deferred tax liabilities A2A previous year	Transactions non- recurring 2017	Deferred tax assets previous year			A	djustmen	ts	Uses			
	Taxable amount	Taxable amount	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	
Taxed risk provisions	318,525,325	(316,421)	318,208,904	24.0%	76,370,137	704,814	24.0%	169,155	26,882,521	24.0%	6,451,805	
Amortization, depreciation and write-downs	323,169,361	(4)	323,169,357	24.0%	77,560,646	1,589,482	24.0%	381,476	23,771,030	24.0%	5,705,047	
Application of the financial instrument standard (IAS 39)	1,497,250	-	1,497,250	24.0%	359,340	-	24.0%	-	-	24.0%	-	
Bad debt provision	8,366,629	-	8,366,629	24.0%	2,007,991	31,998	24.0%	7,680	-	24.0%	-	
Costs for business combinations	-	-		24.0%	-		24.0%	-	-	24.0%	-	
Grants	9,644,123	-	9,644,123	24.0%	2,314,590		24.0%	-	-	24.0%	-	
Goodwill	262,892,118	-	262,892,118	24.0%	63,094,108	(9,006,465)	24.0%	(2,161,552)	55,155,738	24.0%	13,237,377	
Other deferred tax assets	27,582,901	-	27,582,901	24.0%	6,619,896	(1,749)	24.0%	(420)	851,357	24.0%	204,326	
Total	951,677,707	(316,425)	951,361,282		228,326,708	(6,681,920)		(1,603,661)	106,660,646		25,598,555	

	Sub-total			Changes in tax rate			Increases for the year			Increas	es/uses to	equity	Total deferred tax liabilities			
	Taxable amount	Rate	Tax	Taxable amount	Rate	Тах	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	
	578,766,925	24.0%	138,904,062	578,766,925	24.0%	138,904,062	-	24.0%	-	-	24.0%	-	578,766,925	24.0%	138,904,062	
	19,636,091	24.0%	4,712,662	19,636,091	24.0%	4,712,662	-	24.0%	-	-	24.0%	-	19,636,091	24.0%	4,712,662	
	-	24.0%	-	-	24.0%	-	-	24.0%	-	-	24.0%	-	-	24.0%	-	
	12,023,400	24.0%	2,885,616	12,023,400	24.0%	2,885,616	67,045	24.0%	16,091	-	24.0%		12,090,445	24.0%	2,901,707	
	-	24.0%	-	-	24.0%	-	125,377	24.0%	30,090		24.0%	-	125,377	24.0%	30,090	
·	5,108,781	24.0%	1,226,107	5,108,781	24.0%	1,226,107	-	24.0%	-		24.0%		5,108,781	24.0%	1,226,107	
	22,105,694	24.0%	5,305,367	22,105,694	24.0%	5,305,367		24.0%	-	-	24.0%	-	22,105,694	24.0%	5,305,367	
	637,640,892		153,033,814	637,640,892		153,033,814	192,422		46,181				637,833,314		153,079,995	

Sub-total			Changes in tax rate			Increases for the year			Increas	es/uses to	equity	Total deferred tax assets			
Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	
292,031,197	24.0%	70,087,487	292,031,197	24.0%	70,087,487	10,646,969	24.0%	2,555,273	(18,034,898)	24.0%	(4,328,376)	284,643,268	24.0%	68,314,384	
300,987,809	24.0%	72,237,074	300,987,809	24.0%	72,237,074	1,372,537	24.0%	329,409	-	24.0%	-	302,360,346	24.0%	72,566,483	
1,497,250	24.0%	359,340	1,497,250	24.0%	359,340	-	24.0%	-	-	24.0%	-	1,497,250	24.0%	359,340	
8,398,627	24.0%	2,015,670	8,398,627	24.0%	2,015,670	2,918,389	24.0%	700,413	-	24.0%	-	11,317,016	24.0%	2,716,084	
-	24.0%		-	24.0%	-	-	24.0%		-	24.0%	-	-	24.0%		
9,644,123	24.0%	2,314,590	9,644,123	24.0%	2,314,590		24.0%	-	-	24.0%	-	9,644,123	24.0%	2,314,590	
198,729,915	24.0%	47,695,180	198,729,915	24.0%	47,695,180	-	24.0%		-	24.0%	-	198,729,915	24.0%	47,695,180	
26,729,795	24.0%	6,415,151	26,729,795	24.0%	6,415,151	888,702	24.0%	213,288	20,113,827	24.0%	4,827,319	47,732,324	24.0%	11,455,758	
838,018,716		201,124,492	838,018,716		201,124,492	15,826,597		3,798,383	2,078,929		498,943	855,924,242		205,421,818	

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Taxable temporary differences

Case description units of euro	Deferred tax liabilities A2A previous year	Transactions non- recurring 2017	Deferr	ed tax lial evious ye		Adjustments		Uses in current year				
	Taxable amount	Taxable amount	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	
Measurement differences for tangible assets	378,014,026	-	378,014,026	5.57%	21,055,381	-	5.57%	-	2,961	5.57%	165	
Application of finance lease standard (IAS 17)	14,629,909	-	14,629,909	5.57%	814,886	-	5.57%		-	5.57%	-	
Measurement differences of intangible assets	8,889	-	8,889	5.57%	495	-	5.57%		-	5.57%	-	
Other deferred tax liabilities	12,480,807	-	12,480,807	5.57%	695,181	-	5.57%	-	371,741	5.57%	20,706	
Total	405,133,631		405,133,631		22,565,943				374,702		20,871	

Deductible temporary differences

Case description units of euro	Deferred tax liabilities A2A previous year	Transactions non- recurring 2017	Defe	rred tax a evious ye		Adjustments		Uses in current year				
	Taxable amount	Taxable amount	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	
Taxed risk provisions	305,957,219	(221,552)	305,735,667	5.57%	17,029,477	(566,465)	5.57%	-31,552	23,833,892	5.57%	1,327,548	
Amortization, depreciation and write-downs	225,200,579	-	225,200,579	5.57%	12,543,672	6,318,925	5.57%	351,964	1,254,422	5.57%	69,871	
Costs for business combinations	-	-	-	5.57%	-	-	5.57%	-	-	5.57%	-	
Grants	6,087,924	-	6,087,924	5.57%	339,097	-	5.57%		-	5.57%		
Goodwill	50,626,596	-	50,626,596	5.57%	2,819,901	(881,992)	5.57%	(49,127)	-	5.57%		
Other deferred tax assets	(7,239,659)	-	(7,239,659)	5.57%	(403,249)	-	5.57%	-	2,092,586	5.57%	116,557	
Total	580,632,660	(221,552)	580,411,108		32,328,899	4,870,468		271,285	27,180,900		1,513,976	

Sub-total		Rati	e adjustm	ent	Increas		ases for the year		Increases/uses to equity			Total deferred tax liabilities		
Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax
378,011,065	5.57%	21,055,216	378,011,065	5.57%	21,055,216	-	5.57%	-	-	5.57%	-	378,011,065	5.57%	21,055,216
14,629,909	5.57%	814,886	14,629,909	5.57%	814,886	-	5.57%	-	-	5.57%	-	14,629,909	5.57%	814,886
8,889	5.57%	495	8,889	5.57%	495	67,045	5.57%	3,734	-	5.57%	-	75,934	5.57%	4,230
12,109,066	5.57%	674,475	12,109,066	5.57%	674,475	-	5.57%	-	-	5.57%	-	12,109,066	5.57%	674,475
404,758,929		22,545,072	404,758,929		22,545,072	67,045		3,734				404,825,974		22,548,807

Sub-total		Rate	e adjustm	ent	Increases for the year		e year	Increases/uses to equity			Total deferred tax assets			
Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax
281,566,214	5.57%	15,683,238	281,566,214	5.57%	15,683,238	10,646,969	5.57%	593,036	(18,034,898)	5.57%	-1,004,544	274,178,286	5.57%	15,271,731
230,265,082	5.57%	12,825,765	230,265,082	5.57%	12,825,765	-	5.57%	-	-	5.57%	-	230,265,082	5.57%	12,825,765
-	5.57%	-	-	5.57%	-	-	5.57%	-	-	5.57%	-	-	5.57%	
6,087,924	5.57%	339,097	6,087,924	5.57%	339,097	-	5.57%	-	-	5.57%	-	6,087,924	5.57%	339,097
49,744,604	5.57%	2,770,774	49,744,604	5.57%	2,770,774	-	5.57%	-	-	5.57%	-	49,744,604	5.57%	2,770,774
(9,332,245)	5.57%	(519,806)	(9,332,245)	5.57%	-519,806	-	5.57%	-	12,428,293	5.57%	692,256	3,096,048	5.57%	172,450
558,331,580		31,099,069	558,331,580		31,099,069	10,646,969		593,036	(5,606,605)		(312,288)	563,371,944		31,379,817

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34) Net result from discontinued operations held for sale

At December 31, 2017, the item shows a balance of 54,831 thousand euro (no value at December 31, 2016) and refers for 29,017 thousand euro to the write-down and for 25,814 thousand euro to discounting charges of the shareholding in EPCG to adjust its value to fair value being a discontinued operation in compliance with the provisions of IFRS 5, following management's decision of July 3, 2017 to exercise the sale put option on the entire shareholding package, equal to 41.75% of the share capital held by A2A S.p.A..

35) Result of the year

The net income of the year amounted to 268,461 thousand euro (274,050 thousand euro at December 31, 2016).

Note on related party transactions

36) Note on related party transactions

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

Relationships with parent companies and their subsidiaries

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

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

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

In December 2014, the Municipalities of Milan and Brescia sold a total shareholding of 0.51% of A2A S.p.A., while in the first two months of 2015, the Municipalities of Milan and Brescia sold an additional shareholding of 4.5% of A2A S.p.A..

On October 4, 2016, the Municipalities of Milan and Brescia renewed for another three years, with effect from January 1, 2017, the Shareholders' Agreement signed on December 30, 2013, concerning 1,566,452,642 ordinary shares representing 50% plus two shares of the share capital of A2A S.p.A.. On May 20, 2016, the two Municipalities had proceeded to sign an appendix to the Agreement, which envisaged reducing from six months to three months the term of the agreement, during which it is possible to terminate the same.

On October 26, 2016, the Municipality of Milan received from the Municipality of Brescia the proposal, approved by the Council of said Municipality on October 25, 2016, to partially amend the shareholders' agreement relating to A2A S.p.A. existing between the two Municipalities. In particular, said proposal requires the commitment of the two Municipalities to maintain syndicated and bound, in the new agreement, a number of shares held by them in equal measure, equal to 42% of the share capital of A2A S.p.A.. On November 4, 2016, the Council of the Municipality of Milan, after having favourably examined the proposal of the Municipality of Brescia of a partial amendment to the shareholders' agreement, submitted to the Municipal Council the proposal of the new shareholders' agreement for the final determinations of competence.

On January 23, 2017, the Milan City Council approved the new Shareholders' Agreement between the Municipality of Milan and the Municipality of Brescia regarding the shareholding in A2A S.p.A. and has undertaken the commitment not to proceed with the disposal of any shares owned by the Municipality of Milan.

At the date of approval of these separate financial statements at December 31, 2017, the two shareholders held a shareholding of 50% plus two shares that enables the two municipalities to maintain control over the company.

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

Similarly, the A2A Group companies entertain commercial relationships with the companies controlled by the Municipalities of Milan and Brescia, for example, Metropolitana Milanese S.p.A., ATM S.p.A., Brescia Mobilità S.p.A., Brescia Trasporti S.p.A. and Centrale del Latte di Brescia S.p.A., supplying them with electrical energy, gas, heat, water purification and sewer service at market rates appropriate to the supply conditions and providing the services required. Note that these companies are considered related parties in the preparation of the financial statement schedules pursuant to Consob Resolution 17221 of March 12, 2010.

The relationships between the Municipalities of Milan and Brescia and the A2A Group, in relation to granting the services associated with public lighting, street lights, management and supply of

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electricity, gas, heat, and water purification and sewer service are regulated by special conventions and specific contracts.

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

On April 12, 2017, Amsa S.p.A., a subsidiary of A2A S.p.A., signed a contract with the Municipality of Milan for the management of environmental protection services for the period January 1, 2017 - February 8, 2021.

Relationships with subsidiaries and affiliates

The parent company A2AS.p.A., operates like a centralized treasury for the majority of the subsidiaries.

Relations between the companies are regulated through current accounts between the parent company and the subsidiaries, on which rates are applied, at market conditions, based on variable Euribor, with specific spreads for companies. For the financial year 2017, A2A S.p.A. and its subsidiaries have adopted the VAT procedure of the Group.

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

The parent company provides the subsidiaries and affiliates with administrative, fiscal, legal, management and technical services in order to optimize the resources available in the company and to use the existing expertise in terms of economic convenience. These services are governed by specific service contracts stipulated annually. A2A S.p.A. also makes office space and operating areas at its own premises available to subsidiaries and associates, as well as associated services. These are provided at market conditions.

The companies A2A gencogas S.p.A. and A2A Energiefuture S.p.A., for a monthly fee related to the actual availability of the thermoelectric plants, provide to the Parent Company the power generation service.

Telecommunication services are provided by the subsidiary A2A Smart City S.p.A..

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

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

Balance	Total		Of which with related parties									
sheet thousands of euro	12 31 2017	Subsi- diary compa- nies	Associa- ted compa- nies	Munici- pality of Milan	Subsidia- ries Munici- pality of Milan	Munici- pality of Brescia	Subsidia- ries Municipa- lity of Brescia	Related parties indivi- duals	Total related parties	% effect on the balance sheet item		
TOTAL ASSETS OF WHICH:	7,602,157	4,712,228	276,631	2,106	3	377	139	-	4,991,484	65.7%		
Non-current assets	5,005,051	3,682,666	43,196	-	-	-	139	-	3,726,001	74.4%		
Shareholdings	3,653,742	3,610,546	43,196	-	-	-	-	-	3,653,742	100.0%		
Other non-current financial assets	75,696	72,120	-	-	-	-	139	-	72,259	95.5%		
Current assets	2,372,920	1,029,562	9,249	2,106	3	377	-	-	1,041,297	43.9%		
Trade receivables	551,660	111,512	8,999	2,106	3	377		-	122,997	22.3%		
Other current assets	164,992	40,875	-	-	-	-	-	-	40,875	24.8%		
Current financial assets	878,625	877,175	250	-	-	-	-	-	877,425	99.9%		
Non-current assets held for sale	224,186	-	224,186	-	-	-	-	-	224,186	100.0%		
TOTAL LIABILITIES OF WHICH:	5,172,110	545,202	104,767	545	514	-	-	209	651,237	12.6%		
Non-current liabilities	3,730,304	1,105	84,457	-	-	-	-	-	85,562	2.3%		
Provisions for risks, charges and liabilities for landfills	164,898	1,105	84,457	-	-	-	-	-	85,562	51.9%		
Current liabilities	1,441,806	544,097	20,310	545	514	-	-	209	565,675	39.2%		
Trade payables	689,580	63,653	12,280	545	514	-	-	-	76,992	11.2%		
Other current liabilities	242,079	66,489	7,167	-	-	-	-	209	73,865	30.5%		
Current financial liabilities	510,147	413,955	863	-	-	-	-	-	414,818	81.3%		

Income	Total		Of which with related parties									
statement thousands of euro	12 31 2017	Subsi- diary compa- nies	Associa- ted compa- nies	Munici- pality of Milan	Subsidia- ries Munici- pality of Milan	Munici- pality of Brescia	Subsidia- ries Municipa- lity of Brescia	Related parties indivi- duals	Total related parties	% effect on the balance sheet item		
REVENUES	3,089,311	825,512	3,283	3,162	-	87	-	-	832,044	26.9%		
Revenues from the sale of goods and services	3,037,520	817,541	3,267	3,162	-	87	-	-	824,057	27.1%		
Other operating revenues	51,791	7,971	16	-	-	-	-	-	7,987	15.4%		
OPERATING COSTS	2,787,877	260,832	33,377	-	389	-	2	260	294,860	10.6%		
Expenses for raw materials and services	2,486,302	94,012	16,846	-	389	-	2	260	111,509	4.5%		
Other operating costs	301,575	166,820	16,531	-	-	-	-	-	183,351	60.8%		
LABOUR COSTS	127,819		-	-	-	-	-	1,787	1,787	1.4%		
FINANCIAL BALANCE	239,431	354,063	1,371		-	-	-		355,434	148.4%		
Financial income	361,023	355,455	1,478	-	-	-	-	-	356,933	98.9%		
Financial expenses	121,592	1,392	107	-	-	-	-	-	1,499	1.2%		
Net result from discontinued operations	(54,831)	(54,831)	-	-	-	-	-	-	(54,831)	100.0%		

Section 2 of this file provides complete schedules as required under 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 – 2018" available on the website www.a2a.eu.

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

- transfer of the business unit relating to "Public Lighting Activities in the Municipalities of Bergamo, Brescia, Milan, Cassano, Pieve Emanuele and San Giuliano Milanese" in favour of the subsidiary A2A Illuminazione Pubblica Srl with effect from January 1, 2017;
- acquisition of business units relating to "Administration and Finance", "Purchases (excluding the
 organizational structure of Gestione Magazzini)" and "Communication and External Relations"
 from the subsidiary Amsa S.p.A. with effect from January 1, 2017;
- sale of a business unit relating to "Security Control Room and Inspection Service" to the subsidiary A2A Security S.c.p.a. with effect from October 27, 2017.

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

	1	I	I		
Detail of non-recurrering transactions amounts in euro	NOTES	Transfer of the business unit relating to "Public Lighting	"Administration and	A2A S.p.A. Sale of a business unit relating to "Security	EFFECT NON-RECURRING TRANSACTIONS
		Activities in the Municipalities of Bergamo, Brescia, Milan, Cassano, Pieve Emanuele and San Giuliano Milanese" to A2A Illuminazione Pubblica S.r.l. 2017/01/01	Finance", "Purchases (excluding the organizational structure of Gestione Magazzini)" and "Communication and External Relations" from Amsa S.p.A. 2017/01/01	Control Room and Inspection Service" to A2A Security S.c.p.a. 10/27/2017	
ASSETS					
NON-CURRENT ASSETS					
Tangible assets	1	(28,498,352)	2,489	(316,552)	(28,812,415)
Intangible assets	2	(177,140)	1,206,808		1,029,668
Shareholdings	3	28,500,000	,,		28,500,000
Other non-current financial assets	3	(3,704,254)			(3,704,254)
Deferred tax assets	4	316,193			316,193
Other non-current assets	5	310,133			510,155
TOTAL NON-CURRENT ASSETS		(3,563,553)	1,209,297	(316,552)	(2,670,808)
CURRENT ASSETS		(3,303,33)	1,203,237	(310,332)	(2,070,000)
Inventories	6				-
Trade receivables	7	(13,894,121)			(13,894,121)
Other current assets	8	(-, , ,			-
Current financial assets	9	6,227,687	309,197	(32,769)	6,504,115
Current tax assets	10	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		(=1,: =5)	-
Cash and cash equivalents	11				_
TOTAL CURRENT ASSETS		(7,666,434)	309,197	(32,769)	(7,390,006)
NON-CURRENT ASSETS HELD FOR SALE	12	(1,200,100)	333,233	(=2/: 32/	-
TOTAL ASSETS		(11,229,987)	1,518,494	(349,321)	(10,060,814)
EQUITY AND LIABILITIES					
EQUITY					
Share capital	13				-
(Treasury shares)	14				-
Reserves	15				-
Result of the year	16			156,721	156,721
EQUITY		-	-	156,721	156,721
LIABILITIES				-	-
NON-CURRENT LIABILITIES					
Non-current financial liabilities	17				-
Employee benefits	18		1,300,473	(374,061)	926,412
Provisions for risks, charges and liabilities for landfills	19	(316,421)			(316,421)
Other non-current liabilities	20				-
TOTAL NON-CURRENT LIABILITIES		(316,421)	1,300,473	(374,061)	609,991
CURRENT LIABILITIES					
Trade payables	21	(10,630,113)			(10,630,113)
Other current liabilities	21	(283,453)	218,021	(131,981)	(197,413)
Current financial liabilities	22				-
Tax payables	23				-
TOTAL CURRENT LIABILITIES		(10,913,566)	218,021	(131,981)	(10,827,526)
TOTAL LIABILITIES		(11,229,987)	1,518,494	(506,042)	(10,217,535)
LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE					-
TOTAL EQUITY AND LIABILITIES		(11,229,987)	1,518,494	(349,321)	(10,060,814)

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Guarantees and commitments with third parties

thousands of euro	2017	2016
Guarantees received	209,523	199,495
Guarantees provided	221,939	278,706

Guarantees received

Guarantees received amounted to 209,523 thousand euro (199,495 thousand euro at December 31, 2016) and include 72,612 thousand euro for sureties and security deposits issued by subcontractors to guarantee the proper execution of the work assigned and 136,911 thousand euro for sureties and security deposits received from customers to guarantee the regularity of payments.

Guarantees provided and commitments with third parties

Guarantees provided amounted to 221,939 thousand euro (278,706 thousand euro at December 31, 2016), of which for obligations undertaken in the loan agreements of 104,970 thousand euro. Said guarantees include bank sureties for 111,745 thousand euro, insurance for 13,151 thousand euro and parent company guarantees related to associated companies for 97,043 thousand euro.

Other information

1) Significant events after December 31, 2017

See the Report on Operations for a description of subsequent events.

2) Information on treasury shares

At December 31, 2017, A2A S.p.A. held 23,721,421 treasury shares, unchanged compared to December 31, 2016, equal to 0.757% of the share capital consisting of 3,132,905,277 shares.

At December 31, 2017, no treasury shares were held through subsidiaries, finance companies or nominees.

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

At December 31, 2017, the item "Assets held for sale" amounted to 224,186 thousand euro (December 31, 2016, it was zero) and refers to the reclassification of the investment in EPCG, held 41.75% by A2A S.p.A., being a discontinued operation in compliance with the provisions of IFRS 5, following the decision of July 3, 2017 of the management to exercise the sale put option on the entire shareholding package. The investment was reclassified for a total of 279,017 thousand euro and was written down and discounted for a total of 54,831 thousand euro to adjust its value to fair value.

4) Financial risk management

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

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

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

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

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

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

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

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

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

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

Details on the risks to which A2A S.p.A. is exposed are provided below.

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a. Commodity risk

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

A2A S.p.A. is exposed to price risk, including the related exchange rate risk, on all of the energy commodities that it handles, namely electricity, natural gas, heat, coal, fuel oil, and environmental certificates; the financial performance of production, purchasing and sales activities is affected by the related price fluctuations. These fluctuations act both directly and indirectly, through formulas and indexing in the pricing structure.

To stabilize cash flows and to 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 and the requirements laid down in international accounting standards on how to recognize the volatility of commodity price and financial derivatives in the income statement and balance sheet.

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

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

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

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

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

In order to identify trading activity, the A2A Group follows the Capital Adequacy Directive and the definition of assets held for trading provided by International Accounting Standard (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-EEX), stabilizing electricity price margins on the wholesale market with particular attention being paid to fixed price energy sales and purchases and stabilizing price differences deriving from various indexing mechanisms for the pricing of gas and electricity. To that end, hedging contracts were executed during the year on electricity purchase and sale agreements and on contracts to hedge the fee for the use of electricity transport capacity between the areas of the IPEX market (CCC contracts); hedging contracts were concluded with leading banks on contracts for the purchase of coal and gas so as to protect sales margins and at the same time keep the risk profile to within the limits set by the Group's energy risk policy.

As part of the optimization of the portfolio of greenhouse gas emission allowances (see Directive 2003/87/EC), A2A S.p.A. has stipulated Future contracts on the ICE ECX (European Climate Exchange) price. These are considered hedging transactions from an accounting point of view in the event of demonstrable surplus/deficit quotas.

The fair value at December 31, 2017 was 1,382 thousand euro (8,114 thousand euro at December 31, 2016).

Derivatives of the industrial portfolio not considered hedges

Also as part of its optimization of the industrial portfolio, contracts have been entered into by A2A S.p.A. 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 December 31, 2017 was -86 thousand euro (-248 thousand euro at December 31, 2016).

Derivatives of the Trading Portfolio

As part of its trading activity, A2A S.p.A. has taken out Future contracts on major European energy stock exchanges (EEX, Powernext) and forward contracts on the price of electricity with delivery in Italy and neighboring countries such as France, Germany and Switzerland. A2A S.p.A. has also signed interconnection contracts with operators in neighboring countries, which are considered purchases of options. Also as part of trading activities, both Future and Forward contracts were also stipulated for the market price of gas (ICE-Endex CEGH).

The fair value at December 31, 2017 was 8,357 thousand euro (5,130 thousand euro at December 31, 2016).

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

PaR⁽¹⁾ or Profit at Risk, 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 December 31, 2017 was 28,839 thousand euro (10,688 thousand euro at December 31, 2016).

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

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

thousands of euro	12 31	2017	12 31	2016
Profit at Risk (PaR)	Worst case	Best case	Worst case	Best case
Confidence level 99%	(28,839)	35,046	(10,688)	13,551

This means that with a 99% probability, A2A S.p.A. expects not to have changes in fair value exceeding 28,839 thousand euro in the fair value of its entire portfolio of financial instruments at December 31, 2017 due to commodity price fluctuations in the 12 months following. If there are any negative changes in the fair value of derivatives, these would be compensated by changes in the underlying as the result of changes in market prices.

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

VaR (Value at Risk)⁽²⁾ is used to assess the impact that fluctuations in the market price of the underlying have on the financial derivatives taken out by A2A S.p.A. that are attributable to the trading portfolio. It is the negative change in the value of a financial instruments portfolio within set probability assumptions as the result of an unfavourable shift in the market indices. VaR is calculated using the RiskMetrics method with a holding period of 3 days and a confidence level of 99%. Alternative methods are used for contracts where it is not possible to perform a daily estimate of VaR such as stress test analysis.

Under this method, in the case of extreme market movements, with a confidence level of 99% and a holding period of 3 days, the maximum estimated loss on the derivatives in question was 314 thousand euro at December 31, 2017 (2,961 thousand euro at December 31, 2016).

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

The following are the results of the assessments:

thousands of euro	12 31	2017	12 31 2016 Restated		
Value at Risk (VaR)	VaR	Stop loss	VaR	Stop loss	
Confidence level 99%, holding period 3 days	(314)	(314)	(2,961)	(13,139)	

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.

Bank borrowings and other financing may be analyzed as follows at December 31, 2017:

millions of euro	DEC	EMBER 31, 2	2017	DEC	EMBER 31, 2	2016			
	Without derivatives	With derivatives	% with derivatives			% with derivatives			
Fixed rate	2,696	2,810	81%	2,228	2,362	73%			
Floating rate	793	679	19%	989	855	27%			
Total	3,489	3,489		3,217	3,217				

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

At December 31, 2017, the following are the hedging instruments for interest rate risk:

millions of euro

HEDGING INSTRUMENT	HEDGED ASSET	DECEMBER 31, 2017		DECEMBER 31, 2016		
		Fair value	Notional	Fair value	Notional	
Collar	Floating rate loan	(10.6)	114.3	(14.8)	133.3	
Total		(10.6)	114.3	(14.8)	133.3	

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

millions of euro

ACCOUNTING TREATMENT	DERIVATIVES	NOTIONAL		FAIR VALUE ASSETS		NOTIONAL		FAIR VALUE LIABILITIES	
		at 12/31/2017	at 12/31/2016	at 12/31/2017	at 12/31/2016	at 12/31/2017	at 12/31/2016	at 12/31/2017	at 12/31/2016
Cash flow hedge	Collar	-	-	-	-	114.3	133.3	(10.6)	(14.8)
Total					-			(10.6)	(14.8)

The table below illustrates the underlying of outstanding derivatives at December 31, 2017:

Loan	Derivative	Accounting
A2A S.p.A. loan with BEI: expiring in	Collar to fully cover the loan and	The loan is measured at amortized
November 2023, residual balance	the same maturity, with a floor on	cost.
at December 31, 2017 amounting	Euribor rate 2.99% and 4.65% cap.	The collar is a cash flow hedge,
to 114.3 million euro, at floating	At December 31, 2017, the fair value	with 100% recognized in a specific
rate interest.	was negative for 10.6 million euro.	equity reserve.

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

millions of euro	YEAR	2017
	-50 bps	+50 bps
Increase (decrease) in net financial expenses	(1.9)	1.9

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		2017 se: -10.6)	12 31 (base cas	2016 se: -14.8)
	-50 bps	+50 bps	-50 bps	+50 bps
Change in fair value of derivatives	(1.9)	1.8	(2.6)	2.4
(of which cash flow hedges)	(1.9)	1.8	(2.6)	2.4
(of which fair value hedges)	-	-	-	-

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

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c. Exchange rate risk not related to commodities

In relation to exchange rate risk other than that included in the price of commodities, the hedging instruments at December 31, 2017 are as follows:

millions of euro

HEDGING INSTRUMENT	HEDGED ASSET	DECEMBE	R 31, 2017	DECEMBE	R 31, 2016
		Fair value	Notional	Fair value	Notional
Cross Currency IRS	Fixed rate loan in foreign currency	(7.9)	103.7(*)	3.9	98.0
Currency Forward	Future purchases in foreign currency	-	-	0.1	0.8
Total		(7.9)	103.7	4.0	98.8

^(*) at December 31, 2017, the notional of the CCS was valued at the year-end ECB exchange rate.

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

millions of euro

ACCOUNTING TREATMENT	DERIVATIVES	NOTIONAL		FAIR VALUE ASSETS		NOTIONAL		FAIR VALUE LIABILITIES	
		at 12/31/2017	at 12/31/2016	at 12/31/2017	at 12/31/2016	at 12/31/2017	at 12/31/2016	at 12/31/2017	at 12/31/2016
Cash flow hedge	CCIRS	-	98.0	-	3.9	103.7	-	(7.9)	-
Fair value	Currency forward	-	0.8	-	0.1	-	-	-	-
Total				-	4.0			(7.9)	-

In particular:

1) Cross Currency IRS

The underlying of the derivative refers to the bond at fixed rate of 14 billion yen with maturity 2036 bullet issued in 2006.

A cross currency swap contract was stipulated for the entire duration of this loan, which converts the principal and interest payments from yen into euro.

At December 31, 2017, the fair value of the hedge was negative for 7.9 million euro. This fair value would improve by 18.1 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 14.8 million euro in the event of a 10% rise in the forward curve of the euro/yen exchange rate (depreciation of the yen). The sensitivity analysis was performed with the aim of calculating the effect of changes in the forward curve of the euro/yen exchange rate on the fair value ignoring any impact on the adjustment due to the bCVA.

2) Currency Forward

The underlying of the derivative refers to payments of invoices in foreign currency, denominated in USD, in relation to the maintenance contract of the Sermide plant.

This derivative is accounted as fair value as the underlying is held by the subsidiary A2A gencogas S.p.A., while the derivative is contractualized by A2A S.p.A..

d. Liquidity risk

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

The profile of the gross debt maturities of A2A is as follows:

thousands of euro	Accounting balance	Portions maturing	Portions maturing	-				
	12 31 2017	within 12 months	after 12 months	12 31 2019	12 31 2020	12 31 2021	12 31 2022	After
Bonds	2,695,769	45,859	2,649,910	509,378	-	349,515	497,589	1,293,428
Financial payables to related parties	863	863	-	-	-	-	-	-
Bank loans	790,159	47,121	743,038	51,505	107,682	79,955	79,956	423,940
Current amounts due to other providers of finance	2,349	2,349	-	-	-	-	-	-
TOTAL	3,489,140	96,192	3,392,948	560,883	107,682	429,470	577,545	1,717,368

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

At December 31, 2017, the company had a total of 1,334 million euro, as follows: (i) revolving committed credit lines for 600 million euro maturing in 2019, unused; (ii) unused long-term financing for a total of 120 million euro; (iii) cash and cash equivalents totalling 614 million euro.

A2A also maintains a Bond Issue Program (Euro Medium Term Note Programme) of 4 billion euro, of which 1,438 million euro still available.

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

12 31 2017 millions of euro	1-3 MONTHS	4-12 MONTHS	AFTER 12 MONTHS
Bonds	45	43	3,066
Payables and other financial liabilities	6	48	800
Total financial flows	51	91	3,866
Payables to suppliers	163	4	1
Total trade payables	163	4	1

12 31 2016 millions of euro	1-3 MONTHS	4-12 MONTHS	AFTER 12 MONTHS
Bonds	45	40	2,627
Payables and other financial liabilities	4	251	801
Total financial flows	49	291	3,428
Payables to suppliers	194	1	1
Total trade payables	194	1	1

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e. Credit risk

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

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

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

Trade receivables are recognized on the balance sheet net of any write-downs. It is felt that the amount shown provides and accurate representation of the fair value of the trade receivables portfolio.

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

f. Equity risk

A2A S.p.A. was not exposed to equity risk at December 31, 2017.

At December 31, 2017, A2A S.p.A. held 23,721,421 treasury shares, representing 0.757% of the share capital consisting of 3,132,905,277 shares.

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

g. Covenants non-compliance risk

Bonds (book value at December 31, 2017 equal to 2,696 million euro), loans (book value at December 31, 2017 equal to 790 million euro) and revolving committed bank lines present Terms and Conditions in line with the market for each type of instrument. In particular, they envisage: (i) negative pledge clauses under which A2A S.p.A. undertakes not to pledge, with exceptions, guarantees on its assets or those of its directly held subsidiaries over and above a specific threshold; (ii) cross- default/acceleration clauses which entail immediate reimbursement of the loans in the event of serious non-performance; and (iii) clauses that provide for immediate repayment in the event of declared insolvency on the part of certain direct subsidiaries.

Bonds include (i) 2,590 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) 105 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 728 million euro contain a Credit Rating clause (if rating below BBB- or equivalent level to sub-investment grade), of which 613 million euro - due after 2024 - also include a change of control clause of A2A S.p.A., with the right for the bank to invoke, upon notice to the company containing indication of the reasons, the early repayment of the loan.

Lastly, the loan signed with UniCredit, brokered by the EIB, for a book value of 4 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 reference to the revolving committed bank lines available, the line for 600 million euro maturing November 2019 includes 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 euro is also subject to the financial covenant NFP/EBITDA.

At December 31, 2017, there was no situation of non-compliance with the covenants of A2A S.p.A..

A2A S.p.A. - Financial covenants at December 31, 2017

COMPANY	BANK	LEVEL OF REFERENCE	LEVEL RECOGNIZED	DATE OF RECOGNITION
A2A	Pool RCF	NFP/Ebitda <=4	2.7	12/31/2017

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:

- 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.

A2A S.p.A. uses "continuous-time" discounting to measure fair value. As a discount factor, it uses the interest rate for risk-free assets, identified in the Euro Overnight Index Average (EONIA) rate and represented in its forward structure by the Overnight Index Swap (OIS) curve. The fair value of the cash flow hedges has been classified on the basis of the underlying derivative contracts in accordance with 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 S.p.A. has, in line with best market practices, developed a proprietary model called the "bilateral Credit Value Adjustment" (bCVA), which takes into account changes in the creditworthiness of the counterpart as well as the changes in its own creditworthiness.

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

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

The bCVA is therefore calculated with reference to the exposure, measured on the basis of the market value of the derivative at the time of the default, the probability of default (PD) and the loss given default (LGD). This latter item, which represents the non-recoverable portion of the receivable in the case of default, is measured on the basis of the IRB Foundation Methodology as stated in the Basel 2

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accords, whereas the PD is measured on the basis of the rating of the counterparties (internal rating based where not available) and the historic probability of default associated with this and published annually by Standard & Poor's.

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

Instruments outstanding at December 31, 2017

A) On interest and exchange rates

The following analyses show the outstanding amounts of derivative contracts stipulated and not expired at the balance sheet date, by maturity.

thousands of euro		value (a) thin 1 year	Notional expiring withi	value (a) n 1 and 5 years	Notional value (a) expiring	Balance sheet value	Progressive effect to income
	to be received	to be paid	to be received	to be paid	over 5 years		statement at 12 31 2017 (c)
Interest rate risk management							
- cash flow hedges as per IAS 39		19,048		76,190	19,048	(10,616)	
- not considered hedges as per IAS 39							
Total derivatives on interest rates	-	19,048	-	76,190	19,048	(10,616)	-
Exchange rate risk management							
- considered hedges as per IAS 39 on commercial transactions on financial transactions					103,696	(7,868)	
- not considered hedges as per IAS 39 on commercial transactions on financial transactions					,	., .,	
Total exchange rate derivatives	-	-	-	-	103,696	(7,868)	-

⁽a) Represents the sum of the notional value of the elementary contracts that derive from any dismantling of complex contracts

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

⁽c) Represents the adjustment of derivatives to fair value recognized progressively over time in the income statement from the stipulation of the contract to the present day.

B) On commodities

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

	Notional Value thousands of euro	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 (*) thousands of euro	Progressive effect to income statement (**) thousands of euro
Energy product price risk management							
A. Cash flow hedges as per IAS 39, including:						1,381.5	-
- Electricity	44,129.9	TWh	4.8	0.1		144.4	
- Oil		Bbl					
- Coal	12,876.8	Tons	143,500			(265.6)	
- Natural Gas	735.1	TWh	0.035			9.7	
- Natural Gas	8,071.6	Millions of cubic metres	39.6			25.3	
- Exchange rate		Millions of dollars					
- CO ₂ Emission rights	14,019.3	Tons	1,884,000	12,000		1,467.7	
B. Considered fair value hedges as per IAS 39						-	-
C. Not considered hedges as per IAS 39 of which:						8,270.8	3,389.2
C.1 hedge margin						(86.4)	161.7
- Electricity	955.3	TWh	0.1			(86.4)	(86.1)
- Oil		Bbl					
- Natural Gas		MWh					
- Natural Gas		Millions of cubic metres					
- CO ₂ Emission rights		Tons					247.8
- Exchange rate		Millions of dollars					
C.2 trading transactions						8,357.2	3,227.5
- Electricity	947,895.2	TWh	23.0	0.5		7,701.9	3,188.6
- Natural Gas	686,594.0	TWh	35.9	1.2		655.3	41.3
- CO ₂ Emission rights		Tons					(2.4)
- Environmental Certificates		MWh					
- Environmental Certificates		Тер					
Total						9,652.3	3,389.2

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

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^(**) 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.

C) On investments

At December 31, 2017, there are no derivatives on shareholdings like in the previous year.

Financial and operating results for derivative transactions in 2017

The following table shows the balance sheet figures at December 31, 2017, for derivative transactions.

Balance sheet figures

thousands of euro	NOTES	TOTAL	
ASSETS			
NON-CURRENT ASSETS		-	
Other non-current assets - Derivatives	5	-	
CURRENT ASSETS		96,172	
Other current assets - Derivatives	8	96,172	
TOTAL ASSETS		96,172	
LIABILITIES			
NON-CURRENT LIABILITIES		18,484	
Other non-current liabilities - Derivatives	20	18,484	
CURRENT LIABILITIES		86,520	
Trade payables and other current liabilities - Derivatives	21	86,520	
TOTAL LIABILITIES		105,004	

Economic data

The following table sets out the income statement figures at December 31, 2017 arising from the management of derivatives.

thousands of euro	Notes	Realised during the year	Change in fair value during the year	Amounts recognized in the income statement
REVENUES	25			
Revenues from the sale of goods				
Energy product price risk management and exchange rate risk management on commodities				
- considered hedges as per IAS 39		8,762	-	8,762
- not considered hedges as per IAS 39		40,933	169,099	210,032
Total revenues from the sale of goods		49,695	169,099	218,794
OPERATING EXPENSES	26			
Expenses for raw materials and services				
Energy product price risk management and exchange rate risk management on commodities				
- considered hedges as per IAS 39		7,028	-	7,028
- not considered hedges as per IAS 39		(13,386)	(165,710)	(179,096)
Total costs for raw materials and services		(6,358)	(165,710)	(172,068)
Total recognized in gross operating income (*)		43,337	3,389	46,726
FINANCIAL BALANCE	32			
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		93	(65)	28
Total		93	(65)	28
Total financial income		93	(65)	28
Financial expenses				
Interest rate risk management and equity risk management				
Expenses on derivatives				
- considered hedges as per IAS 39		(4,190)	-	(4,190)
- not considered hedges as per IAS 39		-	-	-
Total		(4,190)	-	(4,190)
Total financial expenses		(4,190)	-	(4,190)
TOTAL RECOGNIZED IN FINANCIAL BALANCE		(4,097)	(65)	(4,162)

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

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thousands of euro

Classes of financial instruments

To complete the analyses required by IFRS 7 and IFRS 13, the following table sets out the various types of financial instrument that are to be found in the various balance sheet items, with an indication of the accounting policies used and, in the case of financial instruments measured at fair value, an indication of where changes are recognized (income statement or equity). The last column of the table shows the fair value of the instrument at December 31, 2017, where applicable.

Notes

3

5

7

8

9

11

12

17

22

17

20

21

21

and 22

94,275

224,186

1,897

103,293

18,484

Criteria to measure the reported amount of financial instruments

Financial

605

551,660

68,820

878,625

611,942

2,546,617

1,207,326

45,859

10,462

689,580

155.559

Sharehol- Book value

75,696

551.660

164,992

878,625

611,942

224,186

45,859

28,946

689,580

242,079

1,207,326

2,649,910 2,649,910

605

605

551,660

164,992

878,625

611,942

224,186

45,859

28,946

689,580

1,207,326

Fair value

	Notes	meas	measured at fair value th changes recognized in:		measured at fair value with changes recognized in: measured at fair value at anortized convertible amortized cost unlisted share-holdings		at 12 31 2017	at 12 31 2017 (*)
		(1)	(2)	(3)	(4)	(5)		
ASSETS								
Other non-current financial assets:								
Shareholdings / Securities convertible into shareholdings available for sale of which:								
- unlisted				3,480			3,480	n.a.
- listed							-	-
Financial assets held to maturity					96		96	96
Other non-current financial assets					72,120		72,120	72,120

86,004

Other non-current and current financial

Total other non-current financial assets

Other non-current assets

Trade receivables

Other current assets

Assets held for sale

Non-current bonds

Current bonds (**)

Trade payables

Other non-current liabilities

Other current liabilities

LIABILITIES Financial liabilities

Current financial assets

Cash and cash equivalents

^(*) The fair value has not been calculated for receivables and payables not related to derivative contracts and loans as the corresponding carrying amount is a good approximation to this.

^(**) Including accrued interest.

⁽¹⁾ Financial assets and liabilities measured at fair value with the changes in fair value recognized in the Income statement.

⁽²⁾ Cash flow hedges

⁽³⁾ Financial assets available for sale measured at fair value with profit/loss recognized in equity.

⁽⁴⁾ Loans and receivables and financial liabilities measured at amortized cost.

⁽⁵⁾ Available-for-sale financial assets, including unlisted shareholdings whose fair value cannot be measured reliably, are carried at the lower of costs, which may be reduced due to impairment.

Fair value hierarchy

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

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

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

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

thousands of euro	NOTES	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets available for sale measured at fair value	3		3,480		3,480
Other non-current assets	5				-
Other current assets	8	95,875	25	272	96,172
TOTAL ASSETS		95,875	3,505	272	99,652
Non-current financial liabilities	17	103,293			103,293
Other non-current liabilities	20		18,484		18,484
Other current liabilities	21	85,918	265	337	86,520
TOTAL LIABILITIES		189,211	18,749	337	208,297

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5) Concessions

The following tables show the main concessions obtained by A2A S.p.A.:

Hydroelectric concessions

		HYDROELECTRIC PLANTS	CONCESSION EXPIRY	CONCESSIONAIRE
	Premadio II Premadio I(1) Braulio(1) San Giacomo(1) Nuovo Canale Viola(1) Grosio(1) Lovero(1) Stazzona(1) Grosotto(1) Sernio(1) Boscaccia	Premadio II	12/31/2043	
		Premadio I ⁽¹⁾	12/31/2020	
و		Braulio ⁽¹⁾	12/31/2020	
NOV		San Giacomo ⁽¹⁾	12/31/2020	
TR/		Nuovo Canale Viola ⁽¹⁾	12/31/2020	
GENERATION AND TRADING		Grosio ⁽¹⁾	12/31/2020	
		Lovero ⁽¹⁾	12/31/2020	Daging /Dravings
		Stazzona ⁽¹⁾	12/31/2020	Region/Province
		12/31/2020		
		Sernio ⁽¹⁾	12/31/2020	
		Boscaccia	01/30/2037	
		Calabria Unit (9 concessions)	12/31/2029	
		Mese Unit (16 concessions)	03/31/2029	
		Udine Unit (3 concessions)	03/31/2029	

⁽¹⁾ Extension of the temporary continuation regime until 12/31/2020 pursuant to Regional Council Resolution DGR no. X/7693 of 01/12/18.

Other concessions for use of water resources not classified as hydroelectric

TRADING		HYDROELECTRIC PLANTS	CONCESSION EXPIRY	CONCESSIONAIRE
GENERATION AND TRAC	plant	3 concessions water for sanitary and related use	12/31/2027	Lombardy Region
	Mese	2 concessions State Area	03/31/2029	Authorities of Bacino lacuali
	Valtellina	1 concession water for industrial use	renewal process underway	Lombardy Region

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

Adequate provisions are provided where necessary for the disputes and litigation described below. It is noted that if there is no explicit reference to the presence of a provision, the company assessed the corresponding risk as possible without appropriating provisions in the financial statements.

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

In the 90s, the purchase by BAS S.p.A. of the investment in HISA was made thanks to the services of a local consultant, Consult Latina.

Given the non-uniqueness of the contractual text and the non-acquisition of 100% of the investment in HISA, BAS S.p.A. did not pay to Consult Latina the fee requested because it considered the contractual provision as not applicable and therefore the formulated payment request as unjustified. In 1998, Consult Latina established a lawsuit to obtain payment of the fee.

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

A2A S.p.A. took over the litigation after the incorporation of BAS S.p.A. in 2005 and repeatedly conferred upon the lawyers the mandate to reach a settlement also expressing a willingness to increase previous offers to cover the litigation costs as well as to listen to and weigh even incremental requests.

The Court convened the parties in multiple council chambers from December 18, 2014 and until October 7, 2017 to verify the conditions of a settlement or transaction.

At the last hearing, the parties submitted to the judge the shared text of the transaction. We are waiting for the Judge's decision. The settlement solution will be accepted, in order to settle the dispute, without recognition of debt. Over time, Redengas, a subsidiary of HISA whose shares have been foreclosed by Consult Latina in guarantee for the payment by A2A, has rooted actions to demand the removal of such encumbrances, even foretelling due compensation against A2A S.p.A. and Consult Latina; to date, no damages have been claimed in any action, while Redengas has re-initiated enforcement action to release the shares from the pledge. Any damages ascertained in favour of Redengas would result in additional encumbrance for A2A S.p.A..

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

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 extracontractual nature, jointly, or alternatively exclusively and separately, in the amount of 35,411,997 euro (of which 1,065,529 euro as the residual portion of their share of the expenses); (ii) compensation for damages for the stoppage at the worksite and the failure to return the areas of pertinence to the Consortium.

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

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

The judge found the bankruptcy of S.F.C. S. A. was legitimate and therefore set the end of the proceedings and the hearing for December 19, 2012, declaring the need to execute an expert opinion, setting May 23, 2013 as the date for the hearing to appoint the court's expert witness. At that hearing the judge, changed in the meantime, confirmed the questions already formulated on December 19, 2012 and appointed the court experts Messrs. Pompili and Caroli, setting a term for the parties to appoint their own consultants. A2A S.p.A. and Ergosud S.p.A. appointed as their experts Mr. Massardo and Mr. Gioffrè, persons who over the years have already drawn up reports on the matters to which the questions refer. After adjournments requested by the experts, on July 31, 2014, the CTU was filed with the Court. The hearing for the expert's examination was held after adjournment on April 1, 2015

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and the hearing for clarification of conclusions has been scheduled for November 30, 2016. At this hearing, filing of the award issued by the Arbitration Court of Milan was admitted in March 2016, and the terms were set for the final statements and replication before arriving to the sentence. After said hearing, it established the new terms and scheduled a new hearing for clarification of conclusions for November 30, 2017, then adjourned to January 17, 2018 and thus to March 28, 2018.

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

Monfalcone Plant investigation

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

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

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. A2A Trading S.r.l. (now A2A S.p.A.) filed a request with the GSE, in accordance with the procedures and modalities required, 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 (not of A2A) increase of 20% in the calorific values of such. Despite the fact that the GSE has acknowledged to A2A Trading S.r.l. (now A2A S.p.A.) the correctness of the calculations made for 2011, as of today the above-mentioned 2011 Green Certificates have not yet been issued.

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

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

The dispute is ongoing. At the hearing of February 22, 2018, some texts were heard and the trial was postponed to the hearing of March 22, 2018 for the hearing of further texts.

The Group has not allocated any provision as it considers being the aggrieved party in the proceedings and that the economic effects at the end of the proceedings will be neutral.

ASM Novara S.p.A. dispute

In March 2013, Pessina Costruzioni initiated arbitration proceedings against A2A to declare the failure to comply with the shareholder agreements of ASM NOVARA and to sue A2A for damages. On June 30, 2015, the Arbitration Board, with the dissenting opinion of the arbitrator appointed by A2A filed its award that deems A2A responsible for violation of the shareholders' agreement signed on August 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.

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

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

Effectiveness and execution of the award

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

Dispute over public water derivation fees

Derivations of public water for the production of hydroelectricity in Lombardy

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

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

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

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

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

In addition, the D.G.R. (Regional Council Resolution) of Lombardy no. 5130-2016 ordered, by implementing paragraph 5 of art. 53-bis of Regional Law 26/2003 introduced by Regional Law 19/2010, the subjection of the Lombardy hydroelectric concessions already expired to an "additional fee" established "provisionally" at 20 €/kW of nominal power of concession, subject to the request for settlement at the outcome of the assessments underway by the regional offices regarding the profitability of expired concessions. It is noted that said additional fee is imposed retroactively from the original expiry of each concession, and therefore for Grosotto, Lovero and Stazzona from January 1, 2011, for Premadio 1 from July 29, 2013 and for Grosio from November 15, 2016.

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

For disputes relating to public water derivation fees, at December 31, 2017, the company set aside risk provisions for the total amount of 35.6 million euro equal to the entire claim of the counterparties.

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

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

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

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

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

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

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

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

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

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

The parties will discuss the admissibility and relevance of their respective preliminary requests at the next hearing of September 26, 2017, adjourned to January 16, 2018 and then to April 10, 2018. Upon completion of the discussion, the judge will decide on the preliminary motions and, in particular, on the opposing request to have an expert witness.

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.

Investigation AGCM A512-A2A for alleged anti-competitive conduct in the electricity sales market - violation of art. 102 TFEU

In May 2017, the AGCM initiated a preliminary investigation against A2A S.p.A. and A2A Energia S.p.A. for the investigation of alleged conduct in violation of art. 102 TFEU, within the framework of which it ordered the conduct of inspections without notice. Similar proceedings were simultaneously initiated against two other major operators in the sector.

With regard to A2A, the complaint concerns alleged conduct aimed at acquiring free markets of customers served in greater protection, which were implemented thanks to the availability of commercially sensitive information and data that the operator could have available as vertically integrated into a Group that operates in the sale under greater protection and electrical distribution, as well as boasting specific characteristics (reliability/safety), also deriving from the nature of an integrated operator.

As indicated in the initiation measure, it was a question of conduct that cannot be replicated by non-integrated competitors and that would hinder the full development of the free market, also in view of the end of "price protection". Furthermore, since the existence of an effect on trade between Member States is established, the proceedings deal with the case as an infringement of the EU competition law (article 102 TFEU).

The company defended itself on the merits, both at the hearing and with briefs, highlighting that it did not use data deriving from the exercise of the service under greater protection nor distribution, for promotional purposes for the development of its free market activities.

The closure of all the proceedings initiated is expected by the end of June 2018.

* * *

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

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

On April 4, 2016, the Provincial Directorate I of Milan - Regional Office of Milan 1 - notified the invitation to appear to provide clarifications on a business transfer in the company Chi.na.co. S.r.l. and the subsequent sale of the investment held in it under control for registration tax purposes. The invitation was followed by a contradictory with the Office and subsequent notification by the latter of the notice of liquidation to the acquiring counterparty, which filed an appeal on September 28, 2016. The Provincial Tax Commission of Milan rejected the appeal with sentence filed on July 7, 2017 and the subsequent actions are being evaluated. The risks provision recognized for 1.4 million euro was fully used for the payment of the amounts requested with the liquidation notice.

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

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

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

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

The appeals for 2001 and for 2004 and 2005 were discussed on January 25, 2010 and on February 17, 2010 respectively, with a favourable outcome for the company in all cases. The Tax Revenue Office appealed against the verdict of the first court. The Regional Tax Commission rejected this appeal for all three years, 2001, 2004 and 2005.

For 2011, the Tax Revenue Office filed an appeal with the Supreme Court against which AMSA Holding S.p.A. (now A2A S.p.A.), filed a cross-appeal on November 9, 2012.

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The outcomes of the 2002 and 2003 disputes were also favourable for the company but the Tax Revenue Office filed an appeal against both sentences. The appeal for 2002 was discussed on November 30, 2010, and by way of a sentence lodged on February 2, 2011 the Milan Regional Tax Commission overturned the sentence of the first court, upholding the Tax Revenue Office's appeal on almost all counts with the exception of the hazardous waste category. The Company filed an appeal with the Supreme Court for 2002. 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.

A2A S.p.A. (formerly A2A Trading S.r.l.) - VAT assessments Green Certificates 2004 – 2010

On December 23, 2009 the Milan Tax Revenue Office served A2A Trading S.r.l. (now A2A S.p.A.) 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. (now A2A S.p.A.) 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. (now A2A S.p.A.) has therefore not committed any breach of law and accordingly no risk 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. (now A2A S.p.A.) has not committed any breach of law accordingly no risk provision has been made in the financial statements for this matter.

A2A Trading S.r.l. (now A2A S.p.A.) 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.

7) Contingent assets arising from environmental certificates

At December 31, 2017, A2A S.p.A. had a surplus of environmental certificates.

8) Auditors' fees

In accordance with Article 2427, paragraph 16-bis, of the Italian civil code, it is hereby reported that the company paid EY S.p.A. total fees for the legally required auditing of the annual accounts and for other services provided during the year in the amount of 335 thousand euro.

9) Registered office

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

10) Investigation related to EPCG service contracts

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

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

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

For the years 2013, 2014, 2015, 2016 and for the 1st half of 2017, in the absence of a specific agreement between the shareholders regarding the formalization of a specific service contract, A2A did not proceed with invoicing, although a broad set of services was indeed provided to EPCG also in said years, and A2A incurred the related charges.

Also, certain consulting services 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 Italian CFO appointed by A2A in EPCG, who resigned from said office only a few days before for reasons completely unrelated to the issue under consideration, was arrested by the Montenegrin police on order of the Special Attorney. Investigative measures are still covered by investigation confidentiality. Based on as currently known, the former CFO is accused along with two previous EPCG Italian managers appointed by A2A, and three Montenegrin officials of EPCG - of abuse of office in the management of service contracts stipulated by EPCG. On May 6, 2016, the former CFO was released on payment of a bail deposit and withdrawal of the passport. On December 7, 2016, the passport was returned and the CFO returned to Italy. Given the fact that in Montenegro there is a law on liability of legal persons for offences committed by their managers in their own interest, the company also monitored the possibility of extension of the investigation to A2A S.p.A.. At June 30, 2017, this event did not occur, but in the following weeks it emerged from press

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reports in Montenegro, and lastly with the notification in Podgorica on July 25, 2017, in the hands of the defendant appointed for this purpose by A2A, that the shares held by A2A in EPCG have been the subject of a precautionary measure of seizure. This precautionary measure was judicially challenged by A2A S.p.A., obtaining complete revocation on September 29, 2017. From the precautionary measure, there was also evidence that the proceedings in question were extended to A2A on July 3, 2017. Subsequently, following a civil/commercial agreement signed by A2A on October 23, 2017 with EPCG, and the resolution adopted by the latter on November 17, 2017 to not constitute as injured party in the criminal proceedings, as there was no damage, the Special State Prosecutor ordered the withdrawal of the accusations on December 28, 2017 and therefore the filing of the proceedings against A2A S.p.A. as well as against the three Montenegro officials.

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

Only approximately, and as broad reference, it is in fact possible to indicate that the amount of the penalties contemplated by the Montenegrin law on the liability of legal persons could theoretically – in the extreme variability of the local law with an unclear discipline – be significantly greater (from 2 to 100 times the amount of the alleged damage, as stated in the precautionary measure), even though it is appropriate to consider that there is no sound case-law on the matter and that the proceeding against A2A can be filed.

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.

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1 - Statement of changes in tangible assets

Tangible assets thousands of euro		BALANCE A	Т 12 31 2016	i		T NON-RECU RANSACTION		
	GROSS VALUE	ACCUMULATED DEPRECIATION	PROVISION WRITE- DOWN	RESIDUAL VALUE	GROSS VALUE	ACCUMULATED DEPRECIATION	RESIDUAL VALUE	
Land	42,387	(2,745)	(6,950)	32,692				
Buildings	472,474	(192,525)	(31,385)	248,564				
Plant and machinery	2,224,778	(1,035,371)	(327,637)	861,770				
Industrial and commercial equipment	18,186	(16,849)	(1)	1,336				
Other assets	32,236	(30,433)		1,803	(11)	13	2	
Construction in progress and advances	18,440			18,440	(316)		(316)	
Leasehold improvements	33,579	(5,064)		28,515	(32,952)	4,453	(28,499)	
Total tangible assets	2,842,080	(1,282,987)	(365,973)	1,193,120	(33,279)	4,466	(28,813)	

Tangible assets thousands of euro	ı	BALANCE AT	12 31 201	5	E	FFECT NON- TRANSA		G	
	GROSS VALUE	ACCUMULATED DEPRECIATION		RESIDUAL VALUE	GROSS VALUE	ACCUMULATED DEPRECIATION		RESIDUAL VALUE	
Land	35,092	(5,170)	(250)	29,672	7,293	2,425	(5,691)	4,027	
Buildings	555,189	(277,197)	(14,664)	263,328	(81,420)	99,559	7,637	25,776	
Plant and machinery	2,746,299	(1,708,684)	(127,660)	909,955	(544,539)	744,218	(24,707)	174,972	
Industrial and commercial equipment	22,084	(20,703)	(8)	1,373	(3,974)	4,269	7	302	
Other assets	31,733	(29,431)	(18)	2,284	332	(321)	18	29	
Construction in progress and advances	35,707		(461)	35,246	95		3,124	3,219	
Leasehold improvements	27,691	(2,855)		24,836				-	
Total tangible assets	3,453,795	(2,044,040)	(143,061)	1,266,694	(622,213)	850,150	(19,612)	208,325	

1											
		СНА	NGES DURI	NG THE YEA	ΑR				BALANCE AT	12 31 2017	7
ACQUISITIONS	CHANGES	RECLASSI- FICATIONS	OTHER CHANGES	DISPO	SALS	WRITE- DOWNS	TOTAL CHANGES		ACCUMULATED DEPRECIATION		RESIDUAL VALUE
	CATEGORY		NET OF THE PROVISION	GROSS VALUE	ACCUMULATED DEPRECIATION		FOR THE YEAR	VALUE	DEFRECIATION	DOWN	
93			821	(517)	151		548	42,784	(2,594)	(6,950)	33,240
1,168	1,816		102	(82)	23	(10,809)	(7,782)	475,678	(203,511)	(31,385)	240,782
953	8,219		1	(569)	569	(58,478)	(49,305)	2,233,952	(1,093,849)	(327,638)	812,465
390						(328)	62	18,574	(17,176)	-	1,398
6,076	146	8,553				(3,343)	11,432	47,056	(33,819)	-	13,237
16,073	(16,565)		(132)				(624)	17,500	-	-	17,500
						(3)	(3)	626	(613)	-	13
24,753	(6,384)	8,553	792	(1,168)	743	(72,961)	(45,672)	2,836,170	(1,351,562)	(365,973)	1,118,635

CHANGES DURING THE YEAR									BALANCE AT 12 31 2016		
ACQUISITIONS	CHANGES	OTHER CHANGES	DISPO	SALS	DEPRECIATION	WRITE- DOWNS	TOTAL CHANGES		ACCUMULATED DEPRECIATION		RESIDUAL VALUE
	CATEGORY	CHANGES		ACCUMULATED DEPRECIATION		DOWNS	FOR THE YEAR	VALUE	DEFRECIATION	DOWN	VALUE
2					(1,009)		(1,007)	42,387	(2,745)	(6,950)	32,692
1,029	423	(3)	(2,744)	1,116	(24,358)	(16,003)	(40,540)	472,474	(192,525)	(31,385)	248,564
1,962	34,774	17,354	(31,072)	30,627	(175,270)	(101,532)	(223,157)	2,224,778	(1,035,371)	(327,637)	861,770
254			(178)	178		(593)	(339)	18,186	(16,849)	(1)	1,336
644		(2)	(471)	471		(1,152)	(510)	32,236	(30,433)	-	1,803
17,789	(35,201)	70	(20)		(2,663)		(20,025)	18,440	-	-	18,440
5,888						(2,209)	3,679	33,579	(5,064)	-	28,515
27,568	(4)	17,419	(34,485)	32,392	(203,300)	(121,489)	(281,899)	2,842,080	(1,282,987)	(365,973)	1,193,120

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3/b. Statement of changes in investments in affiliates

3/c. Statement of changes in investments in other companies (AFS)

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4/b. List of investments in affiliates

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

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

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

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2 - Statement of changes in intangible assets

Intangible assets thousands of euro	BALANCE AT 12 31 2016				T NON-RECU RANSACTION		
	GROSS VALUE	ACCUMULATED DEPRECIATION	RESIDUAL VALUE	GROSS VALUE	ACCUMULATED DEPRECIATION		
Industrial patents and intellectual property rights	108,042	(101,088)	6,954				
Concessions, licences, trademarks and similar rights	39,337	(29,058)	10,279	(396)	219	(177)	
Goodwill	37,480		37,480	1,207		1,207	
Assets in progress	2,906		2,906				
Other intangible assets	59,371	(1,204)	58,167				
Total intangible assets	247,136	(131,350)	115,786	811	219	1,030	

Intangible assets thousands of euro	BALANCE AT 12 31 2015				T NON-RECU RANSACTION		
	GROSS VALUE	ACCUMULATED DEPRECIATION	RESIDUAL VALUE	GROSS VALUE	ACCUMULATED DEPRECIATION		
Industrial patents and intellectual property rights	83,187	(79,048)	4,139	20,884	(17,794)	3,090	
Concessions, licences, trademarks and similar rights	34,961	(25,432)	9,529	(547)	526	(21)	
Goodwill	37,480		37,480				
Assets in progress	1,323		1,323	8		8	
Other intangible assets	1,307	(1,173)	134	54,404		54,404	
Total intangible assets	158,258	(105,653)	52,605	74,749	(17,268)	57,481	

		CHANGE	S DURING TH	E YEAR			BALA	NCE AT 12 31	2017
ACQUISITIONS	CHANGES	RECLASSI	FICATIONS	OTHER CHANGES	AMORTIZATION	TOTAL CHANGES	GROSS VALUE	ACCUMULATED DEPRECIATION	RESIDUAL VALUE
	CATEGORY	GROSS VALUE	ACCUMULATED DEPRECIATION	CHANGES		FOR THE YEAR	VALUE	DEFRECIATION	VALUE
2,729	1,174				(3,977)	(74)	111,945	(105,065)	6,880
1,849	8,686	(8,610)	57		(4,312)	(2,330)	40,866	(33,094)	7,772
							38,687	-	38,687
12,996	(3,476)					9,520	12,426	-	12,426
43				(28,765)	(10)	(28,732)	30,649	(1,214)	29,435
17,617	6,384	(8,610)	57	(28,765)	(8,299)	(21,616)	234,573	(139,373)	95,200

	CHANGE	S DURING TI	HE YEAR		BALA	NCE AT 12 31	2016
ACQUISITIONS	CHANGES IN CATEGORY	OTHER CHANGES	AMORTIZATION	TOTAL CHANGES FOR THE YEAR		ACCUMULATED DEPRECIATION	RESIDUAL VALUE
2,475	1,506	(10)	(4,246)	(275)	108,042	(101,088)	6,954
4,361	737	(175)	(4,152)	771	39,337	(29,058)	10,279
					37,480	-	37,480
3,814	(2,239)			1,575	2,906	-	2,906
		3,660	(31)	3,629	59,371	(1,204)	58,167
10,650	4	3,475	(8,429)	5,700	247,136	(131,350)	115,786

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3/c. Statement of changes in investments in other companies (AFS)

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4/b. List of investments in affiliates

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

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3/a - Statement of changes in investments in subsidiaries

Shareholdings	BALANCE AT	(CHANGES IN 201	.7	
thousands of euro	FINANCIAL STATEMENTS 12 31 2016 Restated	INCREASES	DECREASES	EFFECT NON-RECURRING TRANSACTIONS	
FINANCIAL ASSETS					
Subsidiaries:					
Unareti S.p.A.	1,381,881				
A2A Ambiente S.p.A.	634,894				
Elektroprivreda Cnre Gore AD Nikšić (EPCG)	279,017				
A2A Calore & Servizi S.r.l.	334,617				
A2A Ciclo Idrico S.p.A.	167,000				
A2A gencogas S.p.A.	510,317				
A2A Energiefuture S.p.A.	262,730				
A2A Energia S.p.A.	98,743				
Retragas S.r.l.	30,105				
Aspem S.p.A.	26,508				
A2A Smart City S.p.A.	9,222				
Proaris S.r.l.	3,557				
Camuna Energia S.r.l.	1,467				
Ecofert S.r.l. in liquidation (*)	802	94			
Plurigas S.p.A. in liquidation	560				
SEASM S.r.l.	469				
Linea Group Holding S.p.A.	109,379				
A2A Illuminazione Pubblica S.r.l.	100			28,500	
A2A Montenegro d.o.o.	102				
Azienda Servizi Valtrompia S.p.A.	-	7,375			
A2A Security S.c.p.a.	-	23			
A2A Energy Solution S.r.l.	-	10			
A2A IDRO4 S.r.l.	-	10			
A2A Rinnovabili S.p.A.	-	50			
A2A Alfa S.r.l.	-				
LaboRAEE S.r.l. (formerly Mincio Trasmissione S.r.l.)	10		(10)		
Total subsidiaries	3,851,480	7,562	(10)	28,500	
Shareholdings held for sale					
Elektroprivreda Cnre Gore AD Nikšić (EPCG)	-				

^(*) Amounts at December 31, 2016

CHANGES	IN 2017	BALANCE AT	S	HARE OF EQUITY	F EQUITY		
WRITE-DOWNS AND EXPENSES OF DISCOUNTING	OTHER CHANGES	FINANCIAL STATEMENTS 12 31 2017	% SHAREHOLDING	EQUITY AT 12 31 2017	PRO RATA AMOUNT		
		1,381,881	100.00%	1,481,556	1,481,556		
		634,894	100.00%	509,709	509,709		
	(279,017)	-	-	-	-		
		334,617	100.00%	369,828	369,828		
		167,000	100.00%	195,151	195,151		
		510,317	100.00%	542,596	542,596		
		262,730	100.00%	274,072	274,072		
		98,743	100.00%	203,602	203,602		
		30,105	87.27%	40,344	35,208		
		26,508	90.00%	8,983	8,085		
		9,222	100.00%	13,634	13,634		
		3,557	60.00%	6,114	3,668		
(727)		740	74.50%	1,063	792		
(625)		271	47.00%	577	271		
		560	70.00%	2,230	1,561		
		469	67.00%	786	527		
		109,379	51.00%	206,108	105,115		
		28,600	100.00%	47,376	47,376		
		102	100.00%	159	159		
	3,383	10,758	74.55%	19,772	14,740		
		23	47.60%	63	30		
		10	100.00%	2	2		
		10	100.00%	8	8		
		50	100.00%	256	256		
		-	70.00%	135	95		
		-	-	-	-		
(1,352)	(275,634)	3,610,546		3,924,124	3,808,041		
(54,831)	279,017	224,186	41.75%				

Summary of results, assets and liabilities and the financial position

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4/a. List of investments in subsidiaries

4/b. List of investments in affiliates

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

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5 Independent Auditors' Report

3/b - Statement of changes in investments in affiliates

Shareholdings	BALANCE AT FINANCIAL		CHANGES IN 201	7	
thousands of euro	STATEMENTS 12 31 2016 INCREASES		DECREASES	EFFECT NON-RECURRING TRANSACTIONS	
FINANCIAL ASSETS					
Affiliates:					
ACSM-AGAM S.p.A. (**)	34,051				
Rudnik Uglja Ad Pljevlja (*)	7,067				
Sviluppo Turistico Lago d'Iseo S.p.A. (**)	837				
SET S.p.A. (**)	466				
Serio Energia S.r.l. (**)	400				
Ge.S.I. S.r.l. (**)	466				
Visano Società Trattamento Reflui S.c.a.r.l. (**)	10				
Centrale Termoelettrica del Mincio S.r.l. in liquidation	6				
Ergon Energia S.r.l. in liquidation	-				
Azienda Servizi Valtrompia S.p.A.	3,383				
Total affiliates	46,686				

^(*) Amounts at December 31, 2014

^(**) Amounts at December 31, 2016

CHANGES	IN 2017	BALANCE AT FINANCIAL	9	HARE OF EQUITY	•
WRITE-DOWNS	OTHER CHANGES	STATEMENTS 12 31 2017	% SHAREHOLDING	EQUITY AT 12 31 2017	PRO RATA AMOUNT
		34,051	23.94%	137,300	32,870
		7,067	39.49%	19,517	7,707
(102)		735	24.29%	3,027	735
		466	49.00%	1,508	739
		400	40.00%	1,776	710
		466	47.00%	4,941	2,322
		10	40.00%	26	10
(5)		1	45.00%	1	-
		-	50.00%	(184)	(92)
	(3,383)	-	-	-	-
(107)	(3,383)	43,196		167,912	45,001

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4/a. List of investments in subsidiaries

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5 Independent Auditors' Report

3/c - Statement of changes in investments in other companies (AFS)

Company name thousands of euro	SHAREHOLDING %	SHAREHOLDER	CARRYING AMOUNT AT 12 31 2017
Available-for-sale financial assets (AFS)			
Immobiliare-Fiera di Brescia S.p.A.	1.21%	A2A S.p.A.	280
Azienda Energetica Valtellina e Valchiavenna S.p.A. (AEVV)	9.39%	A2A S.p.A.	1,846
Others:			
AQM S.r.l.	7.52%	A2A S.p.A.	
AvioValtellina S.p.A.	0.18%	A2A S.p.A.	
Banca di Credito Cooperativo dell'Oglio e del Serio s.c.	n.s.	A2A S.p.A.	
Brescia Mobilità S.p.A.	0.25%	A2A S.p.A.	
Consorzio DIX.IT in liquidation	14.28%	A2A S.p.A.	
L.E.A.P. S.c.a.r.l.	8.57%	A2A S.p.A.	
Consorzio Milano Sistema in liquidation	10.00%	A2A S.p.A.	
E.M.I.T. S.r.l. in liquidation	10.00%	A2A S.p.A.	
Isfor 2000 S.c.p.a.	4.94%	A2A S.p.A.	
Stradivaria S.p.A.	n.s.	A2A S.p.A.	
DI.T.N.E.	1.82%	A2A S.p.A.	
Total other financial assets			1,354
Total available-for-sale financial assets			3,480

Note: A2A S.p.A. took part in the setting up of Società Cooperativa Polo dell'innovazione della Valtellina, subscribing 5 shares having a nominal value of 50 euro.



4/a - List of investments in subsidiaries

Company name thousands of euro	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL AT 12 31 2017	
Subsidiaries:				
Unareti S.p.A.	Brescia	Euro	965,250	
A2A Ambiente S.p.A.	Brescia	Euro	220,000	
A2A Calore & Servizi S.r.l.	Brescia	Euro	150,000	
A2A Ciclo Idrico S.p.A.	Brescia	Euro	70,000	
A2A gencogas S.p.A.	Gissi (Ch)	Euro	450,000	
A2A Energia S.p.A.	Milan	Euro	2,000	
Retragas S.r.l.	Brescia	Euro	34,495	
Aspem S.p.A.	Varese	Euro	174	
A2A Smart City S.p.A.	Brescia	Euro	3,000	
Proaris S.r.l.	Milan	Euro	1,875	
Camuna Energia S.r.l.	Cedegolo (Bs)	Euro	900	
SEASM S.r.l.	Brescia	Euro	700	
Ecofert S.r.l. in liquidation (*)	S.Gervasio Bresciano (Bs)	Euro	100	
Plurigas S.p.A. in liquidation	Milan	Euro	800	
A2A Montenegro d.o.o.	Podgorica (Montenegro)	Euro	100	
A2A Energiefuture S.p.A.	Milan	Euro	50,000	
Linea Group Holding S.p.A.	Brescia	Euro	189,494	
A2A Illuminazione Pubblica S.r.l.	Brescia	Euro	28,600	
Azienda Servizi Valtrompia S.p.A.	Gardone Val Trompia (Bs)	Euro	8,939	
A2A Security S.c.p.a.	Milan	Euro	50	
A2A Energy Solution S.r.l.	Milan	Euro	10	
A2A IDRO4 S.r.l.	Milan	Euro	10	
A2A Rinnovabili S.p.A.	Trento	Euro	50	

^(*) Amounts at December 31, 2016

EQUITY AT 12 31 2017	RESULT AT 12 31 2017	% HELD	PRO RATA AMOUNT (A)	BALANCE AT FINANCIAL STATEMENTS (B)	DELTA (A-B)
1,481,556	111,701	100.00%	1,481,556	1,381,881	99,675
509,709	102,185	100.00%	509,709	634,894	(125,185)
369,828	35,881	100.00%	369,828	334,617	35,211
195,151	16,978	100.00%	195,151	167,000	28,151
542,596	20,773	100.00%	542,596	510,317	32,279
203,602	89,645	100.00%	203,602	98,743	104,859
40,344	1,475	87.27%	35,208	30,105	5,103
8,983	2,898	90.00%	8,085	26,508	(18,423)
13,634	3,594	100.00%	13,634	9,222	4,412
6,114	221	60.00%	3,668	3,557	111
1,063	1	74.50%	792	740	52
786	56	67.00%	527	469	58
577	(1,129)	47.00%	271	271	-
2,230	20	70.00%	1,561	560	1,001
159	58	100.00%	159	102	57
274,072	711	100.00%	274,072	262,730	11,342
206,108	10,511	51.00%	105,115	109,379	(4,264)
47,376	10,364	100.00%	47,376	28,600	18,776
19,772	987	74.55%	14,740	10,758	3,982
63	17	47.60%	30	23	7
2	(8)	100.00%	2	10	(8)
8	(2)	100.00%	8	10	(2)
256	207	100.00%	256	50	206

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4/b. List of investments in affiliates

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5 Independent Auditors' Report

4/b - List of investments in affiliates

Company name thousands of euro	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL AT 12 31 2017	
ACSM-AGAM S.p.A. (**)	Monza	Euro	76,619	
Rudnik Uglja Ad Pljevlja (*)	Pljevlja (Montenegro)	Euro	21,493	
Sviluppo Turistico Lago d'Iseo S.p.A. (**)	Iseo (Bs)	Euro	1,616	
SET S.p.A. (**)	Toscolano Maderno (Bs)	Euro	104	
Serio Energia S.r.l. (**)	Concordia sulla Secchia (Mo)	Euro	1,000	
Ge.S.I. S.r.l. (**)	Brescia	Euro	1,000	
Visano Società Trattamento Reflui S.c.a.r.l. (**)	Brescia	Euro	25	
Centrale Termoelettrica del Mincio S.r.l. in liquidation	Ponti sul Mincio (Mn)	Euro	11	
Ergon Energia S.r.l. in liquidation	Milan	Euro	600	

^(*) Amounts at December 31, 2014

^(**) Amounts at December 31, 2016

EQUITY AT 12 31 2017	RESULT AT 12 31 2017	% HELD	PRO RATA AMOUNT (A)	BALANCE AT FINANCIAL STATEMENTS (B)	DELTA (A-B)
137,300	5,110	23.94%	32,870	34,051	(1,181)
19,517	(19,840)	39.49%	7,707	7,067	640
3,027	(96)	24.29%	735	735	-
1,508	112	49.00%	739	466	273
1,776	321	40.00%	710	400	310
4,941	1,004	47.00%	2,322	466	1,856
26	-	40.00%	10	10	-
1	(3)	45.00%	-	1	(1)
(184)	(42)	50.00%	(92)	-	(92)

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Key data of the financial statements of the main subsidiaries and affiliates prepared according to IAS/IFRS

(pursuant to art. 2429.4 of the Italian Civil Code)

SUBSIDIARIES	A2A gencogas S.p.A.		A2A Energiefuture S.p.A.		ente S.p.A.	A2A Smart City S.p.A.		Retragas S.r.l.			
Share capital:	Euro 4	50,000,000	Euro	50,000,000	Euro 2	220,000,000	Euro	3,000,000	Euro	34,494,650	
% held:	A2A S.p.A.	100.00%	A2A S.p.A.	100.00%	A2A S.p.A.	100.00%	A2A S.p.A.	100.00%	A2A S.p.A. Unareti S.p.	87.27% A. 4.33%	
Description thousands of euro	12 31 17	12 31 16	12 31 17	12 31 16	12 31 17	12 31 16	12 31 17	12 31 16	12 31 17	12 31 16	
Revenues	170,585	97,390	227,465	112,297	373,826	371,988	30,351	26,398	7,196	7,670	
Gross operating income	89,305	50,982	37,538	47,521	147,664	150,342	7,354	6,501	4,323	4,987	
Net operating income	37,381	(53,537)	3,504	67,029	101,477	103,084	5,005	5,415	2,136	2,813	
Result before taxes	33,540	(60,593)	2,945	66,790	131,927	123,950	4,939	5,338	2,135	2,835	
Result of the year	20,723	(42,125)	711	46,697	102,185	86,949	3,594	3,706	1,475	1,927	
Assets	1,006,987	1,110,062	428,520	447,448	899,074	867,167	42,672	29,999	42,949	43,602	
Liabilities	464,391	588,368	154,448	139,267	389,365	377,076	29,038	16,263	2,605	2,903	
Equity	542,596	521,694	274,072	308,181	509,709	490,091	13,634	13,736	40,344	40,699	
Net financial position	(299,465)	(359,045)	55,759	74,946	255,596	253,958	(11,858)	(1,509)	12,442	7,610	

AFFILIATES	Ge.S.	l. S.r.l.		iergia S.r.l. iidation		
Share capital:	Euro	1,000,000	Euro	600,000		
% held:	A2A S.p.A.	47.00%	A2A S.p.A.	50.00%		
Description thousands of euro	12 31 16	12 31 15	12 31 17	12 31 16		
Revenues	6,573	5,087	1	5		
Gross Operating Income	699	688	(93)	(149)		
Net operating income	390	339	(43)	(214)		
Result before taxes	1,122	366	(42)	(222)		
Result of the year	1,004	288	(42)	(222)		
Assets	8,077	6,673	6,872	6,855		
Liabilities	3,136	2,518	7,056	6,998		
Equity	4,941	4,155	(184)	(143)		
Net financial position	1,851	931	(756)	(694)		

SEASI	4 S.r.l.		up Holding .A.		A2A Illuminazione Azienda Servizi Pubblica S.r.l. Valtrompia S.p.A.		A2A Secur	ity S.c.p.a.	A2A Rinnov	rabili S.p.A.	
Euro	700,000	Euro	189,494,116	Euro	28,600,000	Euro	8,938,941	Euro	50,000	Euro	50,000
A2A S.p.A. 67.00%		A2A S.p.A.					74.55% A. 0.25%	A2A S.p.A. Unareti S.p.A. A2A Ciclo Idrico Amsa S.p.A. A2A gencocas S A2A Ambiente S A2A Calore & Ser A2A Energie Futu	9.50% i.p.A. 4.10% i.p.A. 4.10% vizi S.r.l. 2.70%	A2A S.p.A.	100.00%
12 31 17	12 31 16	12 31 17	12 31 16	12 31 17	12 31 16	12 31 17	12 31 16	12 31 17	12 31 16	12 31 17	12 31 16
357	357	25,560	23,167	35,302	-	12,727	13,800	318	-	-	-
293	290	2,549	205	13,415	(76)	2,443	2,874	25	-	(30)	-
127	124	(5,537)	(6,626)	10,827	(76)	1,329	1,982	25	-	(30)	-
79	64	7,303	(6,744)	14,312	(76)	1,270	1,762	23	-	274	-
56	38	10,511	(3,037)	10,364	(57)	987	1,154	17	-	207	-
1,736	1,884	694,342	635,200	63,590	81	30,071	29,238	843	-	39,577	-
950	1,154	488,234	439,585	16,214	39	10,299	16,257	780	-	39,321	-
786	730	206,108	195,615	47,376	42	19,772	12,981	63	-	256	-
(921)	(1,124)	(183,963)	(172,841)	18,555	62	(3,744)	(9,287)	(59)	-	6,055	-

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- 2. Statement of changes in intangible assets
- 3/a. Statement of changes in investments in subsidiaries
- 3/b. Statement of changes in investments in affiliates
- 3/c. Statement of changes in investments in other companies (AFS)
- 4/a. List of investments in subsidiaries
- 4/b. List of investments in affiliates

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

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

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

5 Independent Auditors' Report

Key data of the financial statements of the main subsidiaries and affiliates prepared according to ITALIAN GAAP

(pursuant to art. 2429.4 of the Italian Civil Code)

SUBSIDIARIES	Unareti S.p.A.		A2A Calore & Servizi S.r.l.		A2A Energia S.p.A.		
Share capital:	Euro	965,250,000	Euro	150,000,000	Euro	2,000,000	
% held:	A2A S.p.A.	100.00%	A2A S.p.A.	100.00%	A2A S.p.A.	100.00%	
Description thousands of euro	12 31 17	12 31 16	12 31 17	12 31 16	12 31 17	12 31 16	
Revenues	535,746	519,477	312,415	223,257	1,315,719	1,325,981	
Gross operating Income	246,237	222,077	89,357	75,675	142,988	138,008	
Net operating income	157,942	141,778	52,328	34,073	123,963	114,846	
Result before taxes	156,319	139,137	49,697	27,838	125,068	116,063	
Result of the year	111,701	92,835	35,881	16,537	89,645	77,289	
Assets	2,070,448	2,046,944	799,374	748,113	574,252	586,918	
Liabilities	588,892	580,062	429,546	398,466	370,650	395,961	
Equity	1,481,556	1,466,882	369,828	349,647	203,602	190,957	
Net financial position	(76,198)	24,211	(296,114)	(260,363)	(19,818)	34,630	

A2A Ciclo Idrico S.p.A.		Aspem	S.p.A.	Proari	s S.r.l.	Plurigas S.p.A. in liquidation	
Euro	70,000,000	Euro	173,785	Euro	1,875,000	Euro	800,000
A2A S.p.A.	100.00%	A2A S.p.A.	90.00%	A2A S.p.A.	60.00%	A2A S.p.A.	70.00%
12 31 17	12 31 16	12 31 17	12 31 16	12 31 17	12 31 16	12 31 17	12 31 16
88,982	129,812	43,977	44,426	2,963	1,757	5	18
38,406	79,948	5,559	5,921	349	117	-	(25)
25,155	64,443	3,833	4,382	314	82	(6)	(25)
24,709	62,626	3,894	4,559	317	87	(4)	(9)
16,978	41,916	2,898	3,048	221	27	20	(16)
377,640	362,424	35,716	36,712	7,253	7,113	4,257	5,662
182,489	149,151	26,733	27,578	1,139	1,194	2,027	2,452
195,151	213,273	8,983	9,134	6,114	5,919	2,230	3,210
(118,332)	(70,165)	3,636	3,640	3,098	2,353	2,456	3,578

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Key data of the financial statements of the main subsidiaries and affiliates prepared according to ITALIAN GAAP (pursuant to art. 2429,4 of the Italian Civil Code)

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

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

- 1. The undersigned Luca Camerano, in the name and on behalf of the entire Board of Directors of A2A S.p.A., and Andrea Crenna, as manager in charge of preparing the corporate accounting documents of A2A S.p.A., certify, also taking into account the contents of article 154-bis, paragraphs 3 and 4, of Legislative Decree 58 February 24, 1998:
 - the adequacy in relation to the characteristics of the company and
 - the effective application

of administrative and accounting procedures for the preparation of financial statements in the year 2017.

- 2. It is also certified that:
 - 2.1 the financial statements:
 - a) have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of July 19, 2002;
 - b) correspond to the information contained in the accounting ledgers and records;
 - provide a true and fair representation of the equity, economic and financial situation of the issuer:
 - 2.2 the report on operations includes reliable analysis on the performance, result of operations and the business of the issuer, as well as description of principal risks and uncertainties to which is exposed.

Milan, March 20, 2018

Luca Camerano
(for the Board of Directors)

Andrea Crenna

(Manager in charge of preparing the corporate accounting documents)

5 Independent Auditors' Report

Independent Auditors' Report



EY S.p.A. Via Po, 32 00198 Roma Tel: +39 06 324751 Fax: +39 06 32475504

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014

(Translation from the original Italian text)

To the Shareholders of A2A S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of A2A S.p.A. (the Company), which comprise the balance sheet as at December 31, 2017, and the income statement, the statement of comprehensive income, statement of changes in equity and the cash flows statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

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

Key Audit Matters

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

EV S.p.A.
Sede Legale: Via Po, 32 - 00198 Roma
Capitale Sociale deliberato Euro 3.250.000,00, sottoscritto e versato Euro 3.100.000,00 i.v.
Iscritta alia S.O. del Registro delle Impræse præsso la C.C.I.A.A. di Roma
Codice Tiscale e nuemor di Iscrizione 00434000584 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n.2 delibera n.10831 del 16/7/1997

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We identified the following key audit matters:

Key Audit Matter

Valuation of Shareholdings in subsidiaries

At December 31, 2017, the Shareholdings in subsidiaries balance amount to 3.611 million euro.

The management assesses at least annually the existence of impairment indicators of each shareholdings in subsidiaries, in compliance with its strategy of managing legal entities within the group and, in case of occurrence, these assets are subject to impairment test.

The processes and methodologies for assessing and determining the recoverable amount of each shareholdings in subsidiaries are based on complex assumptions, that by their nature imply the use of the directors' judgment, in particular with reference to the identification of impairment indicators, to forecast of future cash flows relating to the period covered by the Group's strategic plan, the normalized cash flows assumed as a basis for the terminal value, as well as the long-term growth rates and discount rates applied to such cash flows forecasts

In consideration of the judgment required and of the complexity of the assumptions used in the estimate of the recoverable amount of shareholdings in subsidiaries, we have considered that this area represents a key audit matter.

The disclosures related to the recoverability of the shareholdings in subsidiaries are included in the paragraph "Use of estimates" and in note 3 "Shareholdings and other non-current financial assets" to the separate financial statements.

Audit response

Our audit procedures related to this key audit matters included, among others:

- assessment of the processes and key controls implemented by the Company related to the identification of any loss and to the valuation of shareholdings in subsidiaries;
- assessment of the report produced by the directors' third party specialists, as well as the assessment of their competence, capability and objectivity;
- assessment of the forecasted future cash flows:
- assessment of the consistency between the future cash flows assumed in the Group A2A's strategic plan for the period 2018-2022:
- assessment of the accuracy of actual results against previous forecasts;
- assessment of the long-term growth rates and discount rates.

In performing our procedures, we leveraged the used of EY valuation specialists who performed an independent calculation and sensitivity analysis on key assumptions, in order to determine any changes that could significantly impact the valuation of recoverable amount.

Lastly, we reviewed the adequacy of the disclosures included in the notes to the separate financial statements.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

 we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

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

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

Report on compliance with other legal and regulatory requirements

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

The Directors of A2A S.p.A. are responsible for the preparation of the Report on Operation and of the Report on Corporate Governance and Ownership Structure of A2A S.p.A. as at December 31, 2017, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

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

In our opinion, the Report on Operation and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of A2A S.p.A. as at December 31, 2017 and comply with the applicable laws and regulations.

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

Milan, March 27, 2018

EY S.p.A.

Signed by: Massimo Antonelli, Partner

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

Report of the Board of Auditors



REPORT OF THE BOARD OF AUDITORS TO THE SHAREHOLDERS' MEETING OF A2A S.P.A.

(pursuant to article 153 of Legislative Decree 58/1998 and article 2429, paragraph 3, Civil Code)

Shareholders.

Pursuant to article 153, paragraph 1 of Legislative Decree no. 58 of February 24, 1998 and article 2429, paragraph 3 of the Civil Code, we wish to inform you that, during the year ended December 31, 2017, we carried out the supervisory and control activities according to the rules of the Civil Code, of articles 148 et seq of the CFA of Legislative Decree January 27, 2010 no. 39, as amended by Legislative Decree 135/2016 and the indications contained in CONSOB communications regarding corporate audits, taking into account the principles of conduct recommended by the National Council of Chartered Accountants and Accounting Experts.

As auditing body, we:

- participated in the shareholders' meeting held May 15, 2017;
- attended all the meetings of the Executive Committee for a total of 6 sessions;
- attended all the meetings of the Board of Directors, for a total of 15, during which we were informed about the activities carried out and the most significant transactions carried out by the Company and its subsidiaries, with particular reference to a bond issue for an amount of 300 million euro and with a maturity of seven years in March 2024, to be issued under the *Euro Medium Term Notes* Program; the exercise of the put option for the sale of the company "EPCG" and the signing of a letter of intent between ACSM-AGAM, Aspem, AEVV, Lario Reti Holding and A2A for a possible industrial and corporate partnership project subsequently approved on January 23, 2018.

In this context, we systematically received from the Chair and CEO-General Manager the

1

information regarding the exercise of proxies;

- conducted 23 meetings of the Board of Auditors during which information was also exchanged with the independent auditors and with the CEO-General Manager, in order to ensure that no transactions were carried that were imprudent, risky, in potential conflict of interest, in contrast with the law, by-laws or the resolutions of the shareholders' meeting or such to affect the integrity of the Company's assets;
- attended 12 meetings of the Remuneration and Appointments Committee, acquiring information on the work it performed during the year;
- monitored the adequacy of the internal control and risk management system (as described in the following points); in this regard, no critical situations or facts were identified that could lead, in relation to the 2017 financial year, to believe that the internal control and risk management system is inadequate;
- received from the Audit and Risks Committee, the Director in charge of the internal control and risk management system and the head of the Internal Audit function information regarding risk mapping of the activities in progress, verification programs and implementation projects of the internal control system, even through participation in 17 meetings of the Committee, during which we took cognizance of the activity carried out by the Committee (also in its function as Related Party Committee);
- examined periodically, as part of the supervision of the effectiveness of the internal control
 and risk management system adopted by the Company, the updated mapping of risks relating
 to the Company and its subsidiaries prepared by the Director in charge of the internal control
 and risk management system and submitted by the latter to the Board of Directors for review;

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- examined the periodic reports prepared every six months by the Head of Internal Audit function, which contain information on the activities carried out by the latter during the reference period, the risk management procedures within the Company, respect for plans defined for their reduction, strategic goals for reduction and efficiency, as well as the positive assessment of the same Head of the Internal Audit function on the suitability of the internal control and risk management system of the Company with respect to the characteristics of the company and the profile of risk undertaken. In particular, on July 25, 2017 and March 14, 2018, the Board (i) expressed a favourable opinion on the adequacy, effectiveness and effective functioning of the internal control and risk management system of the Company with respect to the same characteristics and profile of risk undertaken; (ii) expressed a favourable opinion on the organizational, administrative and accounting structure of A2A and its subsidiaries with strategic importance, with particular reference to the internal control and risk management system;
- verified that the Company has an organizational, management and control Model ("Model") consistent with the principles contained in Legislative Decree 231/01 and in line with the guidelines established by industry Associations. In the Half-Year Report to the Board of Auditors, the Supervisory Board of the Company reported on the activities carried out during the first half of 2017 and thereafter, by special report at December 31, 2017, informed the same on the activities carried out during 2017 confirming that there were no situations of misconduct or violations of the Model. On September 21, 2017, the Board of Directors of A2A S.p.A. resolved the update of the Organization, Management and Control Model pursuant to Legislative Decree 231/01 with respect to the types of offenses related to illicit brokering and

exploitation of labour (Law 199/2016) and to the incitement to corruption among individuals (Legislative Decree 38/2017) and updated the General Part regarding the organizational and operational structure of the Company;

- verified the activities carried out under the coordination of the Manager in charge of preparing the corporate accounting documents, for the purpose of the requirements of Law 262/2005 "Provisions for the protection of savings and regulation of financial markets", and s.m.i. The Board was, among other things, informed on the outcome of the test and positively evaluated as illustrated by the head of the Internal Audit function and the Manager in charge of preparing the corporate accounting documents concerning the administrative and accounting procedures referred to in the aforementioned Law 262/2005, discussing as emerged from the illustration and requesting, where deemed necessary, the Audit and Risks Committee to provide information to the Board of Directors;
- verified that the Company complies with the Corporate Governance Code for listed companies
 approved in March 2006 and last amended in July 2015. The Annual Report on Corporate
 Governance and Ownership Structures adequately illustrates the corporate governance
 system and the choices adopted.

Moreover, the Board:

- expressed its positive opinion in relation to the approval of the 2018 audit plan prepared and
 illustrated by the head of Internal Audit function and approved by the Board of Directors;
- monitored the actual implementation of corporate governance rules in the Corporate Governance Code, including the assessment of the Board of Directors and its internal Committees;

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- certified, on the basis of statements made by the Directors and took note of the assessments
 expressed by the Board, that the criteria and procedures adopted by the Board to assess the
 independence of its members were correctly applied;
- took note of the procedures adopted and instructions issued by A2A S.p.A. for the preparation of the Annual Report of the A2A Group at December 31, 2017, the Half-Year Report of the A2A Group at June 30, 2017 and the financial report at March 31 and September 30, 2017;
- monitored observance of the obligations imposed by Legislative Decree no. 254/2016 and Consob Regulation no. 20267/2018 in relation to the drafting and publication of the consolidated non-financial statement approved by the Board of Directors on March 20, 2018; the Board of Statutory Auditors also verified the issue on March 27, 2018, by the appointed Auditing Company, of the declaration of conformity of the information provided in this document;
- successfully verified compliance with the criteria of independence with regard to each of its members, as required by the Corporate Governance Code. Said verification was conducted on November 9, 2017, as part of the annual verification of permanence of said requirements. Furthermore, in the meeting of March 12, 2018, the Board of Statutory Auditors confirmed the adequacy of its composition in terms of training and professional experience, in addition to the other requirements established by law. The Board acknowledged that the outcome of said audits is outlined in the Annual Report on Corporate Governance and Ownership Structures prepared for the year 2017;
- reviewed the annual report prepared by the Audit and Risk Committee and the Annual Report
 on Corporate Governance and Ownership Structures prepared by the Company, ensuring that

it contains the information required by article 123-bis of Legislative Decree 58/98;

- examined the text of the Remuneration Report prepared by the Company which was approved by the Board of Directors at its meeting of March 20, 2018, and verified that the same contains the information required by article 123-ter of Legislative Decree 58/98 and article 84-quater of the Issuers' Regulation;
- verified that the information flows between the Parent Company and other companies of the A2A Group occurred and occur in a timely manner and that the provisions provided to subsidiaries pursuant to article 114, paragraph 2, of Legislative Decree 58/98 are adequate;
- the Board of Statutory Auditors constantly collected information on the organizational structure of the Company and changes thereto, also conducting meetings with the related managers of the Company. In light of what has been verified, the Board of Statutory Auditors believes that the organizational structure of the Company, the procedures, expertise and responsibilities are adequate in relation to the size of the company and the type of activity performed;
- ascertained, on the basis of verifications carried out and the information received by the Company, the existence of an adequate administrative and accounting system, its reliability in correctly representing management facts and the additional conditions required by article 36 of Consob Resolution no. 16191/2007 (now no. 20249 of December 28, 2017), relating to subsidiaries with significant relevance established and regulated under the laws of non-EU countries;
- confirmed that it was not required to communicate to Consob and the management company of the market any circumstances involving non-compliance with the provisions of article 36 of

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Consob Resolution no. 16191/2007 (now no. 20249 of December 28, 2017);

- examined the documentation regulating financial, industrial and support intergroup transactions that can reasonably be considered compliant with the principles of good administration, compatible with the by-laws of the Company and consistent with the spirit of the law;
- found that there were no atypical and/or unusual transactions as defined by Consob
 Communication DEM/6064293 of July 28, 2006, intergroup or with third parties; this was
 confirmed by the indications of the Board of Directors, Independent Auditors and Director in
 charge of the Internal Control and Risk Management System;
- found that the internal structures showed that from the analyses carried out on transactions conducted up to 12/31/2017, there were no transactions with related parties to bring to the attention of the Audit and Risk Committee in its capacity as the Related Party Committee;
- carried out the tasks entrusted to the Board of Auditors in light of the amendments introduced
 by article 19, paragraph 1 of Legislative Decree 39/2010, including supervision of the statutory
 audit of annual accounts and consolidated accounts and the independence of the statutory
 auditor or the independent auditors, in particular as regards the provision of non-audit
 services to the Company;
- monitored, pursuant to art. 19, paragraph 1 of Legislative Decree 39/2010, the financial reporting process and effectiveness of internal control, internal audit and risk management systems and informed the Board of Directors on the outcome of the statutory audit;
- met regularly with the independent auditors:

- to exchange information on the verifications carried out by the latter pursuant to Legislative Decree 39/2010 and article 150, paragraph 3 of Legislative Decree 58/98 on the regular accounting and correct reporting of events in the accounting records.
 During these meetings, there were no reports of problems or abnormalities;
- b) for the examination and evaluation of the preparation process, including the evaluation of the correct application of accounting standards and homogeneity of the same, the Half-Year Report of the A2A Group at June 30, 2017 and the Annual Report of the A2A Group at December 31, 2017, as well as the outcomes of the audit and evaluation of this document;
- on March 27, 2018, it received from the Independent Auditors, the unqualified reports in accordance with article 14 of Legislative Decree 39/2010, respectively, for the annual financial statements and the consolidated financial statements at December 31, 2017, prepared in accordance with International Financial Reporting Standards IFRS adopted by the EU. Said reports show that: (i) the consolidated non-financial statement was prepared by the Directors; (ii) the annual financial statements and the consolidated financial statements of A2A S.p.A. provide a true and fair view of the financial position of A2A S.p.A. and the A2A Group at December 31, 2017, of the financial performance and cash flows for the year ended on that date. With reference to the annual financial statements and consolidated financial statements, the Independent Auditors stated that the Report on Operations and the Report on Corporate Governance and Ownership Structures, with reference to the information indicated in art. 123-bis, paragraph 4, of Legislative Decree February 24, 1998, no. 58, are consistent with the financial statements and prepared in accordance with the law. With regard to any significant

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errors in the Report on Operations, EY, pursuant to art. 14 paragraph 2 letter e) of Legislative Decree 39/2010, stated that it had nothing to report based on the knowledge and understanding of the Company and the relative context acquired during the audit;

- received on March 27, 2017 from EY, pursuant to article 11 of EU regulation no. 537/2014, the additional report for internal control and audit committee, illustrating also the key issues arising from the statutory audit and any significant weaknesses identified in the internal control system in relation to the financial reporting process, in which no significant weaknesses were identified:
- annexed to the additional report, EY presented the statement related to independence, as required by article 6 of Regulation (EU) no. 537/2014, from which no situations emerge that could affect the independence thereof;
- discussed with EY any risks related to the independence of the same and the measures taken by it to limit these risks;
- verified the non-audit services provided to the Company by the independent auditors as well as by entities belonging to the network of the same. In this regard, we report that, in 2017, we had no evidence of the assignment of tasks other than the statutory audit of annual and consolidated accounts to EY S.p.A. (or to entities/persons belonging to their networks), with the sole exception of the following appointments conferred with the approval of the Board of Auditors:

Group company to which the service was	Description of activities	Fees (Euro)
provided		
A2A S.p.A.	Attestation activities related to the updating of the EMTN program	25,000.00
A2A Energiefuture S.p.A.	Request for reinstatement of 2016 costs San Filippo del Mela - Essential plants resolution AEEG 111/06	1,000.00
Retragas S.r.l.	Certification of revenues and investments and disposals relating to 2016. Resolution 514/2013/R/GAS (RTTG 2014 - 2017)	1,000.00
A2A Energia S.p.A.	Verification of functionality of tool for estimating accruals for monthly closures	50,000.00
A2A S.p.A. A2A Gencogas S.p.A. Aprica S.p.A. A2A Energia S.p.A. Unareti S.p.A.	Compensation Art Bonus, IRAP and Robin Tax credits - conformity review	21,315.00, of which: A2A S.p.A. 3,045.00 euro (UNICO Form Tax Declaration) A2A S.p.A. 3,045.00 euro (CNM Form Tax Declaration) A2A S.p.A. 3,045.00 euro (IRAP credit transferred to consolidated) A2A Gencogas S.p.A. 3,045.00 euro (IRAP credit transferred to consolidated) Aprica S.p.A. 3,045.00 euro (IRAP credit transferred to consolidated) Aprica S.p.A. 3,045.00 euro (IRAP credit transferred to consolidated) A2A Energia S.p.A. 3,045.00 euro (Robin Tax credit compensated with IRAP debt) Unareti S.p.A. 3,045.00 euro (Robin
A2A S.p.A.	Attestation activities related to the updating of the EMTN program	Tax credit compensated with IRAP debt) 25,000.00

 the Company drafted the summary sheets of the control activities carried out by the Board of Statutory Auditors in 2017 according to as provided in Consob Communication no. 1025564 of April 6, 2001. Overview of performance, financial conditions and net debt

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It is also specified that the Auditors:

communicated any offices held – as members of the Board of Directors or the Board of
 Auditors – in companies other than A2A S.p.A.;

- have expressed to be in favour, according to art. 2389, paragraph 3 of the Civil Code, of the remuneration of directors with special offices.

 have issued a reasoned proposal for the integration of the fee due to the company in charge of the statutory audit.

No complaints were received pursuant to art. 2408 Civil Code nor reports of any kind by third parties.

In the course of the supervisory activity, no significant omissions or reprehensible facts or irregularities whatsoever were identified.

In this regard, it is noted that, on September 26, 2017, the Board of Statutory Auditors, to the extent of its responsibility, responded to the requests made by CONSOB September 20, 2017 to the Company and to the Board of Statutory Auditors, pursuant to article 115, paragraph 1, of Legislative Decree no. 58/1998, with reference to the verification activity carried out on the possession of the requisites of independence, integrity and professionalism, as per article 148, paragraphs 3 and 4, of the CFA, by the statutory and alternate members of the control body, and to the request for a copy of the minutes of the meetings of the Board of Directors and the Board of Statutory Auditors, during which the aforementioned verification activities were carried out, and any other useful documentation.

Finally, the Board of Auditors:

- met with the Board of Auditors of the subsidiaries Linea Group Holding S.p.A., Linea Ambiente

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S.r.I., A2A Ambiente S.p.A. and A2A Energia S.p.A. to verify, among other things, the status of implementation by said Companies of the directives issued by the parent. The Board noted that the subsidiaries were in line with the directives received. The meeting allowed for an exchange of information regarding, among other things, the functioning of corporate activity, the characteristics of the internal control system, the business organization of the subsidiaries, the composition and activities of the Supervisory Body, the Committees, Internal Audit function and the changes in the organizational structure of the Company during the year 2017;

- received from the Board of Directors the draft financial statements for the year 2017 and the report on operations of A2A S.p.A. as well as the consolidated financial statements 2017 of the A2A Group and the consolidated non-financial statement pursuant to Legislative Decree no. 254/2016 under the agreed terms;
- ascertained that the Directors, in compliance with the provisions of CONSOB, correctly
 outlined in the report on operations the transactions with Group companies and related
 parties;
- noted that, following the favourable opinion issued by the Audit and Risks Committee, in accordance with the recommendations made by the European Securities and Markets Authority ("ESMA") on January 21, 2013, the joint document Bank of Italy/Consob/ISVAP no. 4 of March 3, 2010 and Consob Communication no. 3907 of January 19, 2015, the Board of Directors autonomously and prior to the approval of the annual financial statements, approved the impairment test procedures applied by the Company in preparing the financial statements at December 31, 2017 and to be applied to the annual financial statements of the companies of the A2A Group.

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Providing the foregoing and to the extent of our expertise, we:

- verified compliance with the law and the by-laws and the standards by which proper administration shall be uniformed;
- monitored observance of information obligations regarding privileged information;
- verified the adequacy of the Company's organizational structure, the internal control system
 and the administration and accounting system, in their actual functioning;
- verified compliance with the laws governing the preparation and format of the Statutory

 Financial Statements of the Company and the Consolidated Financial Statements of the Group

 and the reports on operations regarding 2017, as well as the consolidated non-financial

 statement pursuant to Legislative Decree no. 254/2016, also through direct verifications and

 information obtained by the independent auditors;
- verified that, in accordance with Regulation (EC) no. 1606/2002 and Legislative Decree no. 38/2005, the financial statements of A2A S.p.A. and the consolidated financial statements of the A2A Group at December 31, 2017 are prepared in accordance with IAS/IFRS international accounting standards approved by the European Commission, supplemented by the related interpretations issued by the International Accounting Standards Board (IASB);
- supervised compliance with the procedure for the preparation and presentation of the annual financial statements to the Shareholders' Meeting;
- participated in the meetings of the Related Party Committee and monitored compliance of the
 Procedure for Transactions with Related Parties, prepared by the Company pursuant to
 Consob Regulation 17221 of March 12, 2010, adapted following the adoption of the
 "traditional" governance on June 22, 2015 and submitted for periodic review by the Board of

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Directors on June 20, 2016;

- verified the adequacy of the provisions provided by the Company to subsidiaries;
- ascertained that, during the supervision activities described above, no reprehensible facts,
 omissions, or irregularities arose that require reporting to the competent bodies.

In view of the above, we kindly request that you approve the financial statements at December 31, 2017 presented by the Board of Directors along with the report on operations and the proposed allocation of the result for the year.

Milan, March 27, 2018

THE BOARD OF STATUTORY AUDITORS

(Signed Giacinto Sarubbi) - Chairman

(Signed Maurizio Leonardo Lombardi) - Statutory Auditor

(Signed Chiara Segala) - Statutory Auditor

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