

PRESS RELEASE – 30 July 2015

The A2A S.p.A. Board of Directors has examined and approved the Half year financial report at 30 June 2015

The Gross Operating Margin equalled 562 million euros, an increase of 11 million euros compared to the first half of 2014 (+2%)

Big improvement in Group Net Profit, +56.7%, to 152 million euros

Further reduction of the Net Financial Debt by 123 million euros compared to 31 December 2014

Milan, 30 July 2015 – At today's meeting of the Board of Directors of A2A S.p.A., chaired by Mr. Giovanni Valotti, the Board examined and approved the Half year financial report at 30 June 2015.

The period in question was characterized by a higher industrial margin than that of the same period of the previous year, which benefited from exceptional hydraulicity and more positive non-recurring elements of income (+7 million euros), and from a further reduction of the company's net debt. These results were achieved also thanks to the positive contribution of the plan to improve operational efficiency currently in progress, which made it possible to counteract the current economic situation in the electricity sector which, despite weak signs of recovery, continues to be negative.

The increase in the Gross Operating Margin can mainly be attributed to the Heat *Business Unit* where profitability rose by 8 million euros compared to the first half of 2014 (+21%), mainly resulting from more favourable climatic conditions compared to the same period of the previous year. The result of the Commercial *Business Unit* was also up, penalized in the first half of 2014 by negative non-recurring elements of income.

The margin of the Environment *Business Unit* on the other hand was down essentially as a result of lower revenues from the sale of electricity from the Group's waste-to-energy plants.

The results of the Generation and Trading, Networks, and EPCG *Business Units* were essentially stable.

The Net Operating Income of the period amounted to 314 million euros (+4.0%), while the Net Profit reached 152 million euros (+56.7%).

Contributions to the Group's Net Profit were made by:

- lower depreciation and amortisation deriving from the review (effective from July 2014) of the useful life of the CCGT plants and the write-down of assets following the 2014 Impairment Test;
- lower net financial charges mainly attributed to the reduction of the average debt and the effects of the financial strategy implemented by the Group;
- the lower tax load starting from 2015 following the abolition of the “Robin Hood Tax” and the full deductibility of the labour costs relative to employees with permanent contracts.

These positive effects were only partially offset by the greater provisions for risks recorded in the first half of 2015 resulting from the outcome of the arbitration proceedings between A2A and Pessina Costruzioni relating to the dispute linked to the district heating project for the city of Novara.

During the period, the generation of net cash flows was positive and amounted to 123 million euros, after investments of 135 million euros and the payment of dividends for 113 million euros. The Net Financial Position at the end of June 2015 thus amounted to 3,240 million euros (3,363 million euros at 31 December 2014).

Main consolidated results of the A2A Group at 30 June 2015

<i>in millions of euros</i>	6 months 2015	6 months 2014	Δ %
Revenues	2,467	2,582	-4.4%
Gross Operating Income - EBITDA	562	551	+2.0%
Net Operating Income - EBIT	314	302	+4.0%
Pre-tax result	239	206	+16.0%
Group net result	152	97	+56.7%

<i>in millions of euros</i>	30 June 2015	31 December 2014	Δ
Net financial position	3,240	3,363	-123

Operating performance of the Group

The electricity sold on the wholesale and retail markets by the Group's companies (net of the contribution of the subsidiary company EPCG in Montenegro) amounted to 24.1 TWh (billion kilowatt hours)¹, essentially in line (-1%) with the first half of 2014.

The Group's plants contributed, for 6.8 TWh, to fulfil the demand.

¹ Net of the energy sold and simultaneously reacquired by the Power Exchange.

The thermoelectric production equalled 3.7 TWh (+40%) while hydroelectric production reached 2.3 TWh (-25%).

Specifically, the increase in thermoelectric production, mainly attributable to the greater quantities from combined gas cycles traded on the secondary markets and the greater production of the coal plant in Monfalcone, more than offset the reduction of hydroelectric production compared to the first half of 2014, which benefited from extraordinary hydraulicity.

On the other hand the production of electricity from co-generation, waste-to-energy and biogas plants amounted to 0.81 TWh (0.85 TWh in the first six months of 2014).

In the six month period in question, gas sales amounted to 1,415 million cubic metres, slightly down (-2%) compared to the first six months of 2014: the greater volumes sold on the wholesale markets partially offset the drop in sales to end users.

Electricity sales by the EPCG group amounted to a total of 1.4 TWh, up by 5% compared to the same period of the previous year.

The group's plants contributed to fulfil the demand producing a total of 1.5 TWh (+2%), of which 0.6 TWh was from thermoelectric sources (+3%) and 0.9 TWh from hydroelectric sources (+2%). The increased thermoelectric production can be attributed to fewer days of stoppage at the Pljevlja plant compared to the first half of the previous year while, with reference to hydroelectric production, the increase was caused by the greater hydraulicity recorded in the first months of 2015.

The electricity distributed on the medium and low voltage network in Montenegro also amounted to 1.1 TWh (+7% compared to the first half of 2014).

Sales of heat recorded a growth of 0.2 thermal TWh compared to the first six months of 2014 essentially attributable to the climatic conditions recorded in the first months of 2015 and to the incremental volumes deriving from new connections. The co-generation and waste-to-energy plants contributed to covering the thermal load with an overall production of 1.3 thermal TWh (+16%).

The quantity of waste collected, amounting to 0.5 million tonnes, was essentially in line with the first half of 2014. The quantity of waste disposed of, amounting to 1.3 million tonnes, was up by 2% compared to the first six months of the previous year, mainly following the coming into operation (from July 2014) of the glass treatment plant in Asti and the greater quantities of waste disposed of at the landfill in Montichiari.

The electricity distributed amounted to 5.5 TWh, up by 0.1 TWh compared to the first half of the previous year. The quantities of gas distributed amounted to 1,068 million cubic metres (+48 million cubic metres compared to 30 June 2014), while the water distributed amounted to 29 million cubic metres (30 million cubic metres in the first half of 2014).

Consolidated Economic Results

“**Revenues**” of the Group, amounting to 2,467 million euros, were down by 115 million euros compared to the first six months of 2014.

This performance can mainly be attributed to the reduction in the volumes of electricity and gas sold to end users, the reduction of electricity sales on the IPEX platform, as well as the trend in the reduction of energy prices recorded in recent years.

The “**Gross Operating Margin**” equalled 562 million euros, an increase of 11 million euros compared to the first half of 2014. The following table highlights the composition by Business Unit:

Millions of euros	06.30.2015	06.30.2014	Change	Change %
Generation and Trading	192	193	-1	-0.5%
Commercial	54	47	7	14.9%
Environment	110	115	-5	-4.3%
Heat	47	39	8	20.5%
Networks	136	138	-2	-1.4%
Epcg	32	30	2	6.7%
Other services and Corporate	-9	-11	2	n.s.
Total	562	551	11	2.0%

The Gross Operating Margin of the *Generation and Trading Business Unit* amounted to 192 million euros, in line with the first half of the previous year.

Compared to the previous year, the first six months of 2015 benefited from lower costs from redundancy schemes for around 11 million euros, while it was affected, for around 21 million euros, by the non-recurrent positive elements of income recorded, mainly, in the first half of 2014.

Net of these effects, the Gross Operating Margin of the *Generation and Trading Business Unit* was up by around 9 million euros compared to the same period of 2014 despite a still difficult macroeconomic context, electricity demand that was essentially stable at the levels of the first half of the previous year and a significant reduction in hydroelectric production due to lower hydraulicity (around -35 million euros). This excellent result was achieved thanks to greater sales of environmental certificates, the excellent performance of the thermoelectric sector with both CCGT, in which A2A consolidated its leadership on the MSD market of North Italy, and coal (in both cases thanks to greater production as well as better spreads) and, finally, thanks to savings deriving from the plan to improve operational efficiency.

The Gross Operating Margin of the *Commercial Business Unit* amounted to 54 million euros, up by 7 million euros compared to the same period of the previous year.

The 2014 result, however, included negative non-recurring elements of income for an amount equal to 8 million euros. Net of these charges, the Gross Operating Margin of the Business Unit was essentially in line with the first half of 2014 despite the greater costs incurred for the acquisition of new customers.

The Gross Operating Income of the *Environment Business Unit* equalled 110 million euros (115 million euros in the first half of 2014).

The reduction, amounting to 5 million euros, is mainly due to the lower revenues from the sale of electricity from the waste-to-energy plant in Acerra (following the reduction of the CIP6 payment caused by the drop in prices of the reference fuels) and the Group's other waste-to-energy plants (due to the drop in electricity prices).

The Gross Operating Margin of the *Heat and Services Business Unit*, amounting to 47 million euros, was up by 8 million euros compared to the first six months of 2014; the increase, resulting from more favourable climatic conditions compared to the same period of the previous year and the effective commercial development action (in particular in the city of Milan), was partially offset by the lower results achieved on the environmental certificates markets.

Whereas the margins of the *Networks Business Unit* and the *EPCG Business Unit* were essentially in line with the previous financial year.

The “**Amortisation and depreciation, provisions and write-downs**” amounted to a total of 248 million euros (249 million euros at 30 June 2014) and include amortisation and depreciation of the tangible and intangible assets for 199 million euros (229 million euros at 30 June 2014) and net provisions for 49 million euros (20 million euros at 30 June 2014).

The “Amortisation and Depreciation” recorded a decrease of 30 million euros mainly deriving from lower depreciations of the tangible assets following the write-downs performed at the end of the previous year, for 17 million euros, as well as from the review of the remaining useful life of the CCGT plants, carried out in 2014 for 13 million euros.

The “Provisions for risks” amounted to 40 million euros (12 million euros at 30 June 2014) and refer to the provisions for the period made with regard to ongoing litigation, as well as pending lawsuits. The provisions for the half-year were affected by the provision following the filing of the arbitration relative to compensation for damages in favour of Pessina Costruzioni regarding the dispute over Asm Novara S.p.A.

Due to the effect of the dynamics explained above, the “**Net Operating Income (EBIT)**” amounted to 314 million euros, up by 12 million euros compared to the first half of 2014 (302 million euros at 30 June 2014).

“**Net financial charges**” equalled 77 million euros (101 million euros in the first half of 2014). The reduction compared to the corresponding period of the previous year, equal to 24 million euros, can be attributed mainly to lower net payable financial interest on the debt for 10 million euros linked to the decrease in the average debt and the effects of the financial strategy implemented by the Group, as well as lower discount charges for 8 million euros. There was also an improvement in the performance of the variation in the financial derivative contracts positive for 4 million euros.

“**Affiliates**” were positive for 3 million euros (positive for 5 million euros at 30 June 2014), which can mainly be attributed to the valuation, according to the equity method, of the shareholding in ACSM-AGAM S.p.A..

The first half of 2014 benefited from the results of the associated company Dolomiti Energia S.p.A., positive for 2 million euros.

“**Income taxes**” in the period in question equalled 77 million euros (101 million euros at 30 June 2014).

As a reminder, following Ruling 10/2015 of the Constitutional Court, which declared the additional IRES of 6.50% (“*Robin Hood Tax*”) to be unconstitutional, with effect from 12 February 2015, these financial statements do not present any effect relative to that tax, as the deferred taxes allocated to the temporary differences generated in previous years were entirely reversed in the year 2014. The Half

year financial report at 30 June 2014, on the other hand, implemented the effects of the additional tax.

It should also be noted that, following the provisions of art. 1, subsection 20, of Law no. 190 of 23 December 2014 (“2015 Stability Law”), the entire labour cost relative to employees with permanent contracts shall be deducted from the IRAP for the current tax period.

The **Group’s result for the period**, after the “Minorities” were deducted, came to 152 million euros (97 million euros at 30 June 2014).

Financial position and assets

The consolidated “**Net Employed capital**” at 30 June 2015 came to 6,483 million euros and was covered by the Net Equity for 3,243 million euros and the Net Financial Debt for 3,240 million euros.

The “**Net working capital**” amounted to 389 million euros, up by 41 million euros compared to 31 December 2014 mainly following the reduction of the trade payables and other current liabilities, partially offset by the reduction of the trade receivables and gas inventories existing at 31 December 2014.

The “**Net fixed assets**” amounted to 6,094 million euros, a reduction of 100 million euros compared to 31 December 2014 mainly due to the amortisation and depreciation pertaining to the period.

The “**Net financial position**”, equal to 3,240 million euros, improved by 123 million euros compared to 31 December 2014 following the positive generation of cash flow attributable to the operations, partially offset by the resources absorbed by the investments in tangible and intangible assets and in shareholdings for 135 million euros and by dividends paid for 113 million euros.

Business Outlook for operations

The results achieved by the Group in the first half of the year, the performance of the electricity market and the many initiatives to improve operational efficiency underway, suggest that the financial-economic objectives set in the 2015-2019 plan can be confirmed.

The Executive responsible for drawing up A2A S.p.A. company accounting documents declares – in accordance with article 154-bis, subsection 2 of the Financial Act (TUF) (Legislative Decree 58/1998) - that the accounting information contained in this document corresponds to the documentary evidence, books and accounting records.

The following are attached: the A2A Group's accounting tables, extracted from the Half year financial report at 30 June 2015, subject to auditing.

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Duty to notify the public in accordance with Consob decision no. 11971 of 14.05.1999 as amended.

CONSOLIDATED BALANCE SHEET	06.30.2015	12.31.2014	06.30.2014
(millions of euro)			
ASSETS			
<u>NON-CURRENT ASSETS</u>			
Tangible assets	5,561	5,625	5,828
Intangible assets	1,303	1,318	1,306
Shareholdings carried according to equity method	74	74	191
Other non-current financial assets	70	65	51
Deferred tax assets	302	323	359
Other non-current assets	40	43	62
TOTAL NON-CURRENT ASSETS	7,350	7,448	7,797
<u>CURRENT ASSETS</u>			
Inventories	207	284	285
Trade receivables	1,400	1,591	1,651
Other current assets	233	255	305
Current financial assets	150	126	126
Current tax assets	62	85	50
Cash and cash equivalents	410	544	376
TOTAL CURRENT ASSETS	2,462	2,885	2,793
NON-CURRENT ASSETS HELD FOR SALE	-	-	-
TOTAL ASSETS	9,812	10,333	10,590
EQUITY AND LIABILITIES			
<u>EQUITY</u>			
Share capital	1,629	1,629	1,629
(Treasury shares)	(61)	(61)	(61)
Reserves	937	1,048	1,078
Result of the year	-	(37)	-
Result of the period	152	-	97
Equity pertaining to the Group	2,657	2,579	2,743
Minority interests	586	600	566
Total equity	3,243	3,179	3,309
<u>LIABILITIES</u>			
<u>NON-CURRENT LIABILITIES</u>			
Non-current financial liabilities	3,751	3,931	3,989
Employee benefits	336	369	360
Provisions for risks, charges and liabilities for landfills	525	498	568
Other non-current liabilities	351	364	349
Total non-current liabilities	4,963	5,162	5,266
<u>CURRENT LIABILITIES</u>			
Trade payables	1,001	1,254	1,145
Other current liabilities	471	611	739
Current financial liabilities	93	125	128
Tax liabilities	41	2	3
Total current liabilities	1,606	1,992	2,015
Total liabilities	6,569	7,154	7,281
LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	-	-	-
TOTAL EQUITY AND LIABILITIES	9,812	10,333	10,590

CONSOLIDATED INCOME STATEMENT (millions of euro)	01.01.2015 06.30.2015	01.01.2014 06.30.2014	01.01.2014 12.31.2014
Revenues			
Revenues from the sale of goods and services	2,377	2,475	4,761
Other operating income	90	107	223
Total Revenues	2,467	2,582	4,984
Operating expenses			
Expenses for raw materials and services	1,466	1,594	3,049
Other operating expenses	125	107	262
Total Operating expenses	1,591	1,701	3,311
Labour costs	314	330	649
Gross operating income - EBITDA	562	551	1,024
Depreciation, amortization, provisions and write-downs	248	249	662
Net operating income - EBIT	314	302	362
Result from non-recurring transactions	(1)	-	9
Financial balance			
Net financial charges	(77)	(101)	(165)
Affiliates	3	5	(45)
Result from disposal of other shareholdings (AFS)	-	-	-
Total financial balance	(74)	(96)	(210)
Result before taxes	239	206	161
Income taxes	77	101	179
Result after taxes from operating activities	162	105	(18)
Net result from discontinued operations	-	-	-
Net result	162	105	(18)
Minorities	(10)	(8)	(19)
Group result of the period/year	152	97	(37)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (millions of euro)	06.30.2015	06.30.2014	12.31.2014
Net result of the year (A)	-	-	(18)
Net result of the period (A)	162	105	-
Actuarial gains/(losses) on Employee's Benefits booked in the Net equity	22	(22)	(37)
Tax effect of other actuarial gains/(losses)	(4)	7	7
Total actuarial gains/(losses) net of the tax effect (B)	18	(15)	(30)
Effective part of gains/(losses) on cash flow hedge	30	(39)	(37)
Tax effect of other gains/(losses)	(9)	14	9
Total other gains/(losses) net of the tax effect of companies consolidated on a line-by-line basis (C)	21	(25)	(28)
Other gains/(losses) of companies valued at equity net of the tax effect (D)	-	-	-
Total comprehensive result (A)+(B)+(C)+(D)	201	65	(76)
Total comprehensive result attributable to:			
Shareholders of the parent company	191	57	(95)
Minority interests	10	8	19

CONSOLIDATED CASH-FLOW STATEMENT (millions of euro)	06.30.2015	12.31.2014	06.30.2014
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD/YEAR	544	376	376
<u>Operating activities</u>			
Net Result (**)	162	(30)	105
Tangible assets depreciation	168	385	200
Intangible assets amortization	31	61	29
Fixed assets write-downs/disposals	2	169	1
Result from affiliates	(3)	45	(5)
Net taxes paid (a)	(8)	(133)	(57)
Gross change in assets and liabilities (b)	9	443	257
Total change of assets and liabilities (a+b) (*)	1	310	200
Cash flow from operating activities	361	940	530
<u>Investment activities</u>			
Investments in tangible assets	(102)	(237)	(93)
Investments in intangible assets and goodwill	(31)	(70)	(31)
Investments in shareholdings and securities (*)	(2)	-	-
Disposal of fixed assets and shareholdings	-	-	-
Dividends received	1	4	1
Cash flow from investment activities	(134)	(303)	(123)
FREE CASH FLOW	227	637	407
<u>Financing activities</u>			
Change in financial assets (*)	(35)	(46)	(34)
Change in financial liabilities (*)	(142)	(195)	(224)
Net financial interests paid	(66)	(122)	(46)
Dividends paid by the parent company	(113)	(102)	(102)
Dividends paid by the subsidiaries	(5)	(4)	(1)
Cash flow from financing activities	(361)	(469)	(407)
CHANGE IN CASH AND CASH EQUIVALENTS	(134)	168	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD/YEAR	410	544	376

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

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

Statement of changes in Group equity
(millions of euro)

Description	Share capital	Treasury shares	Cash Flow Hedge	Other Reserves and retained earnings	Result of the period/year	Total Equity pertaining to the Group	Minority interests	Total Net shareholders equity
Net equity at 12.31.2013	1,629	(61)	(21)	1,182	62	2,791	557	3,348
Changes of the first half of 2014								
2013 result allocation				62	(62)			
Distribution of dividends				(102)		(102)		(102)
IAS 19 reserve (*)				(15)		(15)		(15)
IAS 32 and 39 reserve (*)			(25)	(25)		(25)		(25)
Other changes				(3)		(3)	1	(2)
Group and minorities result of the period					97	97	8	105
Net equity at 06.30.2014	1,629	(61)	(46)	1,124	97	2,743	566	3,309
Changes of the second half of 2014								
Distribution of dividends				(15)		(15)	(4)	(4)
IAS 19 reserve (*)				(5)		(5)		(15)
IAS 32 and 39 reserve (*)			(5)	(1)		(1)		(5)
Put option on Edipower S.p.A. shares				(9)		(9)	27	(1)
Other changes					(134)	(134)	11	18
Group and minorities result of the period								(123)
Net equity at 12.31.2014	1,629	(61)	(51)	1,099	(37)	2,579	600	3,179
Changes of the first half of 2015								
2014 result allocation				(37)	37			
Distribution of dividends				(113)		(113)	(5)	(118)
IAS 19 reserve (*)				18		18		18
IAS 32 and 39 reserve (*)			21			21		21
Put option on Aspem S.p.A. shares							1	1
Other changes							(20)	(20)
Group and minorities result of the period					152	152	10	162
Net equity at 06.30.2015	1,629	(61)	(30)	967	152	2,657	586	3,243

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