PRESS RELEASE – July 31, 2017

The A2A S.p.A. Board of Directors has examined and approved the Half year financial report at June 30, 2017

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Gross Operating Margin at 649 million euros (+6% compared to the first half of 2016). Excellent organic and external growth in all Bus, apart from EPCG penalized by low rainfall.

Ordinary Net Profit at 252 million euros recorded strong growth (+19% compared to the corresponding period of 2016)

The exercising of the PUT Option on EPCG produced a negative effect of 95 million euros on the Group Net Profit. EPCG will cease being fully consolidated from the 2nd half of 2017

The Group Net Profit, after the effects of the PUT Option on EPCG, amounted to 157 million euros (254 million euros in the first half of 2016)

Investments of 171 million euros, up by 32% compared to the first half of 2016

Net Financial Position, amounting to 3,047 million euros, down by 89 million euros compared to December 31, 2016

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Milan, July 31, 2017 – 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 June 30, 2017.

The scenario of the first half of 2017 was characterized by high electricity and gas prices, although they were slightly down on those recorded in the first quarter: the PUN Baseload amounted to 51.2 €/MWh, rising by 38% compared to 37.0 €/MWh in the first half of 2016 and the average price of gas at the PSV (Virtual Trading Point) amounted to 19.3 €/MWh, up by 32% compared to the same period of the previous year.
These price levels on the Italian wholesale market are linked to the stoppage of several French nuclear power plants in the early months of the year and the particularly harsh temperatures recorded mainly in the month of January, as well as the exceptional heat wave which struck the Italian peninsula in June. The spreads, on both the CCGTs and coal production, expanded.
The lower rainfall at the end of 2016 and in the first six months of 2017, has instead had a very negative effect on hydroelectric production (both in Italy and in Montenegro), reducing it by almost 40%.
The temperatures were essentially in line with the first half of 2016.

The first half of the year closed with highly satisfactory economic-financial results that exceeded the Group's expectations.
The Gross Operating Margin (EBITDA), at 649 million euros (+5.7%), in addition to the contribution deriving from the companies newly acquired in 2016, benefited from the strong organic growth recorded in all the BUs, and in particular, in the Generation, Environment and Heat & Networks BUs. The growth of the Gross Operating Margin net of the non-recurring components was even more sustained, rising by 13% from 534 million euros on June 30, 2016 to 604 million euros on June 30, 2017.

The Net Profit pertaining to the Group of the first six months of 2017 amounted to 157 million euros (254 million euros at June 30, 2016).
The Group's Net result for the first half of 2017 was significantly influenced by the effects arising from the exercise, on July 1, 2017, of the PUT Option on the entire stake in the share capital held by A2A S.p.A. in the Montenegrin company EPCG (41.75%). The value of the PUT Option is 250 million euros; the disposal will take place in multiple steps, i.e. in seven equal instalments for each of the following seven years beginning in the month of May 2018, upon payment by the Government of Montenegro of the related fees at each maturity date. As highlighted in the press release published by A2A S.p.A. on July 25, 2017, the shareholding in EPCG was subject to a precautionary seizure in connection with the known proceeding related to intra-group services rendered to EPCG by A2A between 2010 and 2012. The preventive injunction likewise has shown that the proceeding in question was also extended to A2A S.p.A.
A2A S.p.A. will legally challenge this injunction, by the deadlines stipulated (or by August 2, 2017), in the forms and in the courts provided for by the local ordinance, in order to obtain its repeal by the date established for the collection of the first instalment, set for May 1, 2018.

On June 30, 2017, EPCG was still fully consolidated in A2A.
Due to the exercise of the PUT Option, the stake in EPCG was reclassified from permanent investment to held-for-sale investment with the consequent change in the valuation criteria. A2A valued EPCG's assets and liabilities in accordance with the IAS 36 principle of the lesser of their book value and their fair value as inferable from the compensation following the exercising of the PUT Option. The new valuation led to a total write-down of 95 million euros, of which 60 million euros corresponds to the adjustment of the asset value to the PUT Option value (250 million euros) and 35 million euros to the

effects of the discounting of the seven equivalent annual disposal and cash in instalments.
The reduction in the Net Profit of the Group in the first half of 2017, amounting to 97 million euros (-38%), is therefore mainly attributable due to two extraordinary items (one positive in 2016 and one negative in 2017):

- the booking in the first quarter of 2016 of a non-monetary capital gain of 52 million euros, related to the partial, non-proportional demerger of Edipower with effect as of 1 January 2016, in favour of Cellina Energy;
- the total write-down for 95 million euros of the assets of EPCG recorded in the first half of 2017.

Gross of the two extraordinary effects mentioned above, the "Ordinary" Net Profit would therefore be up by 40 million euros, from 212 million euros as at June 30, 2016 to 252 million euros as at June 30, 2017.

During the period the generation of net cash was positive and equalled 89 million euros, after investments for 171 million euros. The Net Financial Position as at June 30, 2017 thus amounted to 3,047 million euros (3,136 million euros at the end of 2016).

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Consolidated results at June 30, 2017

millions of euros	**6 months 2017**	**6 months 2016**	**Δ**	**Δ %**
Revenues	**2,918**	**2,323**	+595	+25.6%
Gross Operating Margin - EBITDA	**649**	**614**	+35	+5.7%
Net Operating Income - EBIT	**369**	**380**	-11	-2.9%
"Ordinary" Net Profit	**252**	**212**	+40	18.9%
"Reported" Net Result	**157**	**254**	-97	-38.2%

In the first half of 2017, the **Revenues** of the A2A Group amounted to 2,918 million euros, up by 595 million euros on the first six months of the previous year (+25.6%). Net of the contribution from LGH Group (around 50% of the change), the higher revenues can mainly be attributed to the increased revenues from the sale of electricity and gas on the wholesale markets.
The increase in spot prices on the IPEX markets recorded in the first half-year 2017 with respect to the same period of the previous year also contributed to the higher revenues of the Group.

The **Gross Operating Margin** equalled 649 million euros, an increase of 35 million euros compared to the first half of 2016 (+6%).
The Gross Operating Margin before the non-recurring components (80 million euros in the first half of 2016 dropping to 45 million euros in the first half of 2017) has grown by 70 million euros (+13%). Net of the contribution provided by the expansion of the perimeter due to LGH Group's consolidation as well as that of other 6 minor companies acquired in 2016 (for a total of 50 million euros), an important contribution was provided by the Generation and Trading, Environment, Networks & Heat Business Units which recorded significant organic increases in operating profitability. Whereas, the performance

of the Foreign Business Unit (EPCG) was very weak, strongly penalized by the poor hydraulicity and at the same time the high level of the prices of imported energy to address the domestic production deficit.

The **Net Operating Income**, amounting to 369 million euros, despite the increase deriving from the gross operating margin, was down by 11 million euros compared to the first six months of 2016 (380 million euros) mainly following the write-down above-mentioned of 60 million euros necessary to adjust the value of the assets in EPCG to the fair value.
The depreciation and amortisation for the period recorded an increase of 11 million euros, mainly deriving from the consolidation of LGH group, offset by the lower depreciation resulting from the write-downs of the plants in Monfalcone, Gissi and Piacenza carried out in December 31, 2016. The provisions for risk and charges booked in the period recorded a reduction of around 25 million euros compared to the first six months of 2016.

The **Net Profit pertaining to the Group** in the first six months of 2017 amounted to 157 million euros (254 million euros as at June 30, 2016), down by 97 million euros for the reasons stated above.

Results by Business Unit

The following table shows the composition of the Gross Operating Margin by Business Unit:

Millions of euros	**06.30.2017**	**06.30.2016**	**Delta**	**Delta %**
Generation and Trading	186	170	16	9.4%
Commercial	77	73	4	5.5%
Environment	137	119	18	15.1%
Networks and Heat	245	227	18	7.9%
Foreign	12	35	-23	-65.7%
A2A Smart City	3	3	0	0.0%
Corporate	-11	-13	2	-15.4%
Total	**649**	**614**	**35**	**5.7%**

Generation and Trading Business Unit

In the first half of 2017, the Generation and Trading Business Unit contributed to fulfil the sales demand of the A2A Group through production by the plants it owns amounting to approximately 6.4 TWh (6.0 TWh at June 30, 2016).
Thermoelectric production came to 4.8 TWh (3.7 TWh in the first half of 2016), while hydroelectric production amounted to 1.6 TWh (2.3 TWh in the first six months of 2016).
Thermoelectric production was up on the first six months of the previous year mainly due to the greater quantities produced by the CCGT plants following the stoppage at the nuclear power plants in France and the hot summer of 2017. This increase was partially offset by the lower production of the San Filippo del Mela plant, deriving from the lower demand for electricity recorded in Sicily compared to the first half of 2016, when the connection cable between Sicily and the rest of Italy was not yet operational. The drop in hydroelectric production, on the other hand, derives from the low rainfall recorded at the end of 2016 and the first half of the current year.
The revenues amounted to 1,533 million euros, up by 308 million euros.

The Gross Operating Margin of the Generation and Trading Business Unit amounted to 186 million euros, an increase of 16 million euros.
Net of the non-recurring items - down by around 13 million euros - the Gross Operating Margin of the Generation and Trading Business Unit was up by around 29 million euros. The increased demand on the domestic market, above all in the first quarter, led to a considerable increase in electricity prices, on both the day-ahead market (MPG) and the ancillary services. This scenario was beneficial for all the Group's plants, and in particular the gas ones - CCGT - which recorded strong growth in production and in the margins, thus offsetting the negative effects of the lower hydroelectric production. Moreover, the growth of the gas portfolio margin thanks to the efficiency of the purchasing policies contributed to the excellent performance of the Generation and Trading Business Unit. Whereas, in addition to the reduced hydroelectric production already mentioned, a negative contribution also came from lower revenues from the feed-in tariff above all attributable to the Valtellina plants no longer receiving incentives from the end of 2016, as well as the different structure of the must-run regime recognized to the San Filippo del Mela plant.

In the period in question, the Investments amounted to around 11 million euros, higher than those made in the first six months of 2016 (8 million euros as at June 30, 2016).

Commercial Business Unit

The Commercial Business Unit recorded 3,9 TWh of electricity sales (-2% compared to the first half of 2016) and 905 million cubic metres of gas sales (+36% compared to the same period of the previous year).
The reduction in the electricity sector can mainly be attributed to the lower quantities sold to customers served under the protected regime and to large customers, partially offset by the increase in distribution points with respect to the mass-market customer base and the contribution of LGH Group.
Growth in the gas sector is mainly due to a greater number of redelivery points served on the free market and larger volumes sold to large customers, as well as the contribution of the LGH Group.

The revenues amounted to 794 million euros (669 million euros at June 30, 2016), up by 19%.

In the Commercial Business Unit the Gross Operating Margin amounted to 77 million euros, up by 4 million euros – that is, 6 million euros net of the non-recurring items – with respect to the same period of 2016, thanks to both the contribution deriving from the gas sector margin for the greater volumes sold and the contribution of the consolidation of the LGH group. This increase was partly reabsorbed by the lower margins recorded in the electricity sector determined by lower volumes and pressure on the margins of the "large customers" segment as well as significant imbalance costs.

In the period in question the Investments of the Commercial Business Unit amounted to around 3 million euros.

Environment Business Unit

In the first half of 2017 the quantity of waste collected, amounting to 0.8 million tonnes, was up (+18%) on the first six months of 2016. Net of the waste collected relative to the LGH Group (133 thousand tonnes), the quantities were essentially in line with those of 2016. The quantity of waste disposed of, amounting to 1.8 million tonnes at 30 June 2017, showed an increase (+539 thousand tonnes) over the same period of 2016: in addition to the greater quantities deriving from the consolidation of the LGH group (366 thousand tonnes), greater disposals were recorded at the treatment plants of the new companies acquired by the A2A Group in the second half of 2016.

In the first half of the year the *Business Unit* recorded revenues of 496 million euros (403 million euros at June 30, 2016), up by 93 million euros compared to the first half of the previous year.

The Gross Operating Margin of the Environment Business Unit amounted to 137 million euros, up by 18 million euros compared to the same period of the previous year. Net of the non-recurring items, growth amounted to 22 million euros.
A contribution to the growth of the margins in the period in question came from the waste treatment and disposal sector, in particular:

- the results of the LGH group and the new companies acquired, Rieco and Resmal;
- the good performance of the disposal of urban waste and similar waste, mainly attributable to the positive dynamic of the contribution prices and the containment of costs;
- the greater contributions at the inert lots landfill in Corteolona. The activities, due to environmental analyses of the water table, suspended in 2016, resumed after the decision by ARPA (Regional Agency for Environmental Protection) to exclude the landfill from the perimeter of the remediation area.

Whereas, the collection sector was essentially in line mainly thanks to the contribution of the LGH group, which in the period in question recorded a Gross Operating Margin of 3 million euros in this segment.

The Investments in the period amounted to 42 million euros, a substantial increase compared to those made in 2016 (28 million euros as at June 30, 2016).

Networks and Heat Business Unit

The electricity distributed amounted to 5.8 TWh, up (+6%) on the first half of 2016, while the quantities of gas distributed amounted to 1,410 million cubic metres, up by 36% (1,039 million cubic metres at June 30, 2016), mainly due to the contribution of the LGH group. The water distributed amounted to 33 million cubic metres, up 7% compared to the corresponding period of the previous year. The heat sales of the Business Unit amounted to 1.6 TWh, up (+17%) on the first half of 2016 thanks to the contribution of the LGH Group and the higher sales deriving from the commercial development.

The revenues of the Networks and Heat Business Unit in the first half of 2017 stood at 570 million euros (499 million euros at June 30, 2016).

The Networks and Heat Business Unit recorded a Gross Operating Margin of 245 million euros, up by 18 million euros compared to the first half of 2016.

Net of the non-recurring items (-16 million euros) which regarded both the first half of 2017 (35 million euros, of which 30 million euros came from Energy Efficiency Certificates recognized for projects carried out in previous years) and the half-year of the same period of the previous year (51 million euros, mainly due to the recognition of tariff increases to A2A Ciclo Idrico for the years 2007-2011), the Gross Operating Margin of the Networks and Heat Business Unit was up by 34 million euros compared to the first half of 2016.
This performance is mainly due to:

- the effects of the change in the consolidation perimeter relating to LGH Group and Consul System, acquired in 2016 for 17 million euros;
- greater margins relating to district heating and heat management activities mainly attributable to the greater quantities of heat sold both due to the commercial development and the low temperatures recorded at the end of the 2016/2017 season and a more favourable scenario (heat prices related to the rising price of gas and the increase in the prices of electricity from co-generation);
- greater revenues due to the optimization of the white certificates portfolio;
- higher margins relating to the aqueduct, purification and sewage services following the tariff increases recognized by AEEGSI.

The Investments in the period in question equalled 98 million euros (78 million euros at June 30, 2016).

Foreign Business Unit (EPCG)

The electricity sales of the EPCG group on the domestic market amounted to a total of 1.2 TWh. The increase in imports (+93%) and the higher thermoelectric production (0.5 TWh in the period in question, an increase of 20% compared to the first half of 2016) contributed to fulfil the demand, offsetting the lower production from hydroelectric sources (0.5 TWh, down by 55% compared to the first half of 2016).
Moreover, in the period in question, the electricity distributed on the medium and low voltage network in Montenegro amounted to 1.1 TWh (up by 6% on June 30, 2016).

The revenues amounted to 114 million euros (111 million euros at June 30, 2016).

The Gross Operating Margin of the Foreign Business Unit amounted to 12 million euros, down by 23 million euros compared to the same period of the previous year. The lower hydroelectric production caused by the poor hydraulicity recorded in the first half of 2017 and the increase in consumption following the particularly harsh temperatures in the first two months of 2017, led to an abrupt and exceptional increase in the prices of electricity in the region and consequently the higher cost of imports, necessary to meet the domestic demand.

The Investments amounted to 4 million euros, down compared to the corresponding period of 2016 (10 million euros as at June 30, 2016).

A2A Smart City *Business Unit*

In the first half of 2017 the revenues of the company A2A Smart City came to 12 million euros, down by 1 million euros compared to the same period of the previous year due to lower revenues linked to video surveillance activities for the Municipality of Milan.

The Gross Operating Margin amounted to 3 million euros, in line with the first half of 2016.

The Investments in the period, amounting to 4 million euros, mainly refer to work on the telecommunication networks.

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Balance sheet

In the first half of 2017 the Purchase Price Allocation (PPA) was completed following the acquisition of 51% of the LGH Group. The PPA was applied to the data of the first consolidation as at July 31, 2016 and incorporated the financial effects of the transaction on the data as at December 31, 2016. The data set out below and pertaining to 12.31.2016 is referred to "*12.31.2016 Restated*" and therefore incorporates the results of the aforementioned PPA.

The Balance sheet data as at June 30, 2017 is homogeneous, the perimeter being equal, with respect to the data as at December 31, 2016 except for the disposal of the company Bellisolina S.r.l. and the integral consolidation of the company Azienda Servizi Valtrompia S.p.A., which was previously consolidated using the equity method, and the consolidation of the company Patavina Technologies S.r.l. acquired on June 1, 2017.

(millions of euros)	06.30.2017	12.31.2016 Restated	Change
CAPITAL EMPLOYED			
Net Fixed Assets	**6,001**	**6,136**	**(135)**
- Tangible assets	4,979	5,129	(150)
- Intangible assets	1,709	1,704	5
- Shareholdings and other non-current financial assets (*)	76	80	(4)
- Other non current assets/liabilities (*)	(76)	(82)	6
- Advance/deferred tax assets/liabilities	297	341	(44)
- Provisions for risks, charges and liabilities for landfills	(636)	(671)	35
- Employee benefits	(348)	(365)	17
of wich with counter-entry to equity	*(160)*	*(168)*	
Net Working Capital and Other Current Assets/Liabilities	**356**	**278**	**78**
Net Working Capital:	***629***	***596***	***33***
- Inventories	168	159	9
- Trade receivables	1,488	1,821	(333)
- Trade payables	(1,027)	(1,384)	357
Other current/assets/liabilities	***(273)***	***(318)***	***45***
- Other current assets/liabilities (*)	(243)	(355)	112
- Current tax assets/tax liabilities	(30)	37	(67)
of wich with counter-entry to equity	*(21)*	*(38)*	
Assets/Liabilities held for sale (*)	***1***	**1**	**0**
of wich with counter-entry to equity	-	-	
TOTAL CAPITAL EMPLOYED	**6,358**	**6,415**	**(57)**
SOURCES OF FUNDS			
Shareholders' equity	**3,311**	**3,279**	**32**
Total financial position beyond one year	3,652	3,395	257
Total financial position within one year	(605)	(259)	(346)
Total Net financial Position	**3,047**	**3,136**	**(89)**
of wich with counter-entry to equity	*13*	*15*	
TOTALE SOURCES	**6,358**	**6,415**	**(57)**

(*) Excluding balances included in the net financial position

Net Fixed Assets

The "**Net fixed assets**" amounted to 6,001 million euros, down by 135 million euros compared to December 31, 2016 Restated.

The changes that occurred are detailed below:

- the Tangible Assets recorded a drop of 150 million euros following:
  - investments amounting to 106 million euros, essentially in the Networks and Heat Business Unit for 48 million euros, the Environment Business Unit for 35 million euros and the Generation and Trading Business Unit for 11 million euros. Investments of around 12 million euros were then recorded, divided between the Foreign Business Unit (EPCG), A2A Smart City and Corporate.
  - increases, for 16 million euros, mainly referred to the increase in the decommissioning fund following the update of the expert report on the Monfalcone plant;
  - a reduction of 95 million euros following the evaluation at fair value of the EPCG asset resulting from the exercising, by the A2A Group, of the PUT Option to sell concerning the entire shareholding held by A2A S.p.A., amounting to 41.75% of the company;
  - disposals for 2 million euros net of the relative amortisation and depreciation fund;
  - a reduction of 175 million euros due to the depreciation and amortisation for the period;
- the Intangible Assets show an increase of 5 million euros compared to December 31, 2016 attributable:
  - for 52 million euros, to the posting, as a result of the application of IFRIC 12, of the investments made in the financial year mainly referred to the Networks and Heat Business Unit and in particular to development and maintenance work on the gas distribution plants, work on the water transport and distribution network and on the sewerage networks as well as the implementation of information systems;
  - to the 12 million euro reduction mainly relating to the change in the environmental certificates of the industrial portfolio;
  - to the 1 million euro reduction due to disposals made during the year net of the relative amortisation and depreciation fund;
  - to the 34 million euro reduction arising from the depreciation and amortisation in the period;
- the Shareholdings and the other non-current Financial Assets amounted to 76 million euros and recorded a decrease of 4 million euros due to the reclassification, for 6 million euros, of the shareholding in Azienda Servizi Valtrompia S.p.A., following the acquisition of a further stake in the company which, as of March 1, 2017 is fully consolidated. In addition, there was a negative change of 2 million euros deriving from the cash in of dividends and other negative changes. These negative adjustments were offset by the positive valuation for 4 million euros of the shareholding in ACSM-AGAM S.p.A. and other minor shareholdings.
- the Other Non-Current Assets/Liabilities recorded a positive change of 6 million euros mainly due to the evaluation at fair value of non-current derivatives.
- the Deferred tax assets/liabilities, amounting to 297 million euros, recorded a reduction of 44 million euros referable to the net effect of the deferred tax liabilities and advance tax assets for IRES and IRAP on variations and provisions performed exclusively for tax purposes;
- provisions for risks, charges and liabilities for landfills recorded a decrease of 35 million euros. The change in the period is primarily due to: an increase in the decommissioning provisions of about 19 million euros following the effects of updating the valuation for the Monfalcone power plant as well as the discount rates used to estimate the future demolition and restoration of the sites; using about 30 million euros of the reserve for legal and personnel actions after the conclusion of current litigation by the subsidiary A.S.R.A.B. S.p.A., which did not involve financial expenses for the Group and other negative changes of about 10 million that are

primarily related to the reclassification as debt of part of the reserve for the litigation with Social Insurance Institutions that will be paid out in the second half of the year;

- The Employee benefits recorded a decrease of around 18 million euros and mainly refer to payments made to INPS and supplementary social security funds as well as the actuarial valuation of the period.

Working Capital and Other Current Assets/Liabilities

The "**Working Capital**", defined as the algebraic sum of trade receivables, closing inventories and trade payables, amounted to 629 million euros, up by 33 million euros compared to December 31, 2016 Restated. Comments are given on the main items below.

Trade Receivables

(millions of euros)	**Balance at 12/31/2016** ***Restated***	**Change of the period**	**Balance at 06/30/2017**
Trade receivables invoices issued	1,054	65	1,119
Trade receivables invoices to be issued	1,120	(385)	735
Bad debts provision	(353)	(13)	(366)
Total trade receivables	**1,821**	**(333)**	**1,488**

As of June 30, 2017 the "Trade receivables" amounted to 1,488 million euros (1,821 million euros at December 31, 2016), with a decrease of 333 million euros.

The "Bad debts provision" amounted to 366 million euros and shows a net increase of 13 million euros compared to December 31, 2016.

(millions of euros)	**Value at 12/31/2016 Restated**	**Provisions**	**Utilizations**	**Other changes**	**Value at 06/30/2017**
Bad debts provision	353	16	(7)	4	366

The aging of the trade receivables is set out below:

(values un millions of euros)	06/30/2017	12/31/2016 *Restated*
Trade receivables of which:	**1.488**	**1.821**
Current	**514**	**456**
Past due of which:	**605**	**598**
Past due up to 30 days	*67*	*94*
Past due from 31 to 180 days	*113*	*72*
Past due from 181 to 365 days	*34*	*45*
Past due over 365 days	*391*	*387*
Invoices to be issued	**735**	**1.120**
Bad debts provision	**(366)**	**(353)**

Trade Payables

(millions of euros)	Value at 12/31/2016 *Restated*	Change of the period	Value at 06/30/2017
Advances	3	1	4
Payables to suppliers	1,381	(358)	1,023
Total trade payables	**1,384**	**(357)**	**1,027**

The "Trade payables" amounted to 1,027 million euros and show a decrease of 357 million euros compared to the close of the previous financial year.

Inventories

(millions of euros)	Value at 12/31/2016 Restated	Change of the period	Value at 06/30/2017
- *Materials*	*96*	*4*	*100*
- *material obsolescence provision*	*(30)*	*(2)*	*(32)*
Total material	66	2	68
- Fuel	77	*8*	85
- Other	9	*(1)*	8
Raw and ancillary materials and consumables	**152**	**9**	**161**
Third-party fuel	**7**	-	**7**
Total inventory	**159**	**9**	**168**

The “Inventories” amounted to 168 million euros (159 million euros at December 31, 2016 Restated), net of the relative obsolescence provision for 32 million euros (30 million euros at December 31, 2016 Restated). The increase in the obsolescence provision refers to the write-down of the stock of materials in the warehouses of EPCG and the stocks pertaining to the power plants.
The inventories showed the following overall positive variations for 9 million euros;

- 8 million euros related to the increase in fuel stocks, which at June 30, 2017 amounted to a total of 85 million euros versus 77 million euros at December 31, 2016 Restated;
- 2 million euros relating to the increase inventories of materials, which at June 30, 2017 amounted to 68 million euros versus 66 million euros at December 31, 2016 Restated;
- 1 million euros relating to the decrease in the inventories referred to environmental certificates.

The fuel held by third parties, amounting to 7 million euros, was unchanged compared to December 31, 2016.
The **“Other Current Assets/Liabilities”** recorded a net decrease of 112 million euros mainly due to the evaluation at fair value, on June 30, 2017, of the current derivatives.

The consolidated “**Employed capital**” at June 30, 2017 came to 6,358 million euros and was covered by the Net Equity for 3,311 million euros and the Net Financial Debt for 3,047 million euros.

Shareholders’ equity

The overall change of the Shareholders’ equity was positive for a total of 32 million euros. The result for the period produced a positive effect of 157 million euros, offset by the distribution of the dividend for 153 million euros, the positive change in the minority interests for 19 million euros, as well as the evaluations, in accordance with IAS 32 and 39, of the cash flow hedge derivatives.

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Financial position

Net free cash flow	06.30.2017	06.30.2016
EBITDA	**649**	**614**
Changes *Net Working Capital*	(33)	(71)
Changes other assets/liabilities	(139)	(74)
Expenses for use of provisions, net taxes and net financial charges	(64)	(112)
FFO	**413**	**357**
Investments	(171)	(129)
Distributed dividends	(153)	(126)
Purchase of treasury shares	-	(37)
Net free cash flow	**89**	**65**

During the period the net cash flow generation was positive and amounted to 89 million euros thereby resulting in a Net Financial Position at June 30, 2017 of 3,047 million euros, down compared to the 3,136 million euros of December 31, 2016.

With reference to the net cash flow generation note that:

- the Net Working Capital resulted in the worsening of the Net Financial Position for around 33 million euros, mainly due to seasonal dynamics;
- the change of 139 million euros in the Other Assets/Liabilities primarily refers to the dynamics of the payables and receivables balances due to the Equalisation Fund for tariff components and receivables deriving from the sale of EECs not yet collected;
- the payment of the net financial charges, taxes and funds absorbed 64 million euros of cash and the payment of dividends absorbed 153 million euros, while the investments in the period, as detailed below, absorbed resources of 171 million euros.

The **"Net investments",** amounting to 171 million euros, concerned the following Business Units*:*

Millions of euros	**06.30.2017**	**06.30.2016**	**Delta**
Generation and Trading	11	8	3
Commercial	3	2	1
Environment	42	28	14
Networks and Heat	98	78	20
Foreign	4	10	-6
A2A Smart City	4	1	3
Corporate	9	3	6
Total	**171**	**130**	**41**

Generation and Trading Business Unit

In the period in question the Investments amounted to around 11 million euros and mainly concerned the extraordinary maintenance interventions at the hydroelectric plants in Mese, Calabria and Valtellina for around 4 million euros and the thermoelectric plants of Monfalcone, Gissi, Chivasso and Piacenza for around 7 million euros.

Commercial Business Unit

The Commercial Business Unit made around 3 million euros of investments mainly concerning developments and evolutionary maintenance operations on the Hardware and Software platforms to support the marketing and invoicing activities.

Environment Business Unit

The Environment Business Unit Investments in the first half of 2017 came to 42 million euros and mainly concerned development and maintenance work on the waste-to-energy plants (14 million euros), treatment plants and landfills (7 million euros), the purchasing of waste collection vehicles and containers mainly following the award of contracts to serve new Municipalities (13 million euros), as well as the acquisition of the stakes held by third parties in the company MF Waste (4 million euros) and the company Green Ambiente (1 million euros).

Networks and Heat Business Unit

The Investments in the first half of 2017 amounted to 98 million euros and concerned:

- in the electricity distribution sector, development and maintenance work on plants and, in particular, the connection of new users, maintenance on secondary substations, the extension and refurbishment of the medium and low voltage network and the maintenance and upgrading of primary plants (31 million euros, of which 2 million euros relate to the LGH group);
- in the gas distribution sector, development and maintenance work on plants relating to the connection of new users, the replacement of medium and low pressure pipes and meters and gas smart meters (32 million euros, of which 6 million euros relate to the LGH Group);
- in the integrated water cycle sector, work on the water transportation and distribution network, as well as work on the sewer networks and purification plants (17 million euros);

- in the public lighting sector, works to replace the lighting equipment with LED plants in the municipalities served (1 million euros);
- in the district heating and heat management sector, development and maintenance work on the plants and networks for a total of 17 million euros (of which 5 million euros relate to the LGH group).

Foreign *Business Unit* (EPCG)

Investments in the Foreign Business Unit, amounting to 4 million euros, mainly refer to work to replace traditional meters with remotely controlled meters (2 million euros), maintenance work on the primary and secondary distribution network (1 million euros), as well as maintenance work on the thermoelectric plant in Pljevlja and the hydroelectric plants in Perucica and Piva (for a total of around 1 million euros).

A2A Smart City *Business Unit*

The Investments of the company A2A Smart City in the first half of 2017, amounting to 4 million euros, mainly refer to work on the telecommunication networks.

Corporate *Business Unit*

The Investments in the period, amounting to 9 million euros, mainly refer to work on the IT systems.

The "**Net Financial Position**" amounted to 3,047 million euros (3,136 million euros at December 31, 2016).
The gross debt amounted to 3,850 million euros, up by 55 million euros compared to December 31, 2016.
The liquidity and equivalents amounted to 545 million euros, up by 143 million euros.
The other net financial assets/liabilities showed a positive balance of 258 million euros, down by 2 million euros.
The Net Financial Position of EPCG was positive by 206 million euros (201 million euros at December 31, 2016).

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Outlook for operations

Following the decision on 1 July 2017 to exercise the PUT Option to sell the entire stake in the share capital held by A2A S.p.A. in the Montenegrin company EPCG (41.75%), beginning in the second half of 2017 EPCG will be excluded from the full consolidation and classified as an asset available for sale. The higher than expected results achieved in the second quarter, an energy market – according to the current forward prices – expected to remain positive in the second half of the year, and the forecast of greater positive non-recurring items for around 25 million euros with respect to the previous guidance, allow to be optimistic about the financial results for the year and essentially confirm the forecasts indicated during the presentation of the data of the first quarter of 2017, namely a Gross Operating Margin of between 1,165 and 1,185 million euros – despite the lack of the contribution expected in the second half of 2017 from EPCG (estimated to be around 30 million euros).
Please also note that – all other conditions being equal – the exclusion of EPCG from the full consolidation will result in the worsening of the Group's Financial Position by 206 million euros, corresponding to the net liquidity of the Net Financial Position of EPCG as of June 30, 2017.

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Alternative Performance Indicators (API)

Some alternative performance measures (APMs) are used in the press released, not envisaged by the international financial reporting standards adopted by the European Union (IFRS-EU); the purpose of this is to allow for a better assessment of the economic-financial management performance of the A2A Group. In compliance with the recommendations of the Guidelines published in October 2015 by the ESMA, below is the meaning, contents and basis for calculation of said indicators:

- **Gross operating income (EBITDA)** is an alternative measure of operating performance, calculated as the sum of the "Net operating income" plus "Amortisation, depreciation, write-downs and provisions".
- the **Net operating income from non-recurring items** is an alternative indicator of operating performance, calculated as the gross operating income described above, net of entries, both positive and negative, attributable to transactions or operations that do not entail repetitions in future financial years (e.g., an adjustment related to past financial years, expenses for extraordinary mobility plans, etc.);
- the **"Ordinary" Net Result (Ordinary Net Profit)** is an alternative measure of operating *performance* , calculated by excluding from the Group's net result the items deriving from non-recurring transactions (net of related items) and the write-down of assets, goodwill and equity investments, as well as impairment reversals (net of the relative tax effects);
- the **Net financial position** is an indicator of the Company's financial structure. This indicator corresponds to the financial debts net of liquidity and equivalents and current and non-current financial assets (financial credits and securities other than equity investments).
- **Investments** are an alternative performance measure used by the A2A Group as a financial target under the scope of performance both within the Group (Business Plan) and externally (presentations to financial analysts and investors); it constitutes a useful measurement of the resources used in maintaining and developing investments of the A2A Group.

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The Executive responsible for drawing up A2A S.p.A.'s company accounting documents, Andrea Eligio Crenna, 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.

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The following are attached: the A2A Group's accounting tables, extracts from the half year financial report at 30 June 2017, subject to auditing.

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CONSOLIDATED BALANCE SHEET (millions of euro)	06.30.2017	12.31.2016 Restated	06.30.2016
ASSETS			
NON-CURRENT ASSETS			
Tangible assets	4,979	5,129	5,013
Intangible assets	1,709	1,704	1,347
Shareholdings carried according to equity method	63	67	72
Other non-current financial assets	70	69	71
Deferred tax assets	297	341	285
Other non-current assets	9	12	24
TOTAL NON-CURRENT ASSETS	**7,127**	**7,322**	**6,812**
CURRENT ASSETS			
Inventories	168	159	142
Trade receivables	1,488	1,821	1,482
Other current assets	390	389	283
Current financial assets	214	218	181
Current tax assets	71	70	69
Cash and cash equivalents	545	402	633
TOTAL CURRENT ASSETS	**2,876**	**3,059**	**2,790**
NON-CURRENT ASSETS HELD FOR SALE	1	**6**	**3**
TOTAL ASSETS	**10,004**	**10,387**	**9,605**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	1,629	1,629	1,629
(Treasury shares)	(54)	(54)	(98)
Reserves	1,007	919	916
Result of the year	-	232	-
Result of the period	157	-	254
Equity pertaining to the Group	**2,739**	**2,726**	**2,701**
Minority interests	572	553	425
Total equity	**3,311**	**3,279**	**3,126**
LIABILITIES			
NON-CURRENT LIABILITIES			
Non-current financial liabilities	3,696	3,436	3,063
Employee benefits	348	365	348
Provisions for risks, charges and liabilities for landfills	636	671	590
Other non-current liabilities	98	109	88
Total non-current liabilities	**4,778**	**4,581**	**4,089**
CURRENT LIABILITIES			
Trade payables	1,027	1,384	1,054
Other current liabilities	633	744	561
Current financial liabilities	154	359	658
Tax liabilities	101	33	117
Total current liabilities	**1,915**	**2,520**	**2,390**
Total liabilities	**6,693**	**7,101**	**6,479**
LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	**-**	**7**	**-**
TOTAL EQUITY AND LIABILITIES	**10,004**	**10,387**	**9,605**

CONSOLIDATED INCOME STATEMENT (millions of euro)	01.01.2017 06.30.2017	01.01.2016 06.30.2016	01.01.2016 12.31.2016 Restated
Revenues			
Revenues from the sale of goods and services	2,810	2,180	4,813
Other operating income	108	143	280
Total Revenues	**2,918**	**2,323**	**5,093**
Operating expenses			
Expenses for raw materials and services	1,774	1,289	2,968
Other operating expenses	148	109	253
Total Operating expenses	**1,922**	**1,398**	**3,221**
Labour costs	**347**	**311**	**641**
Gross operating income - EBITDA	**649**	**614**	**1,231**
Depreciation, amortization, provisions and write-downs	**280**	**234**	**758**
Net operating income - EBIT	**369**	**380**	**473**
Result from non-recurring transactions	**1**	**52**	**56**
Financial balance			
Net financial charges	(96)	(63)	(154)
Affiliates	4	4	(3)
Result from disposal of other shareholdings (AFS)	-	-	-
Total financial balance	**(92)**	**(59)**	**(157)**
Result before taxes	**278**	**373**	**372**
Income taxes	**119**	**106**	**120**
Result after taxes from operating activities	**159**	**267**	**252**
Net result from discontinued operations	1	-	2
Net result	**160**	**267**	**254**
Minorities	**(3)**	**(13)**	**(22)**
Group result of the period/year	**157**	**254**	**232**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (millions of euro)	06.30.2017	06.30.2016	12.31.2016 Restated
Net result of the year (A)	**-**	**-**	**254**
Net result of the period (A)	**160**	**267**	**-**
Actuarial gains/(losses) on Employee's Benefits booked in the Net equity	9	(24)	(27)
Tax effect of other actuarial gains/(losses)	(3)	7	9
Total actuarial gains/(losses) net of the tax effect (B)	**6**	**(17)**	**(18)**
Effective part of gains/(losses) on cash flow hedge	(8)	25	31
Tax effect of other gains/(losses)	2	(6)	(8)
Total other gains/(losses) net of the tax effect of companies consolidated on a line-by-line basis (C)	**(6)**	**19**	**23**
Other gains/(losses) of companies valued at equity net of the tax effect (D)	-	-	-
Total comprehensive result (A)+(B)+(C)+(D)	**160**	**269**	**259**
Total comprehensive result attributable to:			
Shareholders of the parent company	**157**	**256**	**237**
Minority interests	**3**	**13**	**22**

CONSOLIDATED CASH-FLOW STATEMENT (millions of euro)		06.30.2017		12.31.2016 Restated		06.30.2016
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD/YEAR		**402**		**636**		**636**
Edipower demerger in favour of Cellina Energy		**-**		**(38)**		**(38)**
Contribution of first consolidation of LGH and other acquisitions of 2016		**-**		**86**		**-**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD/YEAR		**402**		**684**		**598**
Operating activities						
Net Result (**)		**160**		**196**		**215**
Tangible assets depreciation		175		374		173
Intangible assets amortization		34		55		24
Fixed assets write-downs/disposals		98		252		4
Result from affiliates		(4)		4		(4)
Net taxes paid (a)	*(1)*		*(168)*		*(7)*	
Gross change in assets and liabilities (b)	*(50)*		*90*		(35)	
Total change of assets and liabilities (a+b) (*)		(51)		(78)		(42)
Cash flow from operating activities		**412**		**803**		**370**
Investment activities						
Investments in tangible assets		(106)		(259)		(89)
Investments in intangible assets and goodwill		(52)		(128)		(40)
Investments in shareholdings and securities (*)		(13)		(123)		-
Disposal of fixed assets and shareholdings		-		6		2
Dividends received		-		1		1
Purchase/disposal of own shares		-		-		(37)
Cash flow from investment activities		**(171)**		**(503)**		**(163)**
FREE CASH FLOW		**241**		**300**		**207**
Financing activities						
Change in financial assets (*)		(3)		37		18
Change in financial liabilities (*)		112		(355)		(5)
Net financial interests paid		(53)		(133)		(54)
Dividends paid by the parent company		(153)		(126)		(126)
Dividends paid by the subsidiaries		(1)		(5)		(5)
Cash flow from financing activities		**(98)**		**(582)**		**(172)**
CHANGE IN CASH AND CASH EQUIVALENTS		**143**		**(282)**		**35**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD/YEAR		**545**		**402**		**633**

(*) 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 December 31, 2015	**1,629**	**(61)**	**(25)**	**1,030**	**73**	**2,646**	**613**	**3,259**
Changes of the first half of 2016								
2015 result allocation				73	(73)			
Purchase of own shares		(37)				(37)		(37)
Distribution of dividends				(126)		(126)	(5)	(131)
IAS 19 reserves (*)				(17)		(17)		(17)
IAS 32 and 39 reserves (*)			19			19		19
Other changes				(38)		(38)	(196)	(234)
Group and minorities result of the period					254	254	13	267
Net equity at June 30, 2016	**1,629**	**(98)**	**(6)**	**922**	**254**	**2,701**	**425**	**3,126**
Changes of the second half of 2016								
Operations of own shares		44				44		44
IAS 19 reserves (*)				(1)		(1)		(1)
IAS 32 and 39 reserves (*)			4			4		4
Other changes				(1)		(1)	127	126
Group and minorities result of the period					(30)	(30)	2	(28)
Net equity at December 31, 2016	**1,629**	**(54)**	**(2)**	**920**	**224**	**2,717**	**554**	**3,271**
Purchase Price Allocation LGH effect				1	8	9	(1)	**8**
Net equity at December 31, 2016 Restated	**1,629**	**(54)**	**(2)**	**921**	**232**	**2,726**	**553**	**3,279**
Changes of the first half of 2017								
2016 result allocation				232	(232)			
Distribution of dividends				(153)		(153)	(1)	(154)
IAS 19 reserves (*)				6		6		6
IAS 32 and 39 reserves (*)			(6)			(6)		(6)
Other changes				9		9	17	26
Group and minorities result of the period					157	157	3	160
Net equity at June 30, 2017	**1,629**	**(54)**	**(8)**	**1,015**	**157**	**2,739**	**572**	**3,311**

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