2014
Consolidated financial statements

a2a

Contents

This is a translation of the Italian original "Relazione finanziaria annuale consolidata 2014" and has been prepared solely for the convenience of international readers. In the event of any ambiguity the Italian text will prevail. The Italian original is available on the website www.a2a.eu

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Consolidated financial statements

Balance sheet (1)

Assets

Millions of euro	Note	12 31 2014	12 31 2013
NON-CURRENT ASSETS			
Tangible assets	1	5,625	5,930
Intangible assets	2	1,318	1,306
Shareholdings carried according to equity method	3	74	187
Other non-current financial assets	3	65	53
Deferred tax assets	4	323	372
Other non-current assets	5	43	53
Total non-current assets		**7,448**	**7,901**
CURRENT ASSETS			
Inventories	6	284	284
Trade receivables	7	1,591	1,889
Other current assets	8	255	383
Current financial assets	9	126	107
Current tax assets	10	85	70
Cash and cash equivalents	11	544	376
Total current assets		**2,885**	**3,109**
NON-CURRENT ASSETS HELD FOR SALE		**-**	**-**
TOTAL ASSETS		**10,333**	**11,010**

(1) As prescribed by Consob Resolution no. 17221 of March 12, 2010 the effects of related party transactions on the consolidated financial statements are provided in the statements in section 0.2 and discussed in Note 36. Significant non-recurring events and transactions in the consolidated financial statements are provided in Note 37 as required by Consob Communication DEM/6064293 of July 28, 2006.

Equity and liabilities

Millions of euro	Note	12 31 2014	12 31 2013
EQUITY			
Share capital	12	1,629	1,629
(Treasury shares)	13	(61)	(61)
Reserves	14	1,048	1,161
Result of the year	15	(37)	62
Equity pertaining to the Group		**2,579**	**2,791**
Minority interests	16	600	557
Total equity		**3,179**	**3,348**
LIABILITIES			
Non-current liabilities			
Non-current financial liabilities	17	3,931	3,982
Employee benefits	18	369	339
Provisions for risks, charges and liabilities for landfills	19	498	605
Other non-current liabilities	20	364	436
Total non-current liabilities		**5,162**	**5,362**
Current liabilities			
Trade payables	21	1,254	1,306
Other current liabilities	21	611	566
Current financial liabilities	22	125	415
Tax liabilities	23	2	13
Total current liabilities		**1,992**	**2,300**
Total liabilities		**7,154**	**7,662**
LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE		**-**	**-**
TOTAL EQUITY AND LIABILITIES		**10,333**	**11,010**

Income statement (1)

Millions of euro	Note	01 01 2014 12 31 2014	01 01 2013 12 31 2013
Revenues			
Revenues from the sale of goods and services		4,761	5,389
Other operating income		223	215
Total revenues	25	4,984	5,604
Operating expenses			
Expenses for raw materials and services		3,049	3,567
Other operating expenses		262	240
Total operating expenses	26	3,311	3,807
Labour costs	27	649	664
Gross operating income - EBITDA	28	1,024	1,133
Depreciation, amortization, provisions and write-downs	29	662	876
Net operating income - EBIT	30	362	257
Result from non-recurring transactions	31	9	75
Financial balance			
Financial income		32	80
Financial expense		197	263
Affiliates		(45)	(23)
Result from disposal of other shareholdings (AFS)		-	-
Total financial balance	32	(210)	(206)
Result before taxes		161	126
Income taxes	33	179	51
Result after taxes from operating activities		(18)	75
Net result from discontinued operations		-	-
Net result		(18)	75
Minorities		(19)	(13)
Group result of the year	34	(37)	62

(1) As prescribed by Consob Resolution no. 17221 of March 12, 2010 the effects of related party transactions on the consolidated financial statements are provided in the statements in section 0.2 and discussed in Note 36. Significant non-recurring events and transactions in the consolidated financial statements are provided in Note 37 as required by Consob Communication no. DEM/6064293 of July 28, 2006.

For details of the Result per share reference shall be made to the specific Note 35 "Earnings per share".

Consolidated statement of comprehensive income

Millions of euro	12 31 2014	12 31 2013
Net result of the year (A)	**(18)**	**75**
Actuarial gains/(losses) on employee benefits booked in net equity	(37)	(20)
Tax effect of other actuarial gains/(losses)	7	5
Total actuarial gains/(losses) net of the tax effect (B)	**(30)**	**(15)**
Effective part of gains/(losses) on cash flow hedge	(37)	(8)
Tax effect of other gains/(losses)	9	3
Total other gains/(losses) net of the tax effect of companies consolidated on a line-by-line basis (C)	**(28)**	**(5)**
Other gains/(losses) of companies valued at equity net of the tax effect (D)	**-**	**-**
Total comprehensive result (A) + (B) + (C) + (D)	**(76)**	**55**
Total comprehensive result attributable to:		
Shareholders of the parent company	**(95)**	**42**
Minority interests	**19**	**13**

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

Cash flow statement

Millions of euro		12 31 2014		12 31 2013
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**376**		**553**
Operating activities				
Net result (**)		(30)		(9)
Tangible assets depreciation		385		420
Intangible assets amortization		61		66
Fixed assets write-downs/disposals		169		260
Results from affiliates		45		23
Net taxes paid (*a*)	*(133)*		*(122)*	
Gross change in assets and liabilities (*b*)	*443*		*141*	
Total change of assets and liabilities (*a*+*b*) (*)		310		19
Cash flow from operating activities		**940**		**779**
Investment activities				
Investments in tangible assets		(237)		(227)
Investments in intangible assets and goodwill		(70)		(57)
Investments in shareholdings and securities (*)		-		(3)
Disposal of fixed assets and shareholdings		-		53
Dividends received		4		3
Cash flow from investment activities		**(303)**		**(231)**

(*) 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.

Millions of euro	12 31 2014	12 31 2013
Free cash flow	**637**	**548**
Financing activities		
Change in financial assets (*)	(46)	(96)
Change in financial liabilities (*)	(195)	(369)
Net financial interests paid	(122)	(173)
Dividends paid by the parent company	(102)	(81)
Dividends paid by the subsidiaries	(4)	(6)
Cash flow from financing activities	**(469)**	**(725)**
CHANGE IN CASH AND CASH EQUIVALENTS	**168**	**(177)**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**544**	**376**

Statement of changes in Group equity

Description *Millions of euro*	**Share Capital**	**Treasury Shares**	**Cash Flow Hedge**
Net equity at December 31, 2012	**1,629**	**(61)**	**(18)**
2012 result allocation			
Distribution of dividends			
IAS 19 Revised reserve (*)			
IAS 32 and IAS 39 reserves (*)			(5)
Put option on Edipower S.p.A. shares			
Effect from non-proportional partial Edipower S.p.A. demerger			
Other changes			
Group and minorities result of the year (*)			
Net equity at December 31, 2013	**1,629**	**(61)**	**(23)**
2013 result allocation			
Distribution of dividends			
IAS 19 Revised reserve (*)			
IAS 32 and IAS 39 reserves (*)			(28)
Put option on Edipower S.p.A. shares			
Other changes			
Group and minorities result of the year (*)			
Net equity at December 31, 2014	**1,629**	**(61)**	**(51)**

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

	Other reserves and retained earnings	Group results for the year	Total equity pertaining to the Group	Minority interests	Total net shareholders' equity
	1,036	**260**	**2,846**	**851**	**3,697**
	260	(260)			
	(81)		(81)	(6)	(87)
	(15)		(15)		(15)
			(5)		(5)
	(24)		(24)		(24)
				(297)	(297)
	8		8	(4)	4
		62	62	13	75
	1,184	**62**	**2,791**	**557**	**3,348**
	62	(62)			
	(102)		(102)	(4)	(106)
	(30)		(30)		(30)
			(28)		(28)
	(1)		(1)		(1)
	(14)		(14)	28	14
		(37)	(37)	19	(18)
	1,099	**(37)**	**2,579**	**600**	**3,179**

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Consolidated 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

Millions of euro	12 31 2014	of which Related Parties (note 36)	12 31 2013	of which Related Parties (note 36)
NON-CURRENT ASSETS				
Tangible assets	5,625		5,930	
Intangible assets	1,318		1,306	
Shareholdings carried according to equity method	74	74	187	187
Other non-current financial assets	65	7	53	6
Deferred tax assets	323		372	
Other non-current assets	43		53	
TOTAL NON-CURRENT ASSETS	**7,448**		**7,901**	
CURRENT ASSETS				
Inventories	284		284	
Trade receivables	1,591	119	1,889	154
Other current assets	255		383	
Current financial assets	126		107	
Current tax assets	85		70	
Cash and cash equivalents	544		376	
TOTAL CURRENT ASSETS	**2,885**		**3,109**	
NON-CURRENT ASSETS HELD FOR SALE	-		-	
TOTAL ASSETS	**10,333**		**11,010**	

Equity and liabilities

Millions of euro	12 31 2014	of which Related Parties (note 36)	12 31 2013	of which Related Parties (note 36)
EQUITY				
Share capital	1,629		1,629	
(Treasury shares)	(61)		(61)	
Reserves	1,048		1,161	
Result of the year	(37)		62	
Equity pertaining to the Group	**2,579**		**2,791**	
Minority interests	600		557	
Total equity	**3,179**		**3,348**	
LIABILITIES				
NON-CURRENT LIABILITIES				
Non-current financial liabilities	3,931		3,982	
Employee benefits	369		339	
Provisions for risks, charges and liabilities for landfills	498	2	605	1
Other non-current liabilities	364		436	
Total non-current liabilities	**5,162**		**5,362**	
CURRENT LIABILITIES				
Trade payables	1,254	34	1,306	38
Other current liabilities	611	8	566	8
Current financial liabilities	125	3	415	2
Tax liabilities	2		13	
Total current liabilities	**1,992**		**2,300**	
Total liabilities	**7,154**		**7,662**	
LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	-		-	
TOTAL EQUITY AND LIABILITIES	**10,333**		**11,010**	

Income statement

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

Millions of euro	01 01 2014 12 31 2014	of which Related Parties (note 36)	01 01 2013 12 31 2013	of which Related Parties (note 36)
Revenues				
Revenues from the sale of goods and services	4,761	429	5,389	515
Other operating income	223		215	
Total revenues	**4,984**		**5,604**	
Operating expenses				
Expenses for raw materials and services	3,049	19	3,567	43
Other operating expenses	262	41	240	8
Total operating expenses	**3,311**		**3,807**	
Labour costs	**649**	**2**	**664**	**3**
Gross operating income - EBITDA	**1,024**		**1,133**	
Depreciation, amortization, provisions and write-downs	**662**	**1**	**876**	**1**
Net operating income - EBIT	**362**		**257**	
Result from non-recurring transactions	**9**		**75**	
Financial balance				
Financial income	32	3	80	6
Financial expense	197		263	
Affiliates	(45)	(45)	(23)	(23)
Result from disposal of other shareholdings (AFS)	-		-	
Total financial balance	**(210)**		**(206)**	
Result before taxes	**161**		**126**	
Income taxes	**179**		**51**	
Result after taxes from operating activities	**(18)**		**75**	
Net result from discontinued operations	**-**		**-**	
Net result	**(18)**		**75**	
Minorities	**(19)**		**(13)**	
Group result of the year	**(37)**		**62**	

0.3 Notes to the consolidated annual report

General information on A2A S.p.A.

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

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

The A2A Group mainly operates in the following sectors:

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

Consolidated annual report

The consolidated annual report (hereafter referred to as the "**Annual report**") of the A2A Group at December 31, 2014 is presented in millions of euro; the euro is also the functional currency of the economies in which the Group operates.

The Annual report of the A2A Group at December 31, 2014 has been prepared:

- in compliance with Legislative Decree no. 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 Annual report, the same principles used in the preparation of the annual financial report at December 31, 2013 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, 2014.

This Annual report at December 31, 2014 was approved on April 9, 2015 by the Board of Directors, which authorized publication, and has been audited by PricewaterhouseCoopers S.p.A. in accordance with their appointment by the Shareholders' Meeting of April 26, 2007 for the nine years from 2007 to -2015.

The consolidated financial statements at December 31, 2014 have been prepared on a going concern basis.

Financial statements

The Group has adopted a format for the balance sheet which separates current and non-current assets and liabilities, as required by par. 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. The line item "Non-recurring transactions" consists of the gains and losses arising from the measurement at fair value less costs to sell or from the sale or disposal of non-current assets (or disposal groups) classified as held for sale within the meaning of IFRS 5, the gains or losses arising on the disposal of shareholdings in unconsolidated subsidiaries and associates and other non-operating income and expenses. This item is presented between net operating income and the financial balance. In this way net operating income is not affected by non-recurring operations, making it easier to measure the effective performance of the Group's ordinary operating activities.

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

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

The formats adopted for the financial statements are the same as those used to prepare the annual consolidated financial statements at December 31, 2013.

Basis of preparation

The Annual report at December 31, 2014 has 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 consolidation principles, the accounting principles, the accounting policies and the methods of measurement used in the preparation of the Annual report are consistent with those used to prepare the annual consolidated financial statements at December 31, 2013, except as specified below.

Changes in international accounting standards

The accounting principles adopted for 2014 are the same as those used in the prior year, with the exception of those discussed below in the paragraph "Accounting standards, amendments and interpretations applied by the Group from the current year".

A summary is provided in the following paragraphs "Accounting standards, amendments and interpretations approved by the European Union but applicable after December 31, 2014" and "Accounting standards, amendments and interpretations not yet approved by the European Union" of the changes that will be adopted in future periods, stating the expected effects on the A2A Group's Annual report to the extent this is possible.

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

A series of amendments introduced by international accounting standards and interpretations have been applied from January 1, 2014, none of which however has led to a significant effect on the Group's financial statements. The main changes are described in the following:

- IFRS 10 "Consolidated Financial Statements" was issued by the IASB on May 12, 2011 and is applicable from January 1, 2014. The new standard integrates as already required by IAS 27 "Consolidated and Separate Financial Statements", in which control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, specifying that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and when at the same time it has the ability to affect those returns through its power over the investee. An investor controls an investee if and only if the investor has all of the following:
  1. the power to direct the relevant activities of the investee;
  2. the exposure to future returns from the investee;
  3. the ability to use its power over an investee to affect the investor's returns.

The power to direct activities that significantly affect the results of the subsidiary (relevant activities) may more easily be exercised through voting rights (including potential voting rights), but also through contractual arrangements. When control is exercised through voting rights, relevant activities are represented by operating activities (development, purchasing and product sales) and financial management activities (obtaining and negotiating loans, acquisitions and sales of financial assets).
Future returns also include dividends and payment for services provided by the parent for the subsidiary's activities.
The third condition for establishing whether control exists regards the interaction between the first two conditions. In particular, in certain circumstances an entity may have an interest in a group of the subsidiary's assets and liabilities as part of a legal or contractual condition. IFRS 10 establishes that to determine the existence of control, this group of assets and liabilities can only be considered a separate entity if it is economically separate from the entity as a whole, and is therefore a subsidiary for the purposes of the consolidated financial statements.
Following the introduction of this standard, revised versions of IAS 27 "Separate Financial Statements", which remains the main reference standard for separate financial statements, and IAS 28 "Investments in Associates and Joint Ventures" were issued. The interpretation SIC 12 "Consolidation - Special Purpose Entities" has been superseded. This standard has been subsequently amended, restricting the need to present comparative figures and information solely to the year or period preceding that of application;

- IFRS 11 "Joint Arrangements" was issued by the IASB on May 12, 2011 and is effective from January 1, 2014. This standard establishes that in a joint arrangement two or more parties have joint control and decisions regarding relevant activities require the unanimous consent of the parties.
  IFRS 11 identifies two different types of joint arrangement:
  1. joint operations;
  2. joint ventures.

  The two types differ in the rights and obligations of each party to the joint arrangement. In a joint operation, the parties have rights to the assets and obligations for the liabilities of the arrangement, whereas in a joint venture the parties have rights linked to the net assets of the arrangement. IFRS 11 requires an entity to fully recognize the assets, liabilities, revenues and expenses relating to a joint operation on the basis of its interest, while it should account for a joint venture using the equity method, as required by IAS 28 "Investments in Associates and Joint Ventures".
  Joint operations are recognized in the same way in both the separate and consolidated financial statements, with an entity recognizing the assets, liabilities, revenues and

expenses on the basis of its interest; joint ventures and investments in subsidiaries and associates on the other hand may be recognized in the separate financial statements either at cost or on the basis of IFRS 9 "Financial Instruments" (and IAS 39 "Financial Instruments: Recognition and Measurement"), as also specified in IAS 27 "Separate Financial Statements". As regards disclosures for the purpose of completeness, reference should be made to the new IFRS 12 "Disclosures of Interests in Other Entities". This standard has been subsequently amended, restricting the need to present comparative figures and information solely to the year or period preceding that of application;

- IFRS 12 "Disclosure of Interests in Other Entities" was issued by the IASB on May 12, 2011 and is applicable from January 1, 2014. This standard establishes the minimum disclosure requirements, combining them with those established by other standards, that entities must provide about all types of interests, including those in a subsidiary, a joint arrangement, an associate, a special-purpose entity or an unconsolidated vehicle. This standard has been subsequently amended, restricting the need to present comparative figures and information solely to the year or period preceding that of application;
- IAS 27 (Revised) "Separated Financial Statements" was issued by the IASB on May 12, 2011 and is applicable from January 1, 2014; a revised version of IAS 27 was issued at the same time as IFRS 10 "Consolidated Financial Statements" was introduced, which retains its role as the general standard of reference for separate financial statements. This standard applies to the measurement of investments in subsidiaries, associates and joint ventures in the separate financial statements of the parent. Joint ventures, as is also the case for investments in subsidiaries and associates, may be recognized in the separate financial statements either at cost or on the basis of IFRS 9 "Financial Instruments" (and IAS 39 "Financial Instruments: Recognition and Measurement"). When, in accordance with IFRS 10 "Consolidated Financial Statements", a parent elects not to prepare consolidated financial statements, in its separate financial statements it must disclose information about its investments in subsidiaries, associates and joint ventures, their principal places of business (and their registered offices if different), their activities, the ownership interest in each individual investee and a description of the method used to account for the investment;
- IAS 28 (Revised) "Investments in Associates and Joint Ventures" was issued by the IASB on May 12, 2011 and is applicable from January 1, 2014; a revised version of IAS 28 was issued at the same time as IFRS 10 "Consolidated Financial Statements" was introduced, whose scope is to prescribe the accounting for investments in associates and joint ventures. An entity that exercises joint control or has significant influence over another entity must account for its investment using the equity method;
- IAS 32 "Financial Instruments: Presentation" was issued by the IASB on December 16, 2011, and is applicable retrospectively for annual periods beginning on or after January

1, 2014. This amendment clarifies the application of certain criteria for offsetting the financial assets and liabilities included in IAS 32;

- IAS 36 "Impairment of Assets": the amendments to IAS 36, which are applicable from January 1, 2014, were issued on May 29, 2013 and regard the disclosures required on recognizing impairment losses when the recoverable amount of impaired assets is based on fair value less costs of disposal. The amendments remove the requirement to disclose the recoverable amount of assets when the cash generating unit (CGU) includes goodwill or intangible assets with indefinite useful lives but the asset is not impaired. In addition, disclosures are required of the recoverable amount of an asset or CGU and the way in which fair value less costs of disposal has been calculated when an impairment loss has been recognized for the asset;
- IAS 39 "Financial Instruments: Recognition and Measurement": the amendments to this standard, issued on June 27, 2013, regard the accounting for derivatives which have been designated as hedging instruments if there is novation of the counterparty. Before the introduction of these amendments, in these circumstances IAS 39 required an interruption to cash flow hedge accounting on the assumption that the novation led to the conclusion and extinguishment of the pre-existing hedging instrument. These amendments are applicable retrospectively from January 1, 2014;
- IFRS 10, IFRS 12 and IAS 27: the amendments to these standards, issued in October 2012, regard the exclusion from the consolidation scope of the majority of companies controlled by funds or similar bodies, requiring that these be measured at "fair value through profit or loss". The amendments also regard IFRS 12 on the question of disclosures made by investment companies.

Accounting standards, amendments and interpretations approved by the European Union but applicable after December 31, 2014

The following accounting principles and interpretations already approved by the European Union and currently not applied by the Group could be adopted in the next few years if the conditions arise:

- IAS 19 Revised "Employee Benefits": the amendments to this standard, issued by the IASB on November 21, 2013, regard contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service (for example employee contributions that are calculated according to a fixed percentage of salary). The amendment is applicable for annual reports beginning on or after July 1, 2014 or after;

- On December 12, 2013 the IASB issued a series of amendments to certain accounting standards which may be summarized as follows:
  a) IFRS 2 "Share-based Payment": the amendment clarifies the definition of "vesting condition" by separately defining a "performance condition" and a "service condition";
  b) IFRS 3 "Business Combinations": the amendment clarifies that the obligation to pay consideration in a business combination that meets the classification requirements for a financial instrument is classified in the financial statements as a financial liability on the basis of IAS 32 "Financial Instruments: Presentation". The amendment also clarifies that the standard is not applicable to the joint ventures and joint arrangements regulated by IFRS 11 "Joint Arrangements";
  c) IFRS 8 "Operating Segments": the standard is amended in terms of the disclosures required when different operating segments having similar economic characteristics are aggregated;
  d) IFRS 13 "Fair Value Measurements": the amendment clarifies that the exemption permitting an entity to measure the fair value of financial assets and liabilities on a net basis is applicable to all contracts, regardless of whether they meet the definition of financial assets or financial liabilities;
  e) IAS 16 "Property, Plant and Machinery" and IAS 38 "Intangible Assets": both standards are amended to clarify how recoverable amounts and useful lives are treated when an entity carries out a revaluation;
  f) IAS 24 "Related Party Disclosures": the standard is amended in order to include an entity providing key management personnel services as a related party;
  g) IAS 40 "Property Investments": the amendment to the standard regards the interrelationship between IFRS 3 "Business Combinations" and IAS 40 "Property Investments" when the acquisition of a property can be identified as a business combination.
- IFRIC 21 "Levies": this interpretation of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" was issued on May 20, 2013 and regards the accounting for levies imposed by governments which do not fall within the scope of IAS 12 "Income Taxes". IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the legislation that triggers the payment of the levy.

Accounting principles, amendments and interpretations not yet adopted by the European Union

The following standards, amendments and interpretations have not been applied, since at the present time the competent bodies of the European Union have still to complete their adoption process:

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

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

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

  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) bringing into effect a substantial overhaul of hedge accounting that 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 profit or loss;

(iii) deferring the effective date of the standard, originally January 1, 2015.

A partial amendment to the standard was issued in July 2014 on the subject of the valuation of financial instruments, with the introduction of the expected-loss impairment model for loans which replaces the impairment model based on realized losses. The amendment in question is applicable from January 1, 2018;

- IFRS 10 "Consolidated Financial Statements": the amendment to this standard issued on December 18, 2014 relates to the exemption from the presentation of the consolidated financial statements if the parent company has investments in "investment entities" that evaluate their subsidiaries at fair value. The amendment to the standard is applicable from January 1, 2016;
- IFRS 11 "Joint Arrangements": issued by the IASB in May 2014, the amendment to this standard provides guidance on how to account for the acquisition of an interest in a joint operation that is a business as defined by IFRS 3 "Business Combinations". The amendment in question is applicable from January 1, 2016. An amendment to this standard was issued on December 18, 2014 regarding the exemption from the presentation of the consolidated financial statements if the parent company has investments in "investment entities" that evaluate their subsidiaries at fair value;
- IFRS 14 "Regulatory Deferral Accounts": the new standard, issued by the IASB in January 2014, permits an entity which is a first-time adopter of IAS/IFRS to continue to account for "regulatory deferral account balances" in accordance with its previous accounting standards. The standard is applicable from January 1, 2016;
- IFRS 15 "Revenue from Contracts with Customers": the scope of the new standard, issued by the IASB on May 28, 2014, is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. 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.

The new standard, which will replace IAS 18 “Revenues” and IAS 11 “Construction Contracts”, is applicable from January 1, 2017;

- IAS 1 “Presentation of financial statements”: issued by the IASB on December 18, 2014 and applicable from January 1, 2016, the amendment to the standard in question is intended to provide clarification on the aggregation or disaggregation of financial statement items if the amount is significant or “material”. In particular, the amended to the standard requires not proceeding with the aggregation of financial statement items with different characteristics or the disaggregation of financial statement items that make the disclosure and reading of the financial statements difficult. Furthermore, with regard to the exposure of the financial position of an entity, the amendment clarifies the need to disaggregate some items required by paragraphs 54 (Balance Sheet) and 82 (Income Statement) of IAS 1;
- Annual amendments to IFRS 2012-2014: on September 25, 2014, the IASB published a series of amendments to certain international accounting standards, applicable with effect from January 1, 2016. The amendments concern:
  (i) IFRS 5 “Non-current assets held for sale and discontinued operations”;
  (ii) IFRS 7 “Financial Instruments: Disclosures”;
  (iii) IAS 19 “Employee Benefits”;
  (iv) IAS 34 “Interim financial reporting”.

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

With reference to IFRS 7, the amendment provides that if an entity transfers a financial asset on terms which allow the “derecognition” of the asset, it shall be required to provide information regarding the involvement of the entity in the transferred asset.

The proposed amendment to IAS 19 clarifies that in determining the discount rate of obligations arising following the termination of employment, the currency in which the obligations are denominated is relevant rather than the State in which they arise.

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

- IAS 16 “Property, Plant and Machinery” and IAS 38 “Intangible Assets”: the amendment to these two standards, issued by the IASB in May 2014, clarifies that the use of revenue-based methods to calculate the depreciation of a tangible asset or the amortization of an intangible asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset;

- IAS 27 (Revised) "Separated Financial Statements": the amendment to this standard, issued by the IASB on August 12, 2014 and applicable from January 1, 2016, allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements;
- IAS 28 "Investments in Associates and Joint Ventures": on December 18, 2014, this standard was amended regarding the investments in associates and joint ventures that are "investment entities": these investments can be measured at fair value or with the equity method. This amendment is applicable from January 1, 2016.

Scope of consolidation

The Annual Report of the A2A Group at December 31, 2014 includes the figures of the parent A2A S.p.A. and those of the subsidiaries over which A2A S.p.A. exercises either direct or indirect control, even if the holding is less than 50%. In addition, companies in which the parent exercises joint control with other entities (joint ventures) and those over which it has a significant influence are consolidated using the equity method.

The consolidation scope has been amended following the execution of the shareholding exchange agreement between A2A S.p.A. and Dolomiti Energia S.p.A., as discussed in the section "Significant events during the year", as the shareholding of 7.91% in Dolomiti Energia S.p.A. is no longer consolidated.

In addition, following the increase in share capital of EPCG approved by the company's shareholders on July 17, 2014, the portion of capital held by A2A S.p.A. has fallen slightly to 41.75% with no changes occurring in A2A's management rights over EPCG.

Consolidation policies and procedures

Consolidation policies

Subsidiaries

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

Associates, joint ventures and joint operations

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

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

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

The Group's investments in joint ventures as defined by IFRS 11 are accounted for using the equity method, whereas for joint operations the standard requires that the Group recognize its portion of the assets, liabilities, revenues and expenses, rather than account for the investments using the equity method.

The A2A Group is not a party to any joint operations and accordingly the adoption of the new standard had no effect on the Annual report at December 31, 2014.

Potential voting rights

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

Treatment of put options on the shares of subsidiaries

The Group has granted put options to minority shareholders which entitle them to require the A2A Group to purchase the shares they own at a future date.

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

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

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

Consolidation policies

General procedure

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

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

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

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

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

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

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

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

Shareholding in EPCG (IFRS 10)

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

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

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

The adoption of IFRS 10 (superseding IAS 27 on the subject of consolidated financial statements) has had no effect on the way in which the shareholding in EPCG is consolidated, since A2A S.p.A. has control as "it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee".

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

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

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

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

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

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

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

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

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

a) Rights granted to the financial shareholders (Mediobanca, Fondazione CRT and Banca Popolare di Milano)

On May 24, 2012, A2A S.p.A., the other shareholders of Edipower S.p.A. (formerly Delmi S.p.A.) and Iren Energia S.p.A. (which terminated its shareholding of Edipower S.p.A. on November 1, 2013) signed a framework agreement concerning the governance of Edipower S.p.A. and its operating model. This framework agreement has a duration of 5 years and renews automatically unless expressly terminated.

The framework agreement also includes provisions regarding the circulation of Edipower S.p.A. shares (lock-up, pre-emption, acceptance, right to joint sale and right to purchase clauses) and divestment from Edipower S.p.A..

On this final point, beginning on the date of the third anniversary of the merger the parties in the framework agreement are required to meet to verify, in good faith, if the necessary conditions exist for listing the shares in Edipower S.p.A., including by way of mergers with other listed companies. In the event of a listing, the financial shareholders of Edipower S.p.A., namely Mediobanca, Fondazione CRT and BPM, shall be entitled to place their own equity investments on the market with priority over the other parties to the framework agreement.

Should the company not be listed within 48 months of the effective date of the Delmi/Edipower merger, Mediobanca, Fondazione CRT and BPM shall each have the right to liquidate their entire equity interest in Edipower S.p.A. in exchange for payment of the fair value of said investment, to be paid in kind by assignment of a business unit to be selected by the board of directors of Edipower S.p.A.. Should this procedure not be completed for any reason within 50 months of the date of the merger, Mediobanca, Fondazione CRT and BPM shall each have a put option at fair value on their holding which can be exercised with the other shareholders of Edipower S.p.A. subsequent to the merger, in proportion to the equity interest each shareholder owns in Edipower S.p.A.. In this respect, as the result of the non-proportional demerger of Edipower S.p.A. effective from November 1, 2013, Iren S.p.A. and Iren Energia S.p.A. are no longer shareholders of Edipower S.p.A..

The signing of the framework agreement and the consequent rights granted to the financial shareholders (Mediobanca, Fondazione CRT and BPM) have been considered as put options on non-controlling interests and have been accounted for in accordance with as required by IAS 32, paragraph 23. The standard states that a contract that contains an obligation for an entity to purchase its own equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the exercise price of the option.

The A2A Group therefore considers the shares involved in the put options to have already been purchased, even though the other shareholders maintain the risks and benefits connected with ownership of the shares and they continue to be exposed to the related equity risk, and has recognized the liability resulting from this obligation. Any subsequent changes in the liability that are not related to the mere unwinding of the present value of the exercise price will be recognized in Group equity.

b) Exchange agreement between A2A S.p.A. and Dolomiti Energia S.p.A.

The exchange agreement of March 15, 2012 between A2A S.p.A. and Dolomiti Energia S.p.A. was finalized on September 4, 2014. Under this agreement Dolomiti Energia S.p.A. had the right to swap its holding in Edipower S.p.A., amounting to 8.54% of share capital, with the holding of A2A S.p.A. in Dolomiti Energia S.p.A., amounting to 7.91% of share capital. In addition, A2A S.p.A. will pay a settlement balance of 16 million euro to Dolomiti Energia S.p.A. in four quarterly instalments from October 1, 2014 to July 1, 2015.

The final instalment may also be settled through the transfer of certain assets currently owned by A2A S.p.A..

Following the finalization of the operation, the shareholding structure of Edipower S.p.A. is as follows: A2A S.p.A. 79.5%, SEL S.p.A. 8.5%, Mediobanca 5.1%, Fondazione CRT 4.3% and BPM 2.6%.

c) Option agreement between A2A S.p.A. and Società Elettrica Altoatesina (SEL) S.p.A.

On May 24, 2012, A2A S.p.A. signed an option agreement with Società Elettrica Altoatesina (SEL) S.p.A. concerning a portion of the shares held in Edipower S.p.A. following the merger of Delmi S.p.A. in Edipower S.p.A.; this merger became effective on January 1, 2013, based on the deed signed on December 18, 2012.

Following the merger SEL S.p.A. held a 6.75% equity interest in Edipower S.p.A.. After the non-proportional partial demerger of Edipower S.p.A. in favor of Iren Energia S.p.A. this interest has risen to 8.5%.

The option agreement states that SEL S.p.A. has a put option (the right to sell) and A2A S.p.A. has a call option (the right to buy) on the shares held by SEL S.p.A. in Edipower S.p.A..

SEL S.p.A. may exercise its put option during the three-month period prior to May 24, 2017, and A2A S.p.A. may exercise its call option during that three-month period after May 24, 2017. The exercise price of these options is made up of a fixed portion and a variable portion to be based on the fair value of the shares involved in the options at the exercise date.

The signing of the option agreement and the consequent granting of rights to SEL S.p.A. have been considered to be a put option on a non-controlling interest and have been recognized for accounting purposes as described above.

* * *

As a result of the agreements described under points (a), (b) and (c) above, the Annual report at December 31, 2014 includes a liability to SEL S.p.A. and the financial shareholders of Edipower S.p.A. for the potential exercising of the put options on Edipower S.p.A. shares totalling approximately 234 million euro. On the initial recognition of the put option at a carrying amount of 284 million the counter-entry was recorded as a minority interest in equity. Subsequent changes have been recorded with a counter-entry to equity pertaining to the Group. The change in value of the put option due to the passage of time has been recognized in profit or loss.

d) Option granted to the Municipality of Varese for the sale of 9.8% of Aspem S.p.A.

A2A S.p.A. holds 90% of the shares of Aspem S.p.A., a company that provides local public services in the city of Varese and in other towns in the province of Varese.

Under the shareholders' agreement of January 15, 2009 between A2A S.p.A. and the Municipality of Varese, at the end of a three-year period of non-transferability of the shares of Aspem S.p.A., starting from the date of the shareholders' agreement, the Municipality of

Varese has the right, but not the obligation, to sell (put option) 9.8% of the share capital of Aspem S.p.A. to A2A S.p.A..

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

e) EPCG - Montenegro government options

On the basis of the agreement it signed in 2009 with A2A S.p.A. on the acquisition of the shareholding in EPCG by the Italian listed company, currently 41.75%, the Montenegro government holds a call option for the purchase of this interest which, depending on whether certain quantitative targets or specific indicators are reached, may be exercised from this year at a price which is higher than the carrying amount in the financial statements at December 31, 2014.

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

Key figures at December 31, 2014 *Millions of euro*	Subsidiaries of A2A Ambiente 50% (*)	Premiumgas 50%	Metamer 50%	Ergosud 50% (figures al 12 31 2013) (**)
INCOME STATEMENT				
Sales revenues	8.7	3.8	12.3	33.5
Gross operating income	**0.5**	**(0.6)**	**0.7**	**18.2**
% of net revenues	*6.1%*	*(14.7%)*	*5.3%*	*54.3%*
Depreciation, amortization and write-downs	1.2	-	0.2	11.5
Net operating income	**(0.7)**	**(0.6)**	**0.5**	**6.7**
Result for the year	**(0.6)**	**0.3**	**0.3**	**3.1**
BALANCE SHEET				
Total assets	**11.4**	**5.0**	**5.6**	**224.2**
Net equity	**0.2**	**3.4**	**1.5**	**85.1**
Net (debt)	**(1.2)**	**(0.5)**	**1.6**	**(124.7)**

(*) Bellisolina S.r.l., Bergamo Pulita S.r.l. and Sed S.r.l..
(**) Figure last financial statements available.

Key figures at December 31, 2013 *Millions of euro*	Subsidiaries of A2A Ambiente 50% (*)	Premiumgas 50%	Metamer 50%	Ergosud 50% (figures at 12 31 2012)
INCOME STATEMENT				
Sales revenues	9.5	-	13.2	33.2
Gross operating income	**0.6**	**(0.7)**	**1.1**	**10.6**
% of net revenues	*6.5%*	*n.s.*	*8.0%*	*31.8%*
Depreciation, amortization and write-downs	1.3	-	0.4	10.1
Net operating income	**(0.6)**	**(0.7)**	**0.7**	**0.5**
Result for the year	**(0.4)**	**(0.5)**	**0.4**	**(2.0)**
BALANCE SHEET				
Total assets	**12.3**	**5.2**	**5.4**	**251.7**
Net equity	**0.6**	**2.1**	**1.6**	**82.0**
Net (debt)	**(1.4)**	**0.4**	**0.9**	**(145.2)**

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

Accounting standards and policies

Translation of foreign currency items

The consolidated financial statements of the A2A Group are presented in euro; this is also the functional currency of the economies in which the Group operates.

Transactions in other currencies are initially recognized at the exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated 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 profit or loss 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. During the reporting year, the useful lives of the CCGT plants were reviewed, as described in note "1) Tangible assets".

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 finance 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.

Tangible assets are stated net of accumulated depreciation and any impairment losses. 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.

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.

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

• buildings	1.0 % - 17.3 %
• production plants	1.0 % - 33.3 %
• transport lines	1.4 % - 100.0 %
• transformation stations	1.8 % - 33.3 %
• distribution networks	1.4 % - 33.3 %
• miscellaneous equipment	3.3 % - 100.0 %
• mobile phones	100.0 %
• furniture and fittings	10.0 % - 25.0 %
• electric and electronic office machines	10.0 % - 33.3 %
• vehicles	10.0 % - 25.0 %
• leasehold improvements	12.5 % - 33.3 %

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"; impairment losses 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 profit or loss 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 profit or loss in the period in which the costs are incurred.

Intangible assets with a definite useful life are stated net of the related accumulated amortization and any impairment losses in the same way as for tangible assets. Changes in the expected useful life of an asset or in the ways in which the future economic benefits of an asset are obtained are recognized by suitably adjusting the period or method of amortization and treated as changes in accounting estimate. The amortization of intangible fixed assets with a definite useful life is charged to profit or loss 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 profit or loss at the time of the disposal.

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

- industrial patents and intellectual property rights ______ 12.5 % - 33.3 %
- concessions, licenses, trademarks and similar rights ______ 6.7 % - 33.3 %

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 tangible and intangible fixed 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 profit or loss. 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. The reversal of an impairment loss is immediately recognized in profit or loss.

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 Group's organizational and business structure as homogeneous aggregations that generate independent cash inflows deriving from the continuous use of the assets allocated to them.

Emission quotas, Green Certificates and White 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.

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 companies in which the parent company "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. Control is generally assumed to exist when a company holds either directly or indirectly more than half of the exercisable voting rights at an ordinary shareholders' meeting, also considering potential voting rights, meaning voting rights deriving from convertible financial instruments.

Subsidiaries are consolidated on a line-by-line basis.

Associates are companies in which the parent 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.

Shareholdings in associates and joint ventures are accounted for in the consolidated financial statements using the equity method.

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 profit or loss.

Financial instruments

Financial instruments include investments (excluding investments in subsidiaries, entities under joint control and associates) held for trading (trading investments) or available for sale, and non-current receivables and loans, 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 profit or loss.

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 profit or loss;
- 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 profit or loss 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 impairment losses are recognized in profit or loss 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 profit or loss 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 profit or loss. Losses recognized in equity are in any case reversed and recognized in profit or loss, 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 impairment losses. Impairment losses are reversed when the reasons originating the loss no longer exist, with the exception of impairment losses 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 profit or loss 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 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 profit or loss; 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 profit or loss. The amounts recognized directly in equity are then reflected in profit or loss 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 profit or loss. 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 Group 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 Group 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 Group 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 Group 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 an extinguishment of the original financial liability and the recognition of a new financial liability. The difference in carrying amounts is recognized in profit or loss.

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 – 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 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 profit or loss 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”. On the other hand any gains or losses recognized as the result of measuring non-current assets (or disposal groups), classified as held for sale within the meaning of IFRS 5, at fair value less costs to sell are presented in a specific line item of the income statement “Result from non- recurring transactions”, as discussed further in the previous section “Format of financial statements”.

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 an 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 profit or loss 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 the balance sheet date 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 Group 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 profit and loss 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.

Grants received to provide support for the cost of specific assets are recognized as a direct deduction from the assets concerned and credited to profit or loss 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 profit or loss as soon as the conditions for recognizing the grants 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 prescribed by the law in force during the year and by the Electricity, Gas and Water Authority or equivalent organizations abroad;
- connection contributions paid by users, if not for costs incurred to extend the network, are recognized in profit or loss 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 profit or loss 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 profit or loss.

Non-recurring transactions

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

Financial income and expense

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 profit or loss 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 profit or loss.

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.

It is noted that due to Sentence no. 10/2015 of the Constitutional Court, which declared the unconstitutionality of the Robin Hood Tax from the year 2015, the company has taken steps to adjust the deferred tax assets and liabilities.

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 in impairment testing, to determine certain sales revenues, in provisions for risks and charges, in provisions for receivables and other write-downs, amortization and depreciation, the valuation of derivatives, employee benefits and taxes. The underlying estimates and assumptions are regularly reviewed and the effect of any change is immediately recognized in profit or loss.

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 testing

The carrying amount of non-current assets (including goodwill and other intangible assets) and of assets held for sale is reviewed periodically and whenever circumstances or events require a more frequent assessment. If it is considered that the carrying amount of a group of non-current assets is impaired, the group is written down to its recoverable amount which is estimated with reference to its use or future disposal, depending on the Group'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 and the results of such testing, reference should be made to the specific paragraph below.

Revenue recognition

Revenues from sales to retail and wholesale customers are recognized on an accrual basis. Revenues from sales of electricity and gas to customers are recognized when the supply takes place, based on periodic meter readings; they also include an estimate of the usage of electricity and gas from the date of the last reading to the balance sheet date. Revenues from the date of the last reading to the balance sheet date are based on estimates of customers' daily usage, according to their historical profile, and are adjusted to reflect weather conditions or other factors that may affect the usage being estimated.

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 judgments on the part of Group 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.

Liabilities for landfills

The provision liabilities for landfills represents the amount set aside to meet the costs which will be incurred for the management of the period of closure and post-closure of landfills currently in use. The future outlays, calculated for each landfill by a specific appraisal, were discounted in accordance with the provisions of IAS 37.

Bad debts provision

The provision for bad debts reflects the estimated losses in the Group'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 and amortization

Depreciation and amortization charges are a significant cost for the Group. Non-current assets are depreciated or amortized on a straight-line basis over the useful lives of the assets. The useful life of the Group's non-current assets is established by the directors, with the assistance of expert appraisers, when they are purchased. The Group 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 by the Group 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 Group, 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 combinations

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 profit or loss. The A2A Group 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 Group 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.

Areas of activity

The A2A Group operates in the production, sale and distribution of gas and electricity, district heating, environmental services and the integrated water cycle. These activities in turn form part of the following sectors:

Sectors of the A2A Group

Energy	Environment	Heat and services	Networks	Other Services and Corporate
Thermoelectric and hydroelectric plants	Collection and street sweeping	Cogeneration plants	Electricity networks	Other services
Energy Management	Treatment	District heating networks	Gas networks	Corporate Services
Sale of electricity and gas	Disposal and energy recovery	Sale of heat and other services	Integrated water cycle	

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

Result sector by sector

Millions of euro	Energy		Environment	
	01 01 14 12 31 14	**01 01 13 12 31 13**	**01 01 14 12 31 14**	**01 01 13 12 31 13**
Revenues	**3,803**	**4,368**	**794**	**850**
- of which inter-sector	*155*	*160*	*93*	*88*
Gross operating income	**463**	**533**	**222**	**282**
% of revenues	*12.2%*	*12.2%*	*28.0%*	*33.2%*
Depreciation, amortization, provisions and write-downs	**(405)**	**(622)**	**(98)**	**(95)**
Net operating income	**58**	**(89)**	**124**	**187**
% of revenues	*1.5%*	*(2.0%)*	*15.6%*	*22.0%*
Result from non-recurring transactions				
Financial balance				
Result before taxes				
Income taxes				
Result from operating activities after taxes				
Net result from discontinued operations				
Minorities				
Group result of the year				
Gross investments (1)	**61**	**76**	**41**	**45** (a)

(1) See the items "Investments" in the schedules on tangible and intangible assets presented in Notes 1 and 2 to the balance sheet.
(a) Includes advance payments for 4 million euro.

Millions of euro	Energy		Environment	
	12 31 14	**12 31 13**	**12 31 14**	**12 31 13**
Tangilble assets	3,136	3,486	433	446
Intangilble assets	156	82	12	35
Trade receivables and current financial assets	1,416	1,569	352	288
Trade payables and current financial liabilities	1,313	1,247	258	229

Heat and Services		Networks		Other Services and Corporate		Eliminations		Total Group	
01 01 14 12 31 14	01 01 13 12 31 13	01 01 14 12 31 14	01 01 13 12 31 13	01 01 14 12 31 14	01 01 13 12 31 13	01 01 14 12 31 14	01 01 13 12 31 13	01 01 14 12 31 14	01 01 13 12 31 13
252	**330**	**753**	**708**	**236**	**234**	**(854)**	**(886)**	**4,984**	**5,604**
36	*38*	*349*	*380*	*221*	*220*	*(854)*	*(886)*		
61	**86**	**298**	**256**	**(20)**	**(24)**			**1,024**	**1,133**
24.2%	*26.1%*	*39.6%*	*36.2%*	*(8.5%)*	*(10.3%)*			*20.5%*	*20.2%*
(40)	**(23)**	**(105)**	**(110)**	**(14)**	**(26)**			**(662)**	**(876)**
21	**63**	**193**	**146**	**(34)**	**(50)**			**362**	**257**
8.3%	*19.1%*	*25.6%*	*20.6%*	*(14.4%)*	*(21.4%)*			*7.3%*	*4.6%*
								9	**75**
								(210)	**(206)**
								161	**126**
								(179)	**(51)**
								(18)	**75**
								-	**-**
								(19)	**(13)**
								(37)	**62**
69	**43**	**124**	**109**	**12**	**11**	**-**	**-**	**307**	**284**

Heat and Services		Networks		Other Services and Corporate		Eliminations		Total Group	
12 31 14	12 31 13	12 31 14	12 31 13	12 31 14	12 31 13	12 31 14	12 31 13	12 31 14	12 31 13
561	527	1,347	1,334	247	240	(99)	(103)	**5,625**	**5,930**
34	37	1,291	1,286	54	54	(229)	(188)	**1,318**	**1,306**
110	134	281	351	255	195	(697)	(541)	**1,717**	**1,996**
100	107	226	225	168	445	(686)	(532)	**1,379**	**1,721**

Notes to the balance sheet

ASSETS

Non-current assets

1) Tangible assets

Millions of euro	Balance at 12 31 2013	Changes during the year						Balance at 12 31 2014
		Invest./ Acquisit.	Other changes	Disposals and sales	Write-downs	Deprecia-tion	Total changes	
Land	245		26			(1)	25	270
Buildings	986	3	8		(6)	(42)	(37)	949
Plant and machinery	4,438	83	86	(8)	(152)	(311)	(302)	4,136
Industrial and commercial equipment	40	5	(21)			(4)	(20)	20
Other assets	57	9				(14)	(5)	52
Landfills	27		11			(8)	3	30
Construction in progress and advances	107	107	(104)		(1)		2	109
Leasehold improvements	24	30	8	(1)		(4)	33	57
Leased assets	6		(3)			(1)	(4)	2
Total	**5,930**	**237**	**11**	**(9)**	**(159)**	**(385)**	**(305)**	**5,625**
of which:								
Historical cost	9,688	237	23	(16)			244	9,932
Accumulated depreciation	(3,758)		(12)	7		(385)	(390)	(4,148)
Write-downs					(159)		(159)	(159)

"Tangible assets" amounted to 5,625 million euro at December 31, 2014 (5,930 million euro at December 31, 2013), representing a net decrease of 305 million euro.

The following changes took place during the year:

- an increase of 237 million euro due to investments, as described in further detail below;
- an increase of 11 million euro due to other changes, mainly relating to reclassifications from other balance sheet items;
- a decrease of 9 million euro arising from disposals in the year, net of accumulated depreciation;
- a decrease of 385 million euro for the depreciation charge for the year;
- a decrease of 159 million for write-downs in the year.

Review useful life CCGT plants

The profound changes that occurred in the composition of the national generation grid with the gradual entry of significant production capacity from renewable sources with dispatching priorities and trends in demand and prices recorded in recent years have strongly influenced the regimes of use of combined cycle plants with a consequent reduction in hours of operation and load factors of the plants. Considering that the nature of the changes in the industry are, at least in part, to be considered structural, it was considered necessary to carry out a review of the useful lives of the CCGT plants. The Group's CCGT power plants involved in the analysis are Cassano d'Adda and Ponti sul Mincio, Chivasso, Sermide, Piacenza and Gissi.

The review process included an technical analysis, with the support of the engineering of A2A.

In addition and complement to the analysis of the technical life, it was necessary to consider the possibility that plants can operate cost-effectively and thus as long as the theoretical technical life can be considered economically compatible: the assessment was therefore focused on the income prospects of the CCGT plants by determining the time frame in which it is reasonable to believe that such plants will be "economically" dispatchable.

To this end, the company has resorted to the support of an independent third-party expert.

The redefinition of the remaining useful life exerts its effects in the 2014 financial statements, in terms of the change in the depreciation plan as of July 1, 2014, with the subsequent recalculation of depreciation in 2014 from the same date and the related carrying amounts at December 31, 2014. These values are subsequently tested as part of the impairment process because the scenario outlined is also an impairment indicator in accordance with IAS 36.

The following table for each generation group analyzed shows the previous useful life, the reviewed useful life and the effect of the revision of said estimate on the Income statement for the year in terms of lower depreciation:

<table>
<tr><th>Plant</th><th>Previous useful life</th><th>Reviewed useful life</th><th>Amortization 2nd half-year previous useful life</th><th>Amortization 2nd half-year reviewed useful life</th><th>Delta</th></tr>
<tr><td>Cassano 2 - A2A S.p.A.</td><td>12/31/2030</td><td>12/31/2036</td><td>6.1</td><td>4.0</td><td>(2.1)</td></tr>
<tr><td>Ponti sul Mincio - A2A S.p.A.</td><td>12/31/2019</td><td>12/31/2042</td><td>2.4</td><td>0.5</td><td>(1.9)</td></tr>
<tr><td>Chivasso 1 – Edipower S.p.A.</td><td rowspan="2">01/04/2033</td><td>12/31/2037</td><td rowspan="2">8.3</td><td rowspan="2">6.1</td><td rowspan="2">(2.2)</td></tr>
<tr><td>Chivasso 2 – Edipower S.p.A.</td><td>12/31/2036</td></tr>
<tr><td>Piacenza – Edipower S.p.A.</td><td>07/26/2029</td><td>12/31/2036</td><td>7.1</td><td>4.2</td><td>(2.9)</td></tr>
<tr><td>Sermide 1 – Edipower S.p.A.</td><td rowspan="2">05/02/2029</td><td rowspan="2">12/31/2036</td><td rowspan="2">8.0</td><td rowspan="2">4.9</td><td rowspan="2">(3.1)</td></tr>
<tr><td>Sermide 2 – Edipower S.p.A.</td></tr>
<tr><td>Gissi 1 – Abruzzoenergia S.p.A.</td><td rowspan="2">12/31/2034</td><td rowspan="2">12/31/2044</td><td rowspan="2">13.0</td><td rowspan="2">11.5</td><td rowspan="2">(1.5)</td></tr>
<tr><td>Gissi 2 – Abruzzoenergia S.p.A.</td></tr>
<tr><td>Total</td><td></td><td></td><td></td><td></td><td>(13.7)</td></tr>
</table>

It is also specified that the plant components which have a lower useful life compared to the new lives identified for individual power plants continue to be depreciated based on lower useful lives.

The expected reduction effect of depreciation in the 2015 financial statements, compared to as already incorporated in the 2014 financial statements due to the revision of the useful lives described above, will be around 16 million euro.

Investments may be analyzed as follows:

- there was an increase of 54 million euro in the energy sector, of which 12 million euro regarded work carried out at the Monfalcone and Gissi power stations, 11 million euro regarded work carried out at the Calabria unit and 15 million euro regarded investments made by Edipower S.p.A.; 13 million euro related to investments made by the EPCG Group; 3 million euro regarded investments made at the plants at Cassano d'Adda and in the Valtellina;
- investments of 68 million euro in the heat sector regarded the development of the district heating networks in the Milan, Brescia and Bergamo areas for 42 million euro and extraordinary maintenance and development work on the plants in the Milan, Brescia, Bergamo and Varese areas for 26 million euro;
- investments of 40 million euro in the environment sector relate to 10 million euro incurred for the construction of the new glass treatment plant at Asti, 16 million euro mainly relating to work carried out the Acerra, Brescia, Corteolona, Bergamo and Milan plants, 10 million euro for the purchase of waste collection vehicles and 4 million euro for the purchase of equipment;
- investments in the networks sector amounted to 72 million euro (of which 10 million euro made by the EPCG Group) and mainly related to development and maintenance work carried out on electricity distribution plants, the extension and refurbishment of the low and medium voltage network and the installation of new electronic meters;
- investments in the services sector amounted to 3 million euro, of which 1 million euro incurred by the EPCG Group.

Tangible assets include "Leased assets" totalling 2 million euro, recognized in accordance with IAS 17, for which the outstanding payable to lessors at December 31, 2014 amounted to 3 million euro.

2) Intangible assets

Millions of euro	Balance at 12 31 2013	Changes during the year					Balance at 12 31 2014
		Invest./ Acquisit.	Recl./Other changes	Disposals and sales	Amort.	Total changes	
Industrial patents and industrial property rights	36	5	10		(17)	(2)	34
Concessions, licences, trademarks and similar rights	748	48	13	(1)	(42)	18	766
Assets in progress	21	17	(23)			(6)	15
Other intangible assets	19		4		(2)	2	21
Goodwill	482						482
Total	**1,306**	**70**	**4**	**(1)**	**(61)**	**12**	**1,318**

"Intangible assets" amounted to 1,318 million euro at December 31, 2014 (1,306 million euro at December 31, 2013), representing a net increase of 12 million euro.

Applying IFRIC 12, from 2010 intangible assets also include assets in concession relating to gas distribution, the integrated water cycle and district heating distribution, details of which are reported under "5) Concessions" of "Other information".

The following changes took place during the year:

- an increase of 70 million euro due to the investments made during the year;
- an increase of 4 million euro due to other changes, mainly relating to reclassifications from other items;
- a decrease of 1 million euro arising from disposals in the year, net of accumulated amortization;
- a decrease of 61 million euro for the amortization charge for the year.

More specifically, investments relate to the following:

- an increase of 7 million euro in the energy sector relating mainly to the implementation of information systems;
- there was an increase of 1 million euro in the heat sector;
- there was an increase of 1 million euro in the environment sector;
- investments of 52 million euro in the networks sector relating to development and maintenance work on the plants of the gas distribution segment and the replacement of low and medium pressure underground piping for 35 million euro, work on the water transport and distribution network, on the sewage networks and on the purification plants for 14 million euro and the implementation of information systems for 3 million euro;
- investments of 9 million euro in the service sector mainly relate to the implementation of information systems.

"Other intangible assets" include customer lists arising on the acquisition of customer portfolios by Group companies. These balances are being amortized on the basis of the estimated benefits expected to be obtained in future years. More specifically, the outstanding balance of 4 million euro relates to the amount paid in previous years by subsidiaries regarding a portion of the networks and customers of the city and province of Brescia and the customer portfolio of the subsidiary Aspem Energia S.r.l..

Goodwill

Millions of euro	Balance at 12 31 2013	Changes during the year				Balance at 12 31 2014
		Invest.	Other changes	Write-downs	Total changes	
Goodwill	482				-	482
Total	**482**	**-**	**-**	**-**	**-**	**482**

There has been no change in goodwill over the period.

Impairment testing in accordance with IAS 36 on the carrying amount of goodwill and tangible and intangible fixed assets

The objective of the impairment testing required by international accounting standard IAS 36 is to ensure that the carrying amount of assets does not exceed their recoverable amount.

Impairment testing is carried out whenever there is an indication that an asset may be impaired, while goodwill, which is not amortized on a systematic basis, must be tested for impairment at least on an annual basis, regardless of whether there is any indication of impairment.

A cash-generating unit (CGU) is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The definition of a CGU depends essentially on the type of activity carried out by the CGU, the business sector in which it operates and a company's organizational structure.

Impairment testing consists of comparing the carrying amount of an asset/cash-generating unit (or group of cash-generating units) with an estimate of the recoverable amount of that asset/cash-generating unit (or group of cash-generating units). The recoverable amount of an asset/cash-generating unit (or group of cash-generating units) is the higher of its fair value less costs to sell and its value in use.

The fair value less costs to sell of an asset/cash-generating unit (or group of cash-generating units) is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The value in use of an asset/cash-generating unit (or group of cash-generating units) is the present value of the future cash flows expected to be derived from the continuing use of an asset or cash-generating unit and from its ultimate disposal. Value in use has been calculated using the discounted cash flow method, which is based on estimating future cash flows and discounting these by applying the appropriate discount rate.

Management made a projection of the future cash flows deriving from each asset/cash- generating unit (or group of cash-generating units) on the basis of reasonable and supportable assumptions which reflect the value of the asset/cash-generating unit (or group of cash-generating units) in its present condition and with a view to maintaining the normal conditions of business activities.

More specifically, the following were considered in calculating value in use:

- future operating cash flows for a period not exceeding five years, estimated by management on the basis of the most recent forecasts so as to represent the best estimate of the range of economic conditions that will exist over the remaining useful life of the asset;
- cash flows for subsequent years estimated by assuming a nominal growth rate that is in any case less than the long-term average nominal growth rate;
- the cash flow from disposal at the end of the useful life of an asset/cash-generating unit (or group of cash-generating units) (terminal value) which, depending on the different cases analyzed, has prudently been forecast to be zero, to be the sum of the estimate of the future value of the assets, net working capital and provisions or else to be the present value of operating cash flows;
- future operating cash flows are based on the medium-term 2015-2019 business plan approved in April 2015;
- the discount rate used to reflect current market assessments of the time value of money and the risks specific to the asset was estimated, consistent with the cash flows considered, by calculating the weighted average cost of capital (WACC).

Starting from 2015, consistent with current legislation on the Robin Hood Tax, these rates exclude the IRES corporate income tax surcharge of 6.5% still applicable for 2014 due to Sentence no. 10/2015 of the Constitutional Court, which declared the unconstitutionality of the Robin Hood Tax from the year 2015.

Goodwill

The impairment testing carried out in accordance with IAS 36 did not indicate the need to write down the goodwill recognized in the consolidated financial statements as shown in the table below.

“Goodwill” may be analyzed by CGU as follows at December 31, 2014:

CGU - *Millions of euro*	
Electricity networks	184
Environment	232
Gas networks	38
Gas	7
Heat - Italy	21
Total goodwill at December 31, 2014	**482**

The operational organization and reporting structure used by management to assess the A2A Group’s performance were taken into consideration in identifying cash-generating units.

Since goodwill does not generate independent cash flows and cannot be sold separately, the impairment testing of recognized goodwill is carried out in a residual manner by referring to the cash-generating unit (or group of cash-generating units) to which it may be reasonably allocated.

The following table sets out the goodwill allocated to each individual cash-generating unit, specifying for each the recoverable amount and the discount rate used with comparative figures of the previous year.

CGU with goodwill *Millions of euro*	**Value at 12 31 2014**	**Recoverable amount**	**WACC 2014 (1)**	**Value at 12 31 2013**	**WACC 2013 (1)**	**Balance scenario (2)**	
						WACC of reference (3)	**Growth rate g**
Electricity networks	184	Value in use	6.18%	184	8.25%	8.96%	(29.65%)
Environment	232	Value in use	5.49%	232	7.99%	31.06%	n.s.
Gas networks	38	Value in use	4.68%	38	5.54%	54.46%	n.s.
Gas	7	Value in use	8.41%	7	10.60%	137.36%	n.s.
Heat - Italy	21	Value in use	6.75%	21	7.88%	9.28%	(3.00%)
	482			**482**			

(1) Nominal pre-tax discount rate applied to future cash flows.
(2) Rates resulting from the sensitivity assessment made by the expert in order to achieve balance between the use values and carrying amounts subjected to impairment testing.
(3) The simulation was performed on the WACC rate of reference, with the simultaneous adjustment of the terminal flow rate (if applicable).

"Electricity networks" cash-generating unit

This goodwill, arising on the acquisition of the businesses of Enel Distribuzione S.p.A. by A2A Reti Elettriche S.p.A., amounted to 184 million euro, in line with December 31, 2013.

For completeness of information it is noted that a time horizon was considered in calculating value in use which corresponds to the expiry of the concession for the distribution of electricity in the municipalities of Milan, Rozzano and the municipalities of the province of Brescia, and that the goodwill of 4 million euro relating to the agreements for the work on the public lighting equipment in the Municipality of Bergamo has also been allocated to this cash-generating unit; this goodwill arose from the merger between BAS S.p.A. and A2A S.p.A..

No loss of value was noted during the impairment testing as the recoverable amount exceeds the net capital employed including the value of goodwill recorded.

"Environment" cash-generating unit

The cash-generating unit consists of A2A Ambiente S.p.A. and its subsidiaries.

The A2A Group's "Environment" CGU carries out collection and street sweeping and is involved in the treatment and disposal of waste and the waste to energy process; in addition, it also builds treatment plants for third parties.

The unit operates in the solid urban waste segment and in the special and hazardous waste segment, performs collection and street sweeping activities in the municipalities of Milan, Brescia, Bergamo and Como and in a number of municipalities of the relative provinces, is the owner of 5 waste to energy plants (in the municipalities of Milan, Brescia, Bergamo, Filago and Corteolona) and manages the Acerra waste to energy plant. It also has several waste treatment plants and a number of landfills.

The A2A Group's consolidated financial statements at December 31, 2014 include goodwill of 232 million euro associated with this CGU, which has been impairment tested as required by IAS 36. Of this goodwill, 227 million euro arises from the acquisition of the Ecodeco Group which took place between 2005 and 2008 (the former Ecodeco cash-generating unit) and 5 million euro from the merger between ASM Brescia S.p.A. (subsequently merged into AEM S.p.A. which at the same time changed its name to A2A S.p.A.) and BAS S.p.A..

No loss of value was noted during the impairment testing as the recoverable amount exceeds the net capital employed including the value of goodwill recorded.

“Gas networks” cash-generating unit

The goodwill of 38 million euro arises from various acquisitions made by A2A Reti Gas S.p.A. over the past years regarding companies operating as gas distributors in around 200 different Italian municipalities. Activities are mainly concentrated in Lombardy and Piedmont. This goodwill has been allocated to the “Gas networks” cash-generating unit whose recoverable amount has been calculated by referring to its value in use.

For completeness of information, it is noted that in calculating the value in use, for reasons of prudence a time horizon has been taken for the majority of the outstanding concessions, which corresponds to a shorter term than that envisaged by current legislation.

No loss of value was noted during the impairment testing as the recoverable amount exceeds the net capital employed including the value of goodwill recorded.

“Italy Heat” cash-generating unit

The goodwill arising from the consolidation of the Italy Heat Sector, amounting to 21 million euro, is held by a number of companies of the A2A Group active in the production, distribution and sale of district heating and was impairment tested. The total amount of this goodwill was allocated to the cash-generating unit “Italy Heat”, with recoverable amount being calculated with reference to the sector itself using a time horizon of 30 years. In particular, this cash-generating unit contains an amount of 18 million euro representing part of the goodwill arising from the merger between BAS S.p.A. and A2A S.p.A..

No loss of value was noted during the impairment testing as the recoverable amount exceeds the net capital employed including the value of goodwill recorded.

“Gas” cash-generating unit

The goodwill arising from the consolidation of the Gas Sector, amounting to 7 million euro, refers to the area involved in selling gas to end customers (residential and business) and wholesalers and was impairment tested. The recoverable amount was calculated on the basis of the value in use of the sector, considering an indefinite time horizon. This cash- generating unit includes 7 million euro representing the portion of the goodwill arising on the merger between BAS S.p.A. and A2A S.p.A..

No loss of value was noted during the impairment testing as the recoverable amount exceeds the net capital employed including the value of goodwill recorded.

Assets other than goodwill

As in previous years, the management performed impairment testing for the Electricity CGUs, EPCG and, starting from the current year, even for the thermoelectric plant in San Filippo del Mela, for which there were specific impairment indicators during the reporting period.

Impairment testing of the "Electricity" cash-generating unit

Impairment testing of the "Electricity" cash-generating unit began in 2012. The "Electricity" cash-generating unit belongs to A2A's Electricity Sector, whose activities are the generation of electricity and its sale on the wholesale and retail markets. Support for the marketing areas is assured by activities involving fuel provisioning, programming and dispatch of electricity generating plants and optimizing business portfolio management.

More specifically, the activities carried out by the "Electricity" cash-generating unit consist of the following:

- production of electricity: managing plants through an energy generation system composed of hydroelectric and thermoelectric plants with installed power of 10.5 GW;
- energy management: the purchase and sale of electricity, gas and non-gas fuels on national and international wholesale markets; the provisioning of the fuel needed, and the management of the environmental certificates, to cover the needs of thermoelectric plants and customers; planning, programming and dispatch of electricity generating plants;
- sale of electricity: sale of electricity on the market of suitable customers.

In addition to the activities conducted directly by A2A S.p.A., the operations of the following companies also come under the "Electricity" cash generating unit:

- Abruzzo Energia S.p.A., Edipower S.p.A. and Ergosud S.p.A., electricity producers based in Italy;
- A2A Energia S.p.A., providing marketing activities;
- A2A Trading S.r.l., which optimizes the Group's energy portfolio by buying and selling on the wholesale national and international electricity markets as well as buying and selling any other commodities required for the sale of electricity, in this case for industrial purposes.
- Aspem Energia S.p.A., which sells electricity.

The impairment testing of the "Electricity" cash-generating unit solely regarded activities concerning electricity and accordingly not those relating to the "Gas" cash-generating unit, for which specific impairment testing was carried out as described above.

The perimeter of the "Electricity" cash-generating unit does not include the following:

- EPCG, a company producing electricity in Montenegro, because it is not interconnected and the electricity is dispatched outside its national borders;
- the San Filippo del Mela power plant, owned by Edipower S.p.A. and operating as an Essential Unit;
- protected category services(*) delivered by A2A Energia S.p.A.;
- trading carried out by A2A Trading S.r.l..

The value of the "Electricity" Cash Generating Unit in the impairment test amounted to 2,736 million euro.

The A2A Group has had to acknowledge that the continuation of the economic crisis in Italy and the resulting decrease in requirements, together with the further increase in production from unprogrammable renewable sources, has caused a further contraction in the profitability of the combined cycle thermoelectric plants.

An independent expert was engaged to carry out the impairment testing; among other things, the expert analyzed the components and key assumptions included in the economic and financial projections prepared by the Group's management, performed comparisons and tests as to the correctness of the sources and assumptions used and developed the assumptions about the growth rate beyond the plan's horizon to be used for calculating normalized flows through to the end of the useful lives of the plants. The analysis also included any requirements for the decommissioning of the thermoelectric plants at the end of their useful lives and the reimbursements that may be expected to be received in the event that the hydroelectric concessions are not renewed at their present expiry dates. The result of the impairment testing led to a write-down of 75 million euro, concentrated on the thermoelectric plants, and a write-down of 54 million euro of the shareholding in Ergosud S.p.A., the company owning the Scandale thermoelectric plant.

An estimate of the recoverable amount was made using the financial method. This was calculated by using simulations regarding different variables through the application of statistical simulation techniques (the Montecarlo method); the main variables involved, and those to which the recoverable amount is the most sensitive, were as follows: the possible ways of calculating the capacity payment, discount rates, growth rates and the non- discretional investments needed to maintain normal business operating conditions.

(*) Protected category services apply to customers with low-voltage domestic utilities, utilities for other non-domestic uses and public lighting (in other words, small businesses connected to a low voltage supply, with less than 50 employees and annual turnover < 10 million euro). This category includes all users who selected the so-called Free Market and ended up without a supplier. The Protected Category service guarantees the supply of electricity at prices established by AEEGSI (Italian Authority for Electricity, Gas and Water).

Consistent with the above-mentioned flows, discount rates were estimated by determining the weighted average cost of capital. More specifically, a post-tax median rate was used.

The following table sets out net invested capital at December 31, 2014, the discount rates used and the type of recoverable amount considered.

CGU - without goodwill Electricity *Millions of euro*	**Net capital employed at 12 31 2014**	**WACC**	**Recoverable amount (value in use)**	**Write-down**
12 31 2014	2,736	6.6%	2,607	(129)

CGU - without goodwill Electricity *Millions of euro*	**Net capital employed at 12 31 2013**	**WACC 2014-2021**	**WACC over 2021**	**Recoverable amount (value in use)**	**Write-down**
12 31 2013	3,175	6.7%	6.9%	2,908	(267)

The table below shows the sensitivity analysis performed by the independent expert:

CGU - without goodwill Electricity	**Minimum**	**Maximum**
WACC	6.4%	6.8%
Growth rate g	0.0%	1.0%
Recoverable amount (millions of euro)	2,350	2,885
Flexibility incentive (euro/MW)	10,000	30,000

Once the existence of an impairment loss of the CGU as a whole had been identified, this was then allocated as a priority to the generation plants, for which the business plan expects forthcoming decommissioning.

The plants in Sermide 1, Chivasso 1 and Ponti sul Mincio were therefore fully written down. The investment in Ergosud S.p.A. was also written down to take account of the difficulties of the plant in Scandale held by said company, which is a 50% joint venture with E.ON. No impairment loss was attributed to the hydroelectric plants. This step was taken because of the profitability of those plants and because of the valuation criterion applicable at the end of the concession term for those assets for which a reimbursement could be obtained from the incoming concession holder in the event of losing a tender. Also, no write-down was allocated to the coal plant in Monfalcone that does not denote present or future difficulties, recording a good level of operating hours.

EPCG cash-generating unit

The EPCG cash-generating unit showed indications of impairment and the A2A Group decided to carry out impairment testing on the unit, engaging an independent appraiser to perform the work. The results of the appraisal were in line with Group management's estimates. Accordingly no loss of value was noted as the recoverable amount exceeds the carrying amount.

Cash Generating Unit thermoelectric plant San Filippo del Mela

In the performance of the impairment test in 2013 it was assumed that the Sorgente-Rizziconi cable would not have allowed ensuring balance in the electrical system of the region of Sicily and therefore it was expected that Terna would have required the intervention of the groups (in particular groups 5 and 6) of the plant on the reserve market, even after exit from the essentiality regime (expected after 2015), which would have then allowed achieving positive margins.

However, this assumption no longer applied in 2014, at the very moment in which it was understood that the cable, whose entry into operation was confirmed as of 2015, would be sufficient to ensure balance in the system of the island, also taking into account the low level of electricity demand expected in the region of Sicily for future years and the modest economic merit of the plants of San Filippo del Mela that are powered by fuel oil. This therefore causes a loss of opportunities arising from transactions on the MSD (reserve market), resulting in a loss of profitability of the plant.

This event is identifiable as specific impairment indicator of the plant, which resulted in the rightful need for a specific impairment test of the plant in San Filippo del Mela.

An independent expert was engaged to support the assessments carried out; among other things, the expert analyzed the components and key assumptions included in the economic and financial projections prepared by the management, performed comparisons and tests as to the correctness of the sources and assumptions used and developed the assumptions about the growth rate beyond the plan's horizon to be used for calculating normalized flows through to the end of the useful lives of the plants.

The analysis conducted, through the technique of Monte Carlo simulation, allowed obtaining the estimation of a range on the recoverable amount of electricity generation assets. Among the variables included in the Monte Carlo simulation are: the weighted average cost of capital, normalized EBITDA for the purposes of identifying the terminal value, the capacity payment and the growth rate over the horizon of the plan.

The minimum and maximum were calculated with the financial method and the combined use of the Monte Carlo simulation technique and correspond to the value of the tenth and ninetieth percentile of the results obtained.

CGU - Thermoelectric plant San Filippo del Mela *Millions of euro*	**Net capital employed at 12 31 2014**	**WACC**	**Recoverable amount (value in use)**	**Write-down**
12 31 2014	103	6.6%	25	(78)

CGU - Thermoelectric plant San Filippo del Mela	**Minimum**	**Maximum**
WACC	6.4%	6.8%
Growth rate g	0.0%	1.0%
Recoverable amount (millions of euro)	25	25
Flexibility incentive (euro/MW)	10,000	30,000

The result of the impairment test carried out on this CGU led to a depreciation of the value of tangible assets for 78 million euro.

3) Shareholdings and other non-current financial assets

Millions of euro	Balance at 12 31 2013	Changes during the year	Balance at 12 31 2014	*of which included in the NFP*	
				12 31 2013	*12 31 2014*
Shareholdings carried according to equity method	187	(113)	74	-	-
Other non-current financial assets	53	12	65	*44*	*57*
Total shareholdings and other non-current financial assets	**240**	**(101)**	**139**	***44***	***57***

"Shareholdings carried according to equity method" decreased by 113 million euro over December 31, 2013.

The following table sets out details of the changes:

Shareholdings carried according to equity method - *Millions of euro*	**Total**
Balance at December 31, 2013	**187**
Changes during the year:	
- acquisitions and capital increases	-
- valuations at equity	9
- write-downs	(54)
- dividends received from shareholdings in companies carried at equity	(4)
- sales	-
- other changes	(64)
- reclassifications	-
Total changes for the year	**(113)**
Balance at December 31, 2014	**74**

The decrease of 113 million euro consists of a decrease of 64 million euro arising from the effect of finalizing the exchange contract between A2A S.p.A. and Dolomiti Energia S.p.A. on September 3, 2014, under which the shares of Edipower S.p.A. owned by Dolomiti Energia S.p.A. were transferred to A2A S.p.A. in exchange for the transfer of the shares of Dolomiti Energia held by A2A S.p.A., as discussed further in the section "Consolidation policies and procedures", 54 million euro arising from the write-down of the shareholding in Ergosud S.p.A. following the results of the impairment test carried out by an external expert as discussed further in note 2, 9 million euro arising from accounting for the shareholdings in Dolomiti Energia S.p.A. and ACSM-AGAM S.p.A. using the equity method, and a decrease of 4 million euro due to the receipt of dividends.

"Other non-current financial assets" had a balance of 65 million euro at December 31, 2014, representing an increase of 12 million euro over the figure at December 31, 2013.

4) Deferred tax assets

Millions of euro	Balance at 12 31 2013	Changes during the year	Balance at 12 31 2014
Deferred tax assets	**372**	**(49)**	**323**

"Deferred tax assets" amounted to 323 million euro (372 million euro at December 31, 2013). This item consists of the net balance of IRES and IRAP deferred tax assets and liabilities arising from changes and accruals made solely for fiscal purposes. The recoverability of "Deferred tax assets" recorded in the financial statements is considered likely, as the future plans envisage future taxable income sufficient to use the deferred tax assets.

It is noted that due to Sentence no. 10/2015 of the Constitutional Court, which declared the unconstitutionality of the Robin Hood Tax from the year 2015, the company has taken steps to adjust the deferred tax assets and liabilities for a total of 52 million euro.

Deferred tax assets and liabilities at December 31, 2014 are stated net after offsetting in accordance with IAS 12.

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

Millions of euro **Detail of deferred tax assets and liabilities**	Consoli-dated financial statements at 12 31 2013	Accruals (A)	Utilizations (B)	Adjustment rates (C)	Total (A+B+C)	IAS 39 to equity	IAS 19 Revised to equity	Other changes/ Reclass./ Mergers	Consoli-dated financial statements at 12 31 2014
Deferred tax liabilities									
Measurement differences for tangible assets	1,005	-	(58)	(159)	(217)	-	-	-	788
Application of the leasing standard (IAS 17)	8	-	-	(1)	(1)	-	-	-	7
Application of the financial instrument standard (IAS 39)	-	-	-	-	-	-	-	-	-
Measurement differences for intangible assets	2	-	(1)	(2)	(3)	-	-	-	(1)
Deferred capital gains	-	-	-	-	-	-	-	-	-
Employee leaving entitlement (TFR)	4	-	-	-	-	-	-	-	4
Goodwill	96	-	-	(3)	(3)	-	-	-	93
Other deferred tax liabilities	66	-	(2)	-	(2)	-	-	-	64
Total deferred tax liabilities (A)	**1,181**	**-**	**(61)**	**(165)**	**(226)**	**-**	**-**	**-**	**955**
Deferred tax assets									
Taxed risk provisions	127	79	(48)	(12)	19	-	5	-	151
Measurement differences for tangible assets	837	37	(49)	(179)	(191)	-	-	-	646
Application of the financial instrument standard (IAS 39)	20	-	-	-	-	11	-	-	31
Bad debt provision	30	6	(22)	(2)	(18)	-	-	-	12
Grants	19	1	-	(6)	(5)	-	-	-	14
Goodwill	433	2	(52)	(12)	(62)	-	-	-	371
Other deferred tax assets	87	45	(73)	(6)	(34)	-	-	-	53
Total deferred tax assets (B)	**1,553**	**170**	**(244)**	**(217)**	**(291)**	**11**	**5**	**-**	**1,278**
NET DEFERRED TAX ASSETS/LIABILITIES (B-A)	**372**	**170**	**(183)**	**(52)**	**(65)**	**11**	**5**	**-**	**323**

5) Other non-current assets

Millions of euro	Balance at 12 31 2013	Changes during the year	Balance at 12 31 2014	*of which included in the NFP*	
				12 31 2013	*12 31 2014*
Non-current derivatives	43	(9)	34	*43*	*34*
Other non-current assets	10	(1)	9	-	-
Total other non-current assets	**53**	**(10)**	**43**	***43***	***34***

"Other non-current assets" amounted to 43 million euro, a decrease of 10 million euro over the balance at December 31, 2013, and consist of the following:

- 34 million euro relating to "Derivatives" hedging non-current financial items consisting mainly of Interest Rate Swap (IRS) contracts hedging the risk of an adverse change in interest rates on bonds and long-term loans. The decrease in this item compared to December 31, 2013 arises from the fair value measurement at the end of the year;
- 9 million euro for "Other non-current assets" principally relating to guarantee deposits and expenditure incurred but relating to future years.

Current assets

6) Inventories

Millions of euro	Balance at 12 31 2013	Changes during the year	Balance at 12 31 2014
Inventories	**284**	**-**	**284**

"Inventories" amounted to 284 million euro (284 million euro at December 31, 2013), net of the obsolescence provision, and changed as follows:

- 13 million euro relating to the decrease in fuel stocks, which at the balance sheet date totalled 119 million euro compared to 132 million euro at December 31, 2013;
- 21 million euro relating to an increase in other stocks, which amounted to 102 million euro at December 31, 2014 against 81 million euro at December 31, 2013;
- 5 million euro due to an increase in fuel at third parties, which amounted to 7 million euro at December 31, 2014 and 2 million euro at the end of the previous year;
- 13 million euro relating to a decrease in materials stocks, which totalled 56 million euro compared to 69 million euro at December 31, 2013.

7) Trade receivables

Millions of euro	Balance at 12 31 2013	Changes during the year	Balance at 12 31 2014
Trade receivables	2,207	(284)	1,923
(Bad debt provision)	(318)	(14)	(332)
Total trade receivables	**1,889**	**(298)**	**1,591**

"Trade receivables" amounted to 1,591 million euro at December 31, 2014 (1,889 million euro at December 31, 2013), representing a net decrease of 298 million euro. In further detail:

- 280 million euro due to a decrease in trade receivables from customers; this item had a balance of 1,495 million euro at the balance sheet date compared to 1,775 million euro at December 31, 2013;
- 23 million euro due to a decrease in receivables from the Municipalities of Milan and Brescia. This item had a balance of 80 million euro (103 million euro at the end of the previous year);
- 4 million euro due to the increase in receivables from associates; this item had a balance of 11 million euro at the balance sheet date compared to 7 million euro at December 31, 2013;
- 1 million euro due to an increase in contracts in progress, which in total amounted to 5 million euro (4 million euro at December 31, 2013).

The Group makes spot sales of receivables on a non-recourse basis. At December 31, 2014 the receivables which had not yet fallen due, sold by the Group on a definitive basis and derecognized in accordance with the requirements of IAS 39, amounted to 234 million euro in total. At the date of publication of this consolidated annual report such receivables were totally expired. The sales relate to trade balances. In addition, the Group has sold receivables on a with-recourse basis for 2 million euro.

The Group has no rotating factoring programs.

The bad debt provision amounted to 332 million euro (318 million euro at December 31, 2013). Accruals of 25 million euro were made during the year while utilizations and other changes amounted to 11 million euro.

8) Other current assets

Millions of euro	Balance at 12 31 2013	Changes during the year	Balance at 12 31 2014	*of which included in the NFP*	
				12 31 2013	*12 31 2014*
Current derivatives	31	20	51	-	-
Other current assets	352	(148)	204	-	-
Total other current assets	**383**	**(128)**	**255**	**-**	**-**

"Other current assets" had a balance of 255 million euro compared to 383 million euro at December 31, 2013, representing a decrease of 128 million euro which may be analyzed as follows:

- an increase of 20 million euro relating to "Current derivatives" arising from the increase in commodity derivatives due to the fair value measurement carried out at the end of the year;
- a decrease in other receivables of 121 million euro which totalled 69 million euro (190 million euro at December 31, 2013), mainly arising from the decrease in the receivable from Enel in connection with the settlement of the outstanding dispute;
- a decrease of 41 million euro in VAT and duty receivables which at December 31, 2014 amounted to 55 million euro (96 million euro in the previous year);
- an increase of 12 million euro in receivables from the Electricity Sector Equalization Fund which amounted to 60 million euro and at the end of the previous year totalled 48 million euro;
- an increase of 1 million euro in advances from suppliers which amounted to 4 million euro at December 31, 2014 (3 million euro at December 31, 2013);
- an increase of 1 million euro in balances due from personnel which amounted to 2 million euro at December 31, 2014 (1 million euro at December 31, 2013).

9) Current financial assets

Millions of euro	Balance at 12 31 2013	Changes during the year	Balance at 12 31 2014	*of which included in the NFP*	
				12 31 2013	*12 31 2014*
Other financial assets	106	20	126	*106*	*126*
Financial assets due from related parties	1	(1)		*1*	*-*
Total current financial assets	**107**	**19**	**126**	***107***	***126***

This item had a balance of 126 million euro (107 million euro at December 31, 2013), mainly relating to interest-bearing bank deposits.

10) Current tax assets

Millions of euro	Balance at 12 31 2013	Changes during the year	Balance at 12 31 2014
Current tax assets	**70**	**15**	**85**

"Current tax assets" amounted to 85 million euro at (70 million euro at December 31, 2013), representing an increase of 15 million euro over the previous year-end.

11) Cash and cash equivalents

Millions of euro	Balance at 12 31 2013	Changes during the year	Balance at 12 31 2014	*of which included in the NFP*	
				12 31 2013	*12 31 2014*
Cash and cash equivalents	376	168	544	*376*	*544*

"Cash and cash equivalents" amounted to 544 million euro at December 31, 2014 (376 million euro at December 31, 2013).

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

EQUITY AND LIABILITIES

Equity

Equity, which amounted to 3,179 million euro at December 31, 2014 (3,348 million euro at December 31, 2013), is set out in the following table:

Millions of euro	**Balance at 12 31 2013**	**Changes during the year**	**Balance at 12 31 2014**
Equity pertaining to the Group:			
Share capital	1,629	-	1,629
(Treasury shares)	(61)	-	(61)
Reserves	1,161	(113)	1,048
Group net result of the year	62	(99)	(37)
Total equity pertaining to the Group	**2,791**	**(212)**	**2,579**
Minority interests	557	43	600
Total equity	**3,348**	**(169)**	**3,179**

The overall change in equity, a decrease of 169 million euro, is due to the loss of the year of 37 million euro, the measurements under IAS 32 and IAS 39 of cash flow hedge derivatives, changes in the IAS 19 Revised "Employee benefits" reserve, the payment of the 2013 dividend and changes in minority interests.

A2A S.p.A. distributed a dividend of 0.033 euro per share on June 26, 2014 for a total of 102 million euro.

12) Share capital

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

13) Treasury shares

"Treasury shares", which amounted to 61 million euro, unchanged over December 31, 2013, consist of 26,917,609 own shares held by the parent company A2A S.p.A..

14) Reserves

Millions of euro	Balance at 12 31 2013	Changes during the year	Balance at 12 31 2014
Reserves	**1,161**	**(113)**	**1,048**
of which:			
Changes in the fair value of cash flow hedge derivatives	(31)	(37)	(68)
Tax effect	8	9	17
Cash flow hedge reserve	**(23)**	**(28)**	**(51)**
Change in the IAS 19 Revised reserve - Employee benefits	(45)	(37)	(82)
Tax effect	13	7	20
IAS 19 Revised reserve - Employee benefits	**(32)**	**(30)**	**(62)**

"Reserves", which amounted to 1,048 million euro (1,161 million euro at December 31, 2013), consist of the legal reserve, extraordinary reserves, reserves arising on consolidation and the retained earnings of subsidiaries.

This item also includes the negative cash flow hedge reserve of 51 million euro, which arises from the year-end measurement of derivatives qualifying for hedge accounting.

The balance also includes negative reserves of 62 million euro arising from the adoption of IAS 19 Revised "Employee benefits" which requires actuarial profits and losses to be recognized directly in an equity reserve.

Reserves also include the effect of applying paragraph 23 of IAS 32 to the put options agreed between A2A S.p.A. and Società Elettrica Altoatesina S.p.A. (SEL) and the effects arising from the "Framework Agreement" entered into between the parent A2A S.p.A. and the financial shareholders of Edipower S.p.A. (Mediobanca, Fondazione CRT and Banca Popolare di Milano) based on the shares of Edipower S.p.A.. As discussed in the section "Consolidation policies and procedures", the change between the present value of the exercise price for these put options compared to the previous year that are not related to the mere unwinding of the present value and the carrying amount of minority interests is deducted from Group equity (if positive) or added to Group equity (if negative). At December 31, 2014, the effects of the put options on Edipower S.p.A. shares had a negative effect of 1 million euro on Group equity.

Reconciliation between the result of the year of A2A S.p.A. and the Group result of the year

Millions of euro	2014	2013
Result of the year A2A S.p.A.	**8**	**5**
Intragroup dividends eliminated from the consolidated financial statements	(313)	(221)
Results of subsidiaries, associates and joint ventures not included in the financial statements of A2A S.p.A.	94	248
Subsidiary shareholdings written down in the financial statements of A2A S.p.A.	3	47
Other consolidation adjustments	171	(17)
Group result of the year	**(37)**	**62**

Reconciliation between the equity of A2A S.p.A. and equity pertaining to the Group

Millions of euro	12 31 2014	12 31 2013
Equity pertaining to A2A S.p.A.	**2,325**	**2,448**
- Elimination of the residual portion of the equity reserve resulting from intragroup profit on the transfer of business units	(416)	(425)
- Retained earnings/(accumulated losses)	819	771
- Intragroup dividends eliminated from the consolidated financial statements	(313)	(221)
- Results of subsidiaries, associates and joint ventures not included in the financial statements of A2A S.p.A.	94	248
- Subsidiary shareholdings written down in the financial statements of A2A S.p.A.	3	47
Other consolidation adjustments	67	(77)
Equity pertaining to the Group	**2,579**	**2,791**

15) Result of the year

This item equals a loss of 37 million euro and includes the net result for the reporting year.

16) Minority interests

Millions of euro	Balance at 12 31 2013	Changes during the year	Balance at 12 31 2014
Minority interests	**557**	**43**	**600**

“Minority interests” amounted to 600 million euro (557 million euro at December 31, 2013) and represent the portion of capital, reserves and result pertaining to minority shareholders.

The increase for the year of 43 million euro mainly relates to the change in equity reserves and the portion of the result for the year attributable to the minorities of the EPCG Group.

LIABILITIES

Non-current liabilities

17) Non-current financial liabilities

Millions of euro	Balance at 12 31 2013	Changes during the year	Balance at 12 31 2014	*of which included in the NFP*	
				12 31 2013	*12 31 2014*
Non-convertible bonds	2,967	21	2,988	2,967	2,988
Due to banks	1,013	(72)	941	1,013	941
Finance lease payables	2	-	2	2	2
Total non-current financial liabilities	**3,982**	**(51)**	**3,931**	**3,982**	**3,931**

"Non-current financial liabilities", which amounted to 3,931 million euro (3,982 million euro at December 31, 2013), decreased by 51 million euro.

"Non-convertible bonds" regard the following:

- a thirty-year bond in yen issued on August 10, 2006 bearing interest at a fixed rate of 5.405% and having a carrying amount, measured at amortized cost, of 98 million euro;
- a seven-year bond issued on November 2, 2009 bearing interest at a nominal fixed rate of 4.50% and having a carrying amount of 804 million euro. It has been partially redeemed as a result of the early repurchase of 238 million euro carried out on July 11, 2013. The nominal value of this bond is currently 762 million euro. The accompanying derivative has been accounted for as a fair value hedge and accordingly the bond is measured at amortized cost adjusted for the change in fair value of risk hedged by the underlying derivative;
- a seven-year bond having a nominal value of 750 million euro issued on November 28, 2012 bearing interest at a nominal fixed rate of 4.50% and having a carrying amount, measured at amortized cost, of 745 million euro;
- a seven and a half year bond having a nominal value of 500 million euro issued on July 10, 2013 bearing interest at a nominal fixed rate of 4.375% and having a carrying amount, measured at amortized cost, of 495 million euro;
- a ten-year bond having a nominal value of 300 million euro issued though a private placement on December 4, 2013 bearing interest at a nominal fixed rate of 4.00% and having a carrying amount, measured at amortized cost, of 299 million euro;
- a bond with a term of eight years and one month having a nominal value of 500 million euro issued on December 13, 2013 bearing interest at a nominal fixed rate of 3.625% and having a carrying amount, measured at amortized cost, of 496 million euro.

The year end measurement of the non-convertible bonds at fair value and amortized cost led to a decrease of 7 million euro in "Non-current financial liabilities".

Interest of 51 million euro had accrued on the bonds at December 31, 2014.

Non-current amounts "Due to banks" decreased by 72 million euro over the year. This is mainly due to the reclassification of the portion falling due within twelve months to "Current financial liabilities". A loan granted by Cassa Depositi e Prestiti of 89.7 million euro was also repaid early and loans with the European Investment Bank were used for a total of 128 million euro.

"Finance lease payables" amounted to 2 million euro (2 million euro at December 31, 2013).

18) Employee benefits

The balance on this item amounted to 369 million euro (339 million euro at December 31, 2013) with changes as follows during the period:

Millions of euro	Balance at 12 31 2013	Accruals	Utilizations	Other changes	Balance at 12 31 2014
Employee leaving entitlement (TFR)	174	25	(13)	(4)	182
Employee benefits	165		(7)	29	187
Total employee benefits	**339**	**25**	**(20)**	**25**	**369**

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

	2014	2013
Discount rate (*)	from 0.29% to 1.49%	from 0.86% to 3.17%
Annual inflation rate	from 0.6% to 2.0%	2.0%

(*) 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.

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

Millions 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)	**182.0**	**184.8**	**185.6**	**181.1**	**179.9**	**186.9**

Millions of euro	Actualization rate +0.25%	Actualization rate -0.25%	Mortality table increased by 10%	Mortality table decreased by 10%
Premungas	31.5	32.7	30.6	33.6
Electricity and gas discount	102.5	109.6	103.9	108.6
Additional months	12.6	13.4	n.a.	n.a.

Millions of euro	Actualization rate +2.5%	Actualization rate +1.0%	Actualization rate -2.5%	Actualization rate -1.0%	Inflation rate +2.5%	Inflation rate +1.0%	Inflation rate -2.5%	Inflation rate -1.0%
EPCG employee benefits	**8.9**	**9.6**	**12.1**	**10.9**	**12.1**	**10.9**	**8.8**	**9.6**

19) Provisions for risks, charges and liabilities for landfills

Millions of euro	Balance at 12 31 2013	Provisions net of releases	Utilizations	Other changes	Balance at 12 31 2014
Provisions for risks, charges and liabilities for landfills	**605**	**30**	**(111)**	**(26)**	**498**

These provisions totalled 498 million euro at December 31, 2014 (605 million euro at the previous year end). Accruals had a net effect of 30 million euro, resulting from charges for the period of 96 million euro less the release of provisions of 66 million euro recognized in previous years for certain disputes that have been superseded. The utilizations of 111 million euro mainly refer to the amount used for payments made during the year.

It shall be specified that the fund includes decommissioning liabilities regarding some thermoelectric plants.

20) Other non-current liabilities

Millions of euro	Balance at 12 31 2013	Changes during the year	Balance at 12 31 2014	*of which included in the NFP*	
				12 31 2013	*12 31 2014*
Other non-current liabilities	389	(93)	296	-	-
Non-current derivatives	47	21	68	*47*	*68*
Total other non-current liabilities	**436**	**(72)**	**364**	***47***	***68***

At December 31, 2014, this item had decreased by 72 million euro compared to the balance at the end of the previous year. "Other non-current liabilities" decreased by 93 million euro, due mainly to the reclassification to "Other current liabilities" of the portion expiring within 12 months of the liabilities to third parties arising from the measurement of the put options on the Edipower S.p.A. shares expiring during the year, while "Non-current derivatives" increased by 21 million euro principally as the result of measuring financial instruments at fair value.

Current liabilities

21) Trade payables and other current liabilities

Millions of euro	Balance at 12 31 2013	Changes during the year	Balance at 12 31 2014	*of which included in the NFP*	
				12 31 2013	*12 31 2014*
Advances	8	(3)	5	-	-
Trade payables	1,298	(49)	1,249	-	-
Total trade payables	**1,306**	**(52)**	**1,254**	**-**	**-**
Payables to social security institutions	43	(5)	38	-	-
Other current liabilities	499	7	506	-	-
Current derivatives	24	43	67	-	-
Total other current liabilities	**566**	**45**	**611**	**-**	**-**
Total trade payables and other current liabilities	**1,872**	**(7)**	**1,865**	**-**	**-**

"Trade payables and other current liabilities" amounted to 1,865 million euro (1,872 million euro at December 31, 2013), representing an overall decrease of 7 million euro which arose mainly from the decrease in trade payables which were partially offset by the increase in "Other current liabilities" and "Current derivatives". "Other current liabilities" mostly regard amounts due to personnel, balances payable to the Electricity Sector Equalization Fund and liabilities to the tax authorities for VAT and withholding tax.

22) Current financial liabilities

Millions of euro	Balance at 12 31 2013	Changes during the year	Balance at 12 31 2014	*of which included in the NFP*	
				12 31 2013	*12 31 2014*
Non-convertible bonds	308	(308)	-	*308*	-
Due to banks	105	16	121	*105*	*121*
Finance lease payables	1	-	1	*1*	*1*
Financial payables to related parties	1	2	3	*1*	*3*
Total current financial liabilities	**415**	**(290)**	**125**	***415***	***125***

“Current financial liabilities” amounted to 125 million euro, compared to 415 million euro at December 31, 2013. The decrease is mainly due to the redemption of the ten-year bond issued on May 28, 2004.

23) Tax liabilities

Millions of euro	Balance at 12 31 2013	Changes during the year	Balance at 12 31 2014
Tax liabilities	**13**	**(11)**	**2**

“Tax liabilities” amounted to 2 million euro (13 million euro at December 31, 2013), representing a net decrease of 11 million euro.

Net debt

24) Net debt

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

The following table provides details of net debt.

Millions of euro	Notes	12 31 2014	12 31 2013
Bonds - non-current portion	17	2,988	2,967
Bank loans - non-current portion	17	941	1,013
Finance leases - non-current portion	17	2	2
Other non-current liabilities	20	68	47
Total medium/long-term debt		**3,999**	**4,029**
Non-current financial assets - related parties	3	(7)	(6)
Financial assets - non-current portion	3	(50)	(38)
Other non-current assets	5	(34)	(43)
Total medium/long-term financial receivables		**(91)**	**(87)**
Total non-current net debt		**3,908**	**3,942**
Bonds - current portion	22	-	308
Bank loans - current portion	22	121	105
Finance leases - current portion	22	1	1
Financial liabilities to related parties - current portion	22	3	1
Other current liabilities	21	-	-
Total short-term debt		**125**	**415**
Other current financial assets	9	(126)	(106)
Current financial assets - related parties	9	-	(1)
Other current assets	8	-	-
Total short-term financial receivables		**(126)**	**(107)**
Cash and cash equivalents	11	(544)	(376)
Total current net debt		**(545)**	**(68)**
Net debt		**3,363**	**3,874**

Notes to the income statement

The quantitative and economic figures at December 31, 2014 are not comparable with those of 2013 which include the contribution coming from 77% of the production of the thermoelectric and hydroelectric plants of Edipower S.p.A. until October 2013. The production of the Turbigo thermoelectric plant and the Tusciano hydroelectric complex are not included from November 2013 onwards following the non-proportional demerger from Edipower S.p.A. into Iren Energia S.p.A., while the other plants made a full contribution.

25) Revenues

Revenues for the year totaled 4,984 million euro (5,604 million euro in the year ended December 31, 2013), therefore decreasing by 620 million euro.

Details of the more significant items are as follows:

Revenues - *Millions of euro*	**12 31 2014**	**12 31 2013**
Revenues from the sale of goods	4,000	4,592
Revenues from services	742	796
Revenues from long-term contracts	19	1
Total revenues from the sale of goods and services	**4,761**	**5,389**
Other operating income	**223**	**215**
Total revenues	**4,984**	**5,604**

“Revenues from the sale of goods and services” amounted in total to 4,761 million euro (5,389 million euro in the previous year), decreasing by 628 million euro. This change is due to lower sales revenues of 592 million euro, a decrease in service revenues of 54 million euro and an increase in long-term contract revenues of 18 million euro.

“Other operating income” amounted to 223 million euro, an increase of 8 million euro over the previous year.

Further details of the main items are as follows:

Millions of euro	12 31 2014	12 31 2013
Sale and distribution of electricity	2,837	3,222
Sale and distribution of gas	828	1,031
Sale of heat	157	200
Sale of materials	7	1
Sale of water	45	45
Hedging gains on operating derivatives	-	-
Hedging losses on operating derivatives	-	-
Sales of certificates and emission rights	98	59
Connection contributions	28	34
Total revenues from the sale of goods	**4,000**	**4,592**
Services to customers	742	796
Total revenues from services	**742**	**796**
Revenues from long-term contracts	**19**	**1**
Total revenues from the sale of goods and services	**4,761**	**5,389**
Other operating income	**223**	**215**
Total revenues	**4,984**	**5,604**

Further details on the reasons for the performance of revenues relating to the various businesses can be found in the Report on Operations.

26) Operating expenses

“Operating expenses” amounted to 3,311 million euro (3,807 million euro in the previous year), representing a decrease of 496 million euro.

The main components of this item are as follows:

Operating expenses - *Millions of euro*	**12 31 2014**	**12 31 2013**
Raw materials and consumables	2,349	2,763
Service costs	700	804
Total expenses for raw materials and services	**3,049**	**3,567**
Other operating expenses	**262**	**240**
Total operating expenses	**3,311**	**3,807**

“Total expenses for raw materials and services” amounted to 3,049 million euro (3,567 million euro in the year ended December 31, 2013), decreasing by 518 million euro.

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

- a decrease of 104 million euro in costs for delivery, subcontracted work and services;
- a decrease of 73 million euro in the change in stocks of fuels and materials;
- a decrease of 341 million euro in the purchase of raw materials and consumables, due to a decrease of 332 million euro in costs for the purchase of power and fuel, a decrease of 21 million euro in costs relating to the purchase of emission certificates and allowances, an increase of 9 million euro in costs for the purchase of materials, an increase of 1 million euro in the cost of purchasing water and a net increase of 2 million euro arising from hedging gains and losses on operating derivatives.

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

Millions of euro	**12 31 2014**	**12 31 2013**
Purchases of power and fuel	2,195	2,527
Purchases of materials	84	75
Purchases of water	5	4
Hedging losses on operating derivatives	2	4
Hedging gains on operating derivatives	(6)	(10)
Purchases of emission certificates and allowances	46	67
Total expenses for raw materials and consumables	2,326	2,667
Delivery, subcontracted work and services	700	804
Total service costs	700	804
Change in inventories of fuel and materials	23	96
Total expenses for raw materials and services	**3,049**	**3,567**
Other operating expenses	**262**	**240**
Total operating expenses	**3,311**	**3,807**

Trading margin

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

Trading margin - *Millions of euro*	Notes	12 31 2014	12 31 2013
Revenues	25	1,908	1,861
Operating expenses	26	(1,892)	(1,847)
Total trading margin		**16**	**14**

27) Labour costs

Net of capitalized expenses, labour costs in the year ended December 31, 2014 amounted to 649 million euro (664 million euro in the year ended December 31, 2013).

“Labour costs” may be analyzed as follows:

Labour costs - *Millions of euro*	12 31 2014	12 31 2013
Wages and salaries	412	422
Social security charges	156	155
Employee leaving entitlement (TFR)	25	26
Other costs	56	61
Total labour costs	**649**	**664**

The A2A Group had an average workforce of 12,212 people during the year ended December 31, 2014.

28) Gross operating income

As a result of the above movements, consolidated “Gross operating income” for the year ended December 31, 2014 amounted to 1,024 million euro (1,133 million euro for the year ended December 31, 2013).

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

29) Depreciation, amortization, provisions and write-downs

“Depreciation, amortization, provisions and write-downs” totaled 662 million euro (876 million euro at December 31, 2013), representing a decrease of 214 million euro.

The following table provides details of the individual items:

Depreciation, amortization, provisions and write-downs - *Millions of euro*	**12 31 2014**	**12 31 2013**
Amortization of intangible assets	61	66
Depreciation of tangible assets	385	420
Total amortization and depreciation	**446**	**486**
Provisions for risks and charges	30	87
Bad debt provision (receivables recognized as current assets)	27	53
Other write-downs of fixed assets	159	250
Total depreciation, amortization, provisions and write-downs	**662**	**876**

“Amortization and depreciation” totaled 446 million euro (486 million euro in the previous year), a decrease of 40 million euro mainly due to the decrease in depreciation of tangible assets. Depreciation is calculated on the basis of technical and economic rates considered representative of the remaining useful life of the related tangible assets.

It is specified that the A2A Group, in relation to the changed market conditions relating to the composition of the national generation grid that have strongly influenced the regimes of use of gas thermoelectric plants of its generation capacity by reducing the hours of operation, has revised the residual useful lives of the plants with the subsequent recalculation of amortization as of July 1, 2014. The review process of the useful lives of combined cycle plants was supported by technical analyses carried out within the Group and economic analyses carried out by an independent third-party expert. The extension of the useful lives based on the economic-technical analyses carried out concerned for the A2A Group the plants in Cassano d’Adda, Ponti sul Mincio, Chivasso, Sermide, Piacenza and Gissi, as described in note “1) Tangible assets” in the Notes to the balance sheet. The recalculation of amortization as of July 1, 2014 on the basis of the new useful lives resulted in a reduction of the same of 14 million euro.

Regarding the transposition of the “Growth Decree” which establishes procedures for calculating the surrender value of the water system works used to supply water under concession to hydroelectric power plants (the “wet works”), the calculation criteria (revaluation coefficients and useful lives) needed to quantify the surrender value at the end of the relative concessions have not been set yet by the relevant authorities. In the absence of a regulatory framework, the A2A Group carried out a series of simulations estimating the revaluations using ISTAT coefficients, which were found to be the only possible data objectively usable, and made its own estimates of the economic and technical lives of the assets. The results of these simulations led to a very wide variability range, confirming that it is currently impossible to make a reliable estimate of the surrender values at the end of the concessions. Nevertheless, the net carrying amount of the wet works, for which concessions are close to expiry, 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.

"Provisions for risks and charges" amounted to 30 million euro (87 million euro at December 31, 2013) and relate to provisions made in the year for disputes in course and pending litigation. The decrease over the previous year arises from the release to income of excess provisions following the settlement of outstanding disputes with local administrations.

The "Bad debt provision" amounted to 27 million euro (53 million euro at December 31, 2013). The decrease in the charge compared with the previous year is due to the fact that the collection risk for a number of customer receivables for which a provision had been made in previous years no longer exists.

"Other write-downs of fixed assets" amounted to 159 million euro (250 million euro in the previous year), of which 153 million euro regarded the write-down of certain thermoelectric plants carried out as a consequence of the results obtained from the impairment testing performed by an independent external appraiser appointed by the Group; these write-downs were made to adjust the carrying amount of the assets to the lower earnings prospects deriving from a market in structural production overcapacity; further details of the work carried out for the impairment testing can be found in note 2. Write-downs of 6 million euro were made of assets involved in the normal production process.

30) Net operating income

"Net operating income" amounted to 362 million euro (257 million euro at December 31, 2013); if the impairment losses discussed above are excluded, this would have been 515 million euro.

31) Result from non-recurring transactions

This item, an income balance of 9 million euro at December 31, 2014, consists mainly of an amount of 12 million euro arising from the finalization of the exchange contract between A2A S.p.A. and Dolomiti Energia S.p.A. by which the Edipower shares owned by Dolomiti Energia S.p.A. were transferred to A2A S.p.A. in exchange for the shares of Dolomiti Energia held by A2A S.p.A. plus a settlement balance in cash or assets for a total of 16 million euro. This income mainly arises as the difference between the value attributed to the shareholding in Dolomiti Energia S.p.A. as part of the exchange and its carrying value in the consolidated financial statements of the A2A Group. Further information on this operation may be found in the section “Consolidation policies and procedures”.

The item also includes non-recurring income of 3 million euro recognized by the subsidiary EPCG.

In the previous year, this item was positive for 75 million euro and included 60 million euro representing the capital gain realized on the non-proportional partial demerger of Edipower S.p.A. effective November 1, 2013, income of 23 million euro arising from the sale of five small flowing water hydroelectric plants having an installed power of approximately 8 MW and non-recurring net expense of 8 million euro incurred by the subsidiary EPCG.

32) Financial balance

The “Financial balance” closed with net expense of 210 million euro (net expense of 206 million euro at December 31, 2013).

Details of the more significant items are as follows:

Financial balance - *Millions of euro*	**12 31 2014**	**12 31 2013**
Financial income	32	80
Financial expense	(197)	(263)
Affiliates	(45)	(23)
Total financial balance	**(210)**	**(206)**

“Financial income” amounted to 32 million euro (80 million euro at December 31, 2013) and may be analyzed as follows:

Financial income - *Millions of euro*	**12 31 2014**	**12 31 2013**
Bank income	12	21
Fair value of derivatives	2	20
Realized on derivatives	11	24
Other financial income	7	15
Total financial income	**32**	**80**

The decrease is mainly due to changes in the fair value of derivatives and realized gains on derivatives, as well as the decrease in bank income arising from the reduction of average liquidity during the year.

“Financial expense”, which amounted to 197 million euro, decreased by 66 million euro over the balance at December 31, 2013, and may be analyzed as follows:

Expenses from financial liabilities - *Millions of euro*	**12 31 2014**	**12 31 2013**
Interest on bond loans	135	144
Interest charged by banks	20	76
Interest on Cassa Depositi e Prestiti loans	8	5
Fair value of derivatives	1	-
Realized losses on derivatives	7	7
Decommissioning costs	2	3
Other financial expense	24	28
Total expenses from financial liabilities	**197**	**263**

Expense of 45 million euro arose from the “Affiliates” (expense of 23 million euro at December 31, 2013). Of this, 54 million euro relates to the write-down of the shareholding in Ergosud S.p.A., following the results of the impairment testing carried out by an external appraiser as discussed in more detail in note 2, which was partially offset by income of 9 million euro arising from accounting for the shareholdings in Dolomiti Energia S.p.A. and ACSM-AGAM S.p.A. for 7 million euro and other shareholdings for 2 million euro using the equity method.

33) Income taxes

Income taxes - *Millions of euro*	**12 31 2014**	**12 31 2013**
Current taxes	114	151
Deferred tax assets	291	(8)
Deferred tax liabilities	(226)	(92)
Total income taxes	**179**	**51**

“Income taxes” for the year amounted to 179 million euro (51 million euro in the year ended December 31, 2013).

We point out that also for the current year some companies of the A2A Group are subject to additional IRES of 6.50% (“Robin Hood Tax”), due to the provisions of art. 7, Decree Law August 13, 2011, no. 138, converted into Law 14 September 2011, no. 148. However, as a result of Sentence 10/2015 of the Constitutional Court, which declared the unconstitutionality of the additional IRES effective from February 12, 2015, in these financial statements, deferred tax assets and liabilities have been reversed on said basis allocated on temporary differences in previous years for 52 million euro while the impact on temporary differences generated in the current year resulted in higher taxes for 13 million euro.

The reconciliation between the tax burden posted in the consolidated financial statements and theoretical tax liabilities, calculated on the basis of theoretical rates applicable in Italy, is as follows:

TAX RATE TABLE - *Millions of euro*	**2014**	**2013**
Result before taxes	**161**	**126**
Write-downs of tangible assets	153	237
Result before taxes adjusted for write-downs	**314**	**363**
Theoretical taxation calculated at the current tax rates (1)	107	138
Temporary differences	(44)	(100)
Permanent differences	34	(6)
Robin Hood Tax one-off effect	65	-
Differences between foreign tax rates and theoretical Italian rates	(8)	(8)
Difference for companies not subject to IRES surcharge	(12)	(20)
Total taxes charged to income statement (excluding IRAP)	**142**	**4**
IRAP	37	47
Total taxes charged to income statement	**179**	**51**

(1) Taxes were calculated by considering a theoretical rate of 34% for 2014 and 38% for 2013.

34) Group result of the year

The “Group result of the year”, stated after attributing a loss of 19 million euro to minority interests (a loss of 13 million euro attributed to minority interests in the year ended December 31, 2013), amounted to a loss of 37 million euro (a profit of 62 million euro in the year ended December 31, 2013).

Earnings per share

35) Earnings per share

	01 01 2014 12 31 2014	01 01 2013 12 31 2013
Earnings (loss) per share (euro)		
- basic	(0.0122)	0.0201
- basic from continuing operations	(0.0122)	0.0201
- basic from discontinued operations	-	-
- diluted	(0.0122)	0.0201
- diluted from continuing operations	(0.0122)	0.0201
- diluted from discontinued operations	-	-
Weighted average number of outstanding shares for the calculation of earnings (loss) per share		
- basic	3,105,987,497	3,105,987,497
- diluted	3,105,987,497	3,105,987,497

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, is considered a joint venture, whose joint control is exercised by the Municipalities of Milan and Brescia, each of which own a share equal to 27.5%.

It is noted that 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 with the appointment of the Board of Directors, as described in the paragraph “Significant events during the year” in the Report on Operations to which reference is made for further details.

It is noted that in December 2014, the Municipalities of Milan Brescia sold a total shareholding of 0.51% of A2A S.p.A., while in the first two months of 2015, the Municipalities of Milan and Brescia sold an additional shareholding of 4.5% of A2A S.p.A.. At the date of approval of the financial statements at December 31, 2014, the two shareholders hold a shareholding of 50% plus two shares that will enable the two municipalities to maintain control over the company.

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

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

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

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

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

Relationships with subsidiaries and affiliates

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

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

For the financial year 2014, A2A S.p.A. and its subsidiaries have adopted the VAT procedure of the Group.

For the purpose of IRES, A2A S.p.A. joined the so-called "national consolidation" option under articles 117 to 129 of DPR 917/86 with the main subsidiaries. To this end, with each of the subsidiaries joining, a special contract was drawn up to regulate the tax advantages/disadvantages transferred, with specific reference to the current entries. These contracts also govern the transfer of any excess of ROL as set forth by prevailing legislation.

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

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

Telecom services are provided by the subsidiary Selene 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 Board of Directors of A2A S.p.A., subject to the approval of the Internal Audit committee, 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.

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

Balance sheet *Millions of euro*	**Total 12 31 2014**	**Of which with related parties**								
		Associated companies	**Related companies**	**Municipality of Milan**	**Subsidiaries Municipality of Milan**	**Municipality of Brescia**	**Subsidiaries Municipality of Brescia**	**Related parties individuals**	**Total related parties**	**% effect on the balance sheet item**
TOTAL ASSETS:	**10,333**	**67**	**46**	**74**	**3**	**9**	**1**	**-**	**200**	**1.9%**
Non current assets	*7,448*	62	*16*	-	-	*3*	-	-	*81*	*1.1%*
Shareholdings	74	62	12	-	-	-	-	-	74	100.0%
Other non current financial assets	65	-	4	-	-	3	-	-	7	10.8%
Current assets	*2,885*	*5*	*30*	*74*	*3*	*6*	*1*	-	*119*	*4.1%*
Trade receivables	1,591	5	30	74	3	6	1	-	119	7.5%
Current financial assets	126	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES:	**7,154**	**12**	**21**	**5**	**1**	**8**	**-**	**-**	**47**	**0.7%**
Non current liabilities	*5,162*	-	*2*	-	-	-	-	-	*2*	-
Provision for risks and charges	498	-	2	-	-	-	-	-	2	0.4%
Current liabilities	*1,992*	*12*	*19*	*5*	*1*	*8*	-	-	*45*	*2.3%*
Trade payables	1,254	1	19	5	1	8	-	-	34	2.7%
Other current liabilities	611	8	-	-	-	-	-	-	8	1.3%
Current financial liabilities	125	3	-	-	-	-	-	-	3	2.4%

Income statement *Millions of euro*	**Total 12 31 2014**	**Of which with related parties**								
		Associa-ted compa-nies	**Related compa-nies**	**Munici-pality of Milan**	**Subsi-diaries Munici-pality of Milan**	**Munici-pality of Brescia**	**Subsidia-ries Munici-pality of Brescia**	**Related parties indivi-duals**	**Total related parties**	**% effect on the balance sheet item**
REVENUES	**4,984**	**1**	**60**	**324**	**7**	**35**	**2**	**-**	**429**	**8.6%**
Revenues from sales and services	4,761	1	60	324	7	35	2	-	429	9.0%
Other operating income	223	-	-	-	-	-	-	-	-	-
OPERATING EXPENSES	**3,311**	**-**	**44**	**3**	**4**	**9**	**-**	**-**	**60**	**1.8%**
Expenses for raw materials and services	3,049	-	17	1	1	-	-	-	19	0.6%
Other operating expenses	262	-	27	2	3	9	-	-	41	15.6%
LABOUR COSTS	**649**	**-**	**-**	**-**	**-**	**-**	**-**	**2**	**2**	**0.3%**
DEPRECIATION, AMORTIZATION, PROVISIONS AND WRITE-DOWNS	**662**	**-**	**1**	**-**	**-**	**-**	**-**	**-**	**1**	**0.2%**
FINANCIAL BALANCE	**(210)**	**(45)**	**-**	**-**	**-**	**3**	**-**	**-**	**(42)**	**20.0%**
Financial income	32	-	-	-	-	3	-	-	3	9.4%
Financial charges	(197)	-	-	-	-	-	-	-	-	-
Affiliates	(45)	(45)	-	-	-	-	-	-	(45)	100.0%

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

* * *

With regard to the compensation paid to the corporate governance bodies, reference shall be made to the file “Remuneration Report - 2015” available at www.a2a.eu.

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

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

The Group has recognized as a non-recurring transaction in the period the provision for the total cost of approximately 17 million euro to be incurred for future leavers under redundancy schemes as a result of the new business restructuring plan. Further details may be found in the section "Significant events during the year" of the Report on operations.

In addition the exchange agreement between A2A S.p.A. and Dolomiti Energia S.p.A. was finalized during the period by which the Edipower shares owned by Dolomiti Energia were transferred to A2A S.p.A. in exchange for the Dolomiti Energia shares held by A2A S.p.A., as discussed further in the section "Consolidation policies and procedures".

Guarantees and commitments with third parties

Millions of euro	**12 31 2014**	**12 31 2013**
Guarantees received	453	650
Guarantees given	1,340	1,764

Guarantees received

Guarantees deposited by subcontractors and performance bonds issued by insurance companies and guarantees received from customers to guarantee the regularity of payments amount to 453 million euro (650 million euro at December 31, 2013).

Guarantees provided and commitments with third parties

These amount to 1,340 million euro (1,764 million euro at December 31, 2013) and relate to sureties issued and guarantee deposits given as security for commitments made to third parties.

Collateral pledged

At December 31, 2013, the loan for which the shares of Edipower S.p.A. had been given as collateral had been fully repaid. On January 8, 2014 the lending banks signed a deed of assent to annul the pledge.

* * *

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

Other information

1) Significant events for the group after December 31, 2014

Reference should be made to the specific section of this Report on Operations for a description of subsequent events.

2) Information on treasury shares

At December 31, 2014, A2A S.p.A. held 26,917,609 treasury shares, being 0.859% of share capital which consists of 3,132,905,277 shares, unchanged from the end of the previous year. At December 31, 2014 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)

The items "Non-current assets held for sale" and "Liabilities directly associated with non-current assets held for sale" had a nil balance at December 31, 2014.

4) Risk management

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

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

Commodity price risk is the risk linked to changes in the price of energy commodities (gas, electricity, fuel oil, coal etc) and environmental securities (EUA/ETS emission allowances, green certificates, white certificates, etc). This consists of the potentially adverse effects that a change in the market price of one or more commodities could have on the company's cash flow and earnings prospects including the commodity exchange rate risk.

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

Currency risk not related to commodities is the possibility of incurring losses because of an unfavorable 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 unfavorable change in the price of shares.

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

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

a. Commodity risk

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

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

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

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

Each year, A2A S.p.A. sets the Group's commodity risk limits; the Risk Management supervises the situation to ensure compliance with these limits and proposes to senior management the hedging strategies designed to bring risk within the set limits.

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

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

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

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

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

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

a.2) Commodity derivatives, analysis of transactions

Derivatives of the industrial portfolio considered hedges

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

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

Derivatives of the industrial portfolio not considered hedges

As part of its optimization of the portfolio of greenhouse gas emission allowances (see Directive 2003/87/EC), the A2A Group operates both on OTC markets for environmental certificates with swaps and forward contracts and on the ICE ECX (European Climate Exchange) with futures contracts.

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

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

Derivatives in the trading portfolio

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

a.3) Energy derivatives, assessment of risks

PaR (Profit at Risk)(1) is used to assess the impact that fluctuations in the market price of the underlying have on the financial derivatives taken out by the A2A Group that are attributable to the industrial portfolio. PaR 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

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

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, 2014 was 18.475 million euro (58.907 million euro at December 31, 2013).

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

Millions of euro	12 31 2014		12 31 2013	
Profit at Risk (PaR)	***Worst case***	***Best case***	***Worst case***	***Best case***
Confidence level 99%	**(18.475)**	**18.200**	**(58.907)**	**45.504**

This means that with a 99% probability the A2A Group expects not to have changes in fair value exceeding 18.475 million euro in the fair value of its entire portfolio of financial instruments at December 31, 2014 due to commodity price fluctuations.

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

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

Under this method, in the case of extreme market movements, with a confidence level of 99% and a holding period of 1 day, the maximum estimated loss on the derivatives in question was 1,606 thousand euro at December 31, 2014 (1,376 thousand euro at December 31, 2013).

b. Interest rate risk

The Group's interest rate risk mainly derives from the volatility of interest expense arising from floating rate debt.

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

The volatility of financial expenses is managed by the Group by selecting a balanced mix of fixed and floating rate loans and by using hedging derivative instruments which limit fluctuations in interest rates.

Bank borrowings and other financing may be analyzed as follows at December 31, 2014:

Millions of euro	**December 31, 2014**			**December 31, 2013**		
	Without derivatives	**With derivatives**	**% with derivatives**	**Without derivatives**	**With derivatives**	**% with derivatives**
Fixed rate	3,065	3,436	85%	3,361	3,752	85%
Floating rate	991	620	15%	1,036	645	15%
	4,056	**4,056**		**4,397**	**4,397**	

The derivatives refer to the following loans:

Loan	Derivative	Accounting
A2A loan with BEI: expiring in 2023, residual balance at December 31, 2014 amounting to 171.4 million euro, at floating rate interest.	Collar due to run until November 2023; fair value at December 31, 2014 was negative for 20.9 million euro.	The loan is measured at amortized cost. The collar is a cash flow hedge, with the effective portion of the hedge recognized in a specific equity reserve.
A2A bond with a nominal value of 761.6 million euro, maturing in 2016 bearing fixed interest at 4.5%.	IRS on the full nominal amount, same duration as the loan; fair value at December 31, 2014 was positive for 45.6 million euro.	Fair value hedge The valuation based on the fair value hedge of the bond loan will be equal to the book value of the financial liability and includes the financial expenses and a portion of the accrual relating to the premium and issue costs. The accumulated changes in the fair value of the risk being hedged, i.e. the interest flow differentials booked to the income statement, are added to this value.
	Collar on 261.6 million euro with same duration as the loan; the fair value at December 31, 2014 was negative for 11.1 million euro.	The collar is measured at fair value through profit or loss.
	Collar on 350 million euro maturing November 2016; at December 31, 2014 the fair value was negative for 9.7 million euro.	The collar is measured at fair value through profit or loss.
	Collar with double cap on 150 million euro expiring in November 2016; fair value at December 31, 2014 was negative for 3.1 million euro.	The collar is measured at fair value through profit or loss.
A2A loan with Cassa Depositi e Prestiti, maturing December 2025, residual balance at December 31, 2014 of 200 million euro, at floating rate.	Collar with double cap with duration to June 2017; at December 31, 2014 the fair value was negative for 4.9 million euro.	The loan is measured at amortized cost. The collar is measured at fair value through profit or loss.

In order to analyze and manage the risks relating to interest rate risk the Group has developed an internal model enabling the exposure to this risk to be calculated using the Montecarlo method, assessing the effect that fluctuations in interest rates may have on future cash flows. Under this methodology at least ten thousand scenarios are simulated for each key variable on the basis of the associated volatilities and correlations, using market rate forward curves for future levels. In this way a probability distribution of the results is obtained from which the worst case scenario and best case scenario can be extrapolated using a 99% confidence level.

The following are the results of the simulation with the related maximum variances (worst case and best case scenarios) for 2015 together with a comparison with 2014 (excluding EPCG):

Millions of euro	FY 2015 (base case: -135.0)		FY 2014 (base case: -124.1)	
	Worst case	***Best case***	***Worst case***	***Best case***
Change in expected cash flows (including hedge flows) Confidence level 99%	**(0.3)**	**0.2**	**(0.5)**	**0.4**

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	12 31 2014 (base case: -4.1)		12 31 2013 (base case: +10.9)	
	-50 bps	**+50 bps**	**-50 bps**	**+50 bps**
Change in fair value of derivatives	**(9.6)**	**8.1**	**(5.7)**	**3.4**
(of which cash flow hedges)	**(4.2)**	**3.9**	**(4.5)**	**4.2**
(of which fair value hedges)	**4.0**	**(3.9)**	**12.1**	**(11.9)**

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

c. Exchange rate risk not related to commodities

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

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

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

At December 31, 2014 the fair value of the hedge was negative 29.8 million euro. This fair value would improve by 17.0 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 13.9 million euro in the event of a 10% rise in the forward curve of the euro/yen exchange rate (depreciation of the yen).

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

d. Liquidity risk

Liquidity risk regards the Group's ability to meet its payment commitments through self-financing, funding on the banking and financial markets and available cash.

The Group places specific emphasis on a constant control of liquidity risk, ensuring that adequate funds are always available to meet expected commitments for a specific time period as well as a liquidity buffer which is sufficient to meet unexpected commitments.

At December 31, 2014 the Group had unused revolving lines of committed credit amounting to 1,050 million euro. In November 2014, the duration of the syndicated revolving credit facility of 600 million euro, signed in April 2013, was extended restoring the original term of five years.

In addition, an agreement for a 15-year loan of 115 million euro was entered with the European Investment Bank during 2014, entirely drawn down at December 31, 2014. EPCG entered into an agreement with the European Bank for Reconstruction and Development (EBRD) in April 2014 for a further tranche of 30 million euro relating to investments for the installation of "smart meters", not yet drawn down at December 31, 2014; this tranche is in addition to that of 35 million euro for which an agreement was signed in November 2010.

At December 31, 2014, the Group also had contracted and unused long-term financing for a total of 48 million euro and cash and cash equivalents totalling 544 million euro, 411 million euro of which held by the parent company.

The Group also seeks to diversify the various deadlines for debt and other sources of financing. Of note in this regard is the use of the Euro Medium Term Note Programme for a total of up to 4 billion euro, approved by the Management Board on November 6, 2014.

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

FY 2014 *Millions of euro*	**1-3 months**	**4-12 months**	**After 12 months**
Bonds	44	72	3,533
Payables and other financial liabilities	8	130	1,047
Total financial flows	**52**	**202**	**4,580**
Trade payables	433	13	3
Total trade payables	**433**	**13**	**3**

FY 2013 *Millions of euro*	**1-3 months**	**4-12 months**	**After 12 months**
Bonds	14	385	3,649
Payables and other financial liabilities	10	114	1,192
Total financial flows	**24**	**499**	**4,841**
Trade payables	434	56	2
Total trade payables	**434**	**56**	**2**

e. Credit risk

The Group's exposure to credit risk is principally linked to its sales activity. In order to control this risk, which is handled by the credit management function located centrally and relative departments in the operating companies, a credit policy has been implemented to regulate the assessment of customers' credit standing and grant extended credit terms or exceptions if necessary, possibly backed by suitable 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 no. 231/2002).

Trade receivables are stated in the balance sheet net of any write-downs; the amount shown is considered to be a correct reflection of the realizable value of the receivables portfolio. The situation can be understood better with the aid of the following analysis of gross trade receivables and the related bad debt provision.

Millions of euro	12 31 2014	12 31 2013
Trade receivables from third parties (gross)	1,923	2,207
Bad debt provision (-)	(332)	(318)
Trade receivables	**1,591**	**1,889**
Of which:		
Receivables past due for 9-12 months	**21**	**39**
Receivables past due for more than 12 months	**312**	**362**

Trade receivables past due by more than 12 months amount to 312 million euro. The bad debt provision represents the estimated amount of receivables that are difficult to collect.

f. Equity risk

A2A S.p.A. was not exposed to equity risk at December 31, 2014.

At December 31, 2014, A2A S.p.A. held 26,917,609 treasury shares, representing 0.859% 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. Default and covenant risks

The following table sets out for the A2A Group amounts relating to bank borrowings and amounts due to other providers of finance, excluding financial payables relating to derivatives:

Millions of euro	Book value 12 31 2014	Portion due within 12 months	Portion due after 12 months	Portion due by				
				12 31 2016	12 31 2017	12 31 2018	12 31 2019	After
Bonds	2,988		2,988	810			748	1,430
Finance lease payables	3	1	2	1	1			
Finance payables to related parties	3	3						
Bank loans	1,062	121	941	100	99	95	100	547
TOTAL	**4,056**	**125**	**3,931**	**911**	**100**	**95**	**848**	**1,977**

At December 31 the parent company had bonds to the public for a total nominal value of 2,512 million euro as follows: 762 million euro falling due in November 2016; 750 million euro falling due in November 2019; 500 million euro falling due in January 2021; and 500 million euro falling due in January 2022. A2A has also issued a bond of 14 billion yen falling due in 2036, in the form of a private placement, and a bond of 300 million euro falling due in December 2023 as part of the EMTN Programme.

The terms and conditions of these bond issues are in line with the market standard for this type of financial instrument.

All the bonds issued by A2A as part of the EMTN Programme (amounting in total to 2,050 million euro at December 31, 2014) contain a change of control put clause in favor of investors for any changes in control which lead to a resulting downgrading of the rating to sub-investment grade in the following 180 days. If the company's rating returns to investment grade within the 180-day period the put option is not exercisable.

The private bond in yen falling due in 2036 and the relative cross-currency swap derivative contain a put right clause in favor of the investor (and in favor of the financial counterparty to the derivative) which triggers if the rating falls below BBB- or equivalent level (sub-investment grade).

The loan agreements entered into with the European Investment Bank contain a credit rating clause guarding against a rating of below BBB- or equivalent level (sub-investment grade). In the event of a change in control of the parent company, the loan agreements entered into with the European Investment Bank falling due after 2024 (a total of 473 million euro at December 31, 2014) grant the bank the right to invoke early repayment of the loan on providing notice to the company containing an explanation of the underlying reasons.

The agreement entered into by the parent with UniCredit, brokered by the EIB, for which the term of the loan having an outstanding balance of 25 million euro at December 31, 2014 expires in June 2018, includes a credit rating clause that requires the company to maintain an investment grade rating throughout the duration of the loan. In the event of non-compliance there are a number of annual covenants to be respected based on the ratios of debt to equity, debt to gross operating income and gross operating income to interest expense.

A credit rating clause contained in the agreement with Cassa Depositi e Prestiti (the state investment bank) for a loan originally of 200 million euro falling due in 2025 also comes into effect in the event of a rating below investment grade (BBB-).

As stated above, the A2A Group has obtained a number of revolving committed lines of credit from various financial institutions for a total of 1,050 million euro which are not subject to any financial covenants, with the exception of the revolving credit line (currently not drawn) entered into by A2A S.p.A. in April 2013 for a total of 600 million expiring November 2019 for which a covenant based on the ratio between the net financial position and EBITDA must be complied with. The agreement for the credit line also 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 of the syndicate to request the facility to be extinguished and any amounts drawn down to be repaid.

The following can be found in the agreements for the bond loans, the loans mentioned above and the lines of revolving committed credit: (i) negative pledge clauses under which the parent company undertakes not to pledge, with exceptions, guarantees on its assets or those of its directly held subsidiaries over and above a specific threshold; (ii) cross- default/ acceleration clauses which entail immediate reimbursement of the loans in the event of serious non-performance; and (iii) clauses that provide for immediate repayment in the event of declared insolvency on the part of certain directly held subsidiaries.

With regard to subsidiaries the loan to Abruzzoenergia S.p.A. is backed by a secured guarantee (mortgage) for a maximum of 264 million euro and the related agreement contains two covenants based on the ratios NFP to shareholders' funds and NFP to gross operating income.

Certain financial covenants are included as part of a loan of 35 million euro taken out by the subsidiary EPCG with the EBRD (European Bank for Reconstruction and Development) in November 2010, fully drawn. The same covenants are included in the agreement entered into by EPCG with the EBRD in April 2014 for the further tranche of 30 million euro, not yet drawn down at December 31, 2014; this is an addition to the first tranche of 35 million euro.

As things currently stand, and no companies in the A2A Group have defaulted and there has been no breach of the financial covenants.

Analysis of forward transactions and derivatives

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

In particular:

1) transactions qualifying for hedge accounting under IAS 39 can be analyzed between transactions to hedge cash flows (cash flow hedges) and transactions to hedge fair value of assets and liabilities (fair value hedges). For the cash flow hedges, the accrued result is included in gross operating income when realized on commodity derivatives and in the financial balance for interest rate and currency derivatives, whereas the future value is shown in equity. For fair value hedge transactions, the impacts in the income statement are cancelled 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 that meet internal risk policy compliance requirements, 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 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.

Outstanding derivatives at December 31, 2014 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 have a forward pricing structure. In the absence of a forward market curve, fair value is measured on the basis of internal estimates using models that refer to industry best practices.

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

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

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

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

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

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

Instruments outstanding at December 31, 2014

A) On interest and exchange rates

Millions of euro	Notional value (a) expiry within 1 year		Notional value (a) expiry between 1 and 5 years		Value notional (a) expiry over 5 years	Value Situation balance sheet (b)	Effect progressive on income statement at 12 31 2014 (c)
	to be received	to be paid	to be received	to be paid			
Interest rate risk management							
- cash flow hedges as per IAS 39		19		76	76	(21)	
- not considered hedges as per IAS 39		18		789 (d)		17 (e)	17 (e)
Total derivatives on interest rates	**-**	**37**	**-**	**865**	**76**	**(4)**	**17**
Exchange rate risk management							
- considered hedges as per IAS 39 on commercial transactions on financial transactions					98	(30)	
- not considered hedges as per IAS 39 on commercial transactions on financial transactions							
Total exchange rate derivatives	**-**	**-**	**-**	**-**	**98**	**(30)**	**-**

(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 after measuring the derivatives at fair value.
(c) Represents the adjustment of derivatives to fair value recognized progressively over time in the income statement from the stipulation of the contract to the present day.
(d) Includes derivative instruments with underlying bond worth 762 million euro, maturing in 2016, and an IRS with notional value of 762 million euro, with no economic effect, as a result of the fair value measurement.Hedges and three collars with a notional value of 762 million euro not considered hedges as per IAS 39.
(e) Includes the effect on collars, with a total notional amount of 762 million euro, not considered as hedges according to IAS 39.

B) On commodities

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

Energy product price risk management	Unit used for measuring notional value	Notional value due within 1 year	Notional value due within 2 years	Notional value due within 5 years	Balance sheet carrying amount (*) (millions of euro)	Progressive effect on income statement (**) (millions of euro)
A. Cash flow hedges as per IAS 39, including:					**(17.4)**	**-**
- Electricity	TWh	3.5	0.7		(16.7)	
- Oil	Bbl				0.0	
- Coal	Tons	446,397			(1.4)	
- Natural gas	Millions of cubic metres					
- Exchange rate	Millions of dollars					
- Emission rights	Tons	1,191,000			0.7	
B. Not considered as fair value hedges as per IAS 39 of which					**-**	**-**
C. Not considered hedges as per IAS 39 including:					**1.0**	**(3.8)**
C.1 Margin cover					**-**	**-**
- Electricity	TWh	0.147				
- Oil	Bbl					
- Coal	Tons					
- Natural gas	Millions of cubic metres					
- CO_2 emission rights	Tons					
- Exchange rate	Millions of dollars					
C.2 Trading transactions					**1.0**	**(3.8)**
- Electricity	TWh	25.3	2.7		3.0	(2.6)
- Natural gas	TWh	4.0				
- CO_2 emission rights	Tons	4,124,000	100,000		(2.0)	(1.2)
- Environmental Certificates	MWh	5,300				
- Environmental Certificates	Tep	18,000				
Total					**(16.4)**	**(3.8)**

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

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

Financial and operating results for derivative transactions at December 31, 2014

The following table shows the balance sheet figures at December 31, 2014, for derivative transactions.

Effect on the balance sheet

Millions of euro	Notes	
ASSETS		
NON-CURRENT ASSETS		**34**
Other non-current assets - derivatives	5	34
CURRENT ASSETS		**51**
Other current assets - derivatives	8	51
TOTAL ASSETS		**85**
LIABILITIES		
NON-CURRENT LIABILITIES		**68**
Other non-current liabilities - Derivatives	20	68
CURRENT LIABILITIES		**67**
Trade payables and other current liabilities - Derivatives	21	67
TOTAL LIABILITIES		**135**

Effect on the income statement

The following table sets out the income statement figures for the year ended December 31, 2014 arising from the management of derivatives.

Millions of euro	Notes	Realized during the year	Change in fair value during the year	Amounts booked to the statement of comprehensive income
REVENUES	**25**			
Sales revenues				
Energy product price risk management and commodity exchange risk management				
- considered hedges as per IAS 39		-	-	-
- not considered hedges as per IAS 39		6	20	26
Total revenues from the sale of goods		**6**	**20**	**26**
OPERATING EXPENSES	**26**			
Expenses for raw materials and services				
Energy product price risk management and commodity exchange risk management				
- considered hedges as per IAS 39		5	-	5
- not considered hedges as per IAS 39		(12)	(24)	(36)
Total expenses for raw materials and services		**(7)**	**(24)**	**(31)**
Total booked to gross operating income (**)		**(1)**	**(4)**	**(5)**
FINANCIAL BALANCE	**32**			
Financial income				
Interest rate risk management and equity risk management				
Gains on derivatives				
- considered hedges as per IAS 39		-	-	-
- not considered hedges as per IAS 39	(*)	11	2	13
Total		**11**	**2**	**13**
Total financial income		**11**	**2**	**13**
Financial expense				
Interest rate risk management and equity risk management				
Charges on derivatives				
- considered hedges as per IAS 39		(5)	-	(5)
- not considered hedges as per IAS 39		(2)	(1)	(3)
Total		**(7)**	**(1)**	**(8)**
Total financial expenses		**(7)**	**(1)**	**(8)**
TOTAL BOOKED TO FINANCIAL BALANCE		**4**	**1**	**5**

(*) This includes the fair value of the bond loan of A2A S.p.A..
(**) These figures do not include the net presentation of the trading margin.

Classes of financial instruments

To complete the analyses required by IFRS 7 and IFRS 13, the following table sets out the various types of financial instrument that are to be found in the various balance sheet items, with an indication of the accounting policies used and, in the case of financial instruments measured at fair value, an indication of where changes are recognized (income statement or equity). The last column of the table shows the fair value of the instrument at December 31, 2014, where applicable.

Millions of euro	Criteria to measure the reported amount of financial instruments							
	Notes	Financial instruments measured at fair value with changes recognized in:			Financial instruments measured at amortized cost	Share-holdings / Securities convertible into unlisted shareholdings measured at cost	Amount as stated in the consolidated balance sheet at 12 31 14	Fair value at 12 31 14 (*)
		Income statement	Net equity					
		(1)	(2)	(3)	(4)	(5)		
ASSETS								
Other non-current financial assets								
Shareholdings / Securities convertible into shareholdings available for sale of which:								
- unlisted				8			8	n.d.
- listed							-	-
Financial assets held to maturity							-	-
Other non-current financial assets					57		57	57
Total other non-current financial assets	**3**						65	
Other non-current assets	5	34			9		43	43
Trade receivables	7				1,591		1,591	1,591
Other current assets	8	49	2		204		255	255
Current financial assets	9				126		126	126
Cash and cash equivalents	11				544		544	544
LIABILITIES								
Financial liabilities								
Non-current and current bonds	17 e 22	810			2,178		2,988	2,988
Other non-current and current financial liabilities	17 e 22				1,068		1,068	1,068
Other non-current liabilities	20	17	51		296		364	364
Trade payables	21				1,254		1,254	1,254
Other current liabilities	21	48	19		544		611	611

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

Fair Value hierarchy

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

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

- Level 1: this level includes the financial assets and liabilities for which fair value is based on (unmodified) prices quoted for similar instruments on active official or over-the-counter markets;
- Level 2: this level includes the financial assets and liabilities for which fair value is based on directly observable market inputs other than Level 1 inputs;
- Level 3: this level includes the financial assets and liabilities for which fair value is calculated using inputs not based on observable market data. This level includes instruments measured on the basis of internal estimates made using proprietary methods based on best sector practice.

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

Millions of euro	Note	Level 1	Level 2	Level 3	Total
Assets available for sale measured at fair value	3		9		9
Other non-current assets	5		34		34
Other current assets	8	51			51
TOTAL ASSETS		**51**	**43**	**-**	**94**
Non-current financial liabilities	17		810		810
Other non-current liabilities	20		68		68
Other current liabilities	21	67	1	(1)	67
TOTAL LIABILITIES		**67**	**879**	**(1)**	**945**

Sensitivity analysis for financial instruments included in level 3

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

Financial instrument	Parameter	Parameter change	Sensitivity (millions of euro)
Commodity derivatives	Probability of default (PD)	1%	0.00
Commodity derivatives	*Loss Given Default (LGD)*	25%	0.00
Commodity derivatives	Volatility underlying interconnection capacity abroad	1%	0.03
Commodity derivatives	Correlation underlying interconnection capacity abroad	1%	(0.00)
Commodity derivatives	Underlying interconnection capacity zonal Italy	1%	(0.02)

5) Concessions

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

	Numero
Hydroelectric concessions	79
District heating concessions	10
Electricity distribution concessions	48
Gas distribution concessions	209
Solid urban waste concessions (“SUW”) (*)	91
Water service management concessions (**)	114
Urban illumination and traffic lights network management agreements	13
Other concessions	12

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

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

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

EC infringement procedure

On June 5, 2002, the European Commission published Decision no. 2003/193/EC stating that the three-year exemption from income tax provided by article 3.70 of Law no. 549/95 and article 66.14 of Decree Law no. 331/1993, converted into Law no. 427/93, is incompatible with community law, considering this to be “State aid” which is prohibited by article 87.1 of the EC Treaty.

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

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

The situation regarding pending matters is as follows:

- Sentence regarding the First recovery. The verdict has been finalized following the sentence of the first instance rejecting the Company’s appeal.
- Sentence regarding the Second recovery. Following the adverse sentence of the Regional Tax Commission the Company filed an appeal with the Supreme Court. The case is awaiting discussion.
- Sentence regarding the Third recovery. Following the adverse sentence of the Regional Tax Commission the Company filed an appeal with the Supreme Court. The appeal was discussed on November 14, 2013 before the Tax Section. By way of an ordinance published on February 13, 2014, the court suspended the case and ordered that the records be passed to the European Court of Justice, raising a question of a preliminary ruling pursuant to article 267 of the Treaty of the Functioning of the European Union concerning the way in which the interest due on the recovery of the aid should be calculated. The Company has made an appearance before the court and filed a brief; the Italian State and the European Commission have done the same, taking a position in opposition to the Company. The related proceeding has been registered under number C-89/14 has reached the written stage; assuming it reaches a court verdict, which appears likely, it is not expected to be resolved before mid-2015.

As of today, therefore, the question concerning the quantification of the interest due on the amounts to be recovered is still pending (whether the interest is compound or simple interest). On this point an opinion has been requested of the EU Court of Justice and it is considered that the result of this will affect the proceedings on both the third and the second recovery. As all the amounts requested have been settled, it is believed that once the pending disputes are completed the Company should not have to bear any further costs for the recovery of State aid.

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

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

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

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

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

Investigation into gas metering devices

An investigation is pending at the Public Prosecutor's Office in Trento concerning the way that gas consumption is accounted for. The investigation involves, among others, a number of A2A Group companies and some of their directors and managers. The alleged offence is fraud, as well as other matters.

The investigation was initiated by the Milan Judicial Authority but then transferred to Brescia for a question of territorial jurisdiction. After notification of the "Notice of the Conclusion of Preliminary Investigations – article 415-bis of the Italian Criminal Procedure Code" dated February 7, 2011, the "Notice of the Preliminary Hearing Date" was received on June 9, 2011 regarding the committal for trial presented by the Public Prosecutor. The preliminary hearing was held before the judge in charge of the preliminary investigations (Gip) in Brescia on November 8, 2011. The defense for the accused raised a preliminary exception claiming that the notification of the decree containing the "Notice of the Preliminary Hearing Date" was null and void, given that it did not include the CD with the list of "indicted" meters indicated in the decree as an "attachment forming a material part of the charge". The Gip upheld the exception and declared the notification null and void. As a result, the Public Prosecutor had to reissue the "Notification of the Conclusion of Preliminary Investigations – article 415-bis of the Italian Criminal Procedure Code" and return to the previous stage in the proceedings. On January 4-9, 2012, the "Notification of the Conclusion of Preliminary Investigations – article 415-bis of the Italian Criminal Procedure Code" was reissued, this time with the CD.

The preliminary hearing was held on October 18, 2012. The preliminary hearing was held on October 18, 2012, at which the judge raised a preliminary exception pursuant to article 11 of the criminal procedure code noting that at least two magistrates, whose judicial offices are included within the district of the Brescia Appeal Court, are "injured parties" in the proceeding and asked the judge in charge of the preliminary hearing (Gup), Dr. Napo, to declare that the Brescia judicial authority was acting beyond its jurisdiction. The defense agreed with the application. The Gup therefore declared that the case was beyond his jurisdiction and ordered the papers to be sent to the Public Prosecutor's Office of Venice. As a result of this provision the proceeding has returned to the initial stage.

However, as A2A Reti Gas S.p.A. had to carry out maintenance on certain plants sequestered as part of the criminal proceeding in question, checks were carried out to identify the prosecuting magistrate in charge of the case at the Public Prosecutor's Office of Venice. It was learned from this that without giving notice of such to any of the attorneys of the persons under investigation or to those persons themselves, in the meantime the proceeding had been transferred from the Public Prosecutor's Office of Venice (which presumably recognized a similar case of lack of competence) to that of Trento, having territorial competence for the proceedings in which a magistrate from the Public Prosecutor's Office of Venice assumes the role as the "injured party". On June 10 and 23, 2014 the Prosecutor's Office of Trento served notice that the preliminary investigations had been completed as per article 415-bis of the Italian Criminal Procedure Code. On September 16, 2014 the decree was served setting December 11, 2014 as the date of the preliminary hearing before Judge

Ancona. After said hearing, the case was adjourned to February 19, 2015. At this hearing, the Gup has ruled sentence declaring not to proceed against all defendants (both individuals and legal entities) as their crimes are extinct due to prescription.

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

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

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

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

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

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

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

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

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

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

given the deadline of July 4, 2013 previously set for the filing of the decision, the Board made an application to the Chamber for the granting of a reasonable extension.

At the end of the hearing of July 22, 2013, in which the questioning by the parties took place and the absence of the conditions for reaching a settlement was confirmed, the Chamber set a deadline of September 30, 2013 for filing documents and drawing up preliminary motions and October 21, 2013 for any submissions in reply from the lawyers. On October 2, 2013 the Chamber of Arbitration noted that S.F.C. S.A. and the bankruptcies had not paid the contributions requested in July and as of today the proceeding is suspended. On October 23, 2013, S.F.C. S.A., in breach of the terms of the arbitration and the question raised by the Arbitration Board, filed an appraisal arranged on its behalf having technical content. In a decision on November 27, 2013, the Board ordered an expert witness to verify the co- generation capabilities of the plant and appointed as the expert witness Prof. Eng. L. Guizzi. The company appointed Prof. Massardo as its own expert witness, S.F.C. S.A. Prof. Ambrogio and Eng. Lazzeri. After the hearing of January 22, 2014 for formalities relating to the appointment of the expert witnesses, the Board set a deadline of June 16, 2014 for the filing of the related report. The report was filed within the legal terms and contained confirmation of the arguments of A2A S.p.A. and E.ON Europa S.L.. The continuation of the arbitration may be affected by the fact the S.F.C. S.A., Eurosviluppo Industriale S.p.A. and Consorzio Eurosviluppo S.c.a.r.l. have failed to pay the arbitration fees: the judgment of the Chamber of Arbitration is pending. On February 14, 2015, the Arbitration Board set new terms for the expert witness and the parties for replies following the filing of a further technical brief of S.F.C. to then set the hearing for April 23, 2015. The Chamber of Arbitration ordered the postponement of the deadline for filing the award. On September 18, 2014, in order to interrupt the period of limitation the receiver in charge of the bankruptcy of Eurosviluppo Industriale S.p.A. sent a demand for the payment of the last installment of the price together with all the other sums activated as part of the arbitration. The letter lacks foundation and legal counsel is preparing a reply.

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

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

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

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

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

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

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

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

The judge found the bankruptcy was legitimate as S.F.C. S.A. and therefore set the end of the proceedings and the hearing for December 19, 2012, declaring the need to execute an expert opinion on a number of points, indicating the questions to put to the expert and setting May 23, 2013 as the date for the hearing to appoint the court's expert witness. At that hearing the judge, changed in the meantime, confirmed the questions already formulated on December 19, 2012 and appointed the court experts Messrs. Pompili and Caroli, setting a term for the parties to appoint their own consultants. The start of the experts' work was scheduled as June 18, 2013, with a deadline of 180 days after that date. A2A S.p.A. and Ergosud S.p.A. appointed Prof. Massardo and Eng. Mr. Gioffrè as their experts, persons who over the years have already drawn up reports on the matters to which the questions refer. The deadline for the expert's filing was postponed. The court experts Messrs. Pompili and Caroli submitted their reports within the term set for their observations, confirming the defensive reasoning of Ergosud S.p.A. and A2A S.p.A.; the parties' experts had until June 30, 2014 to submit their observations and their reports were filed with the court on July 31, 2014. The hearing date for examination of the adjuster's report was set for January 22, 2015, then postponed to April 1, 2015; during this hearing, the hearing for conclusions has been scheduled for November 30, 2016.

CIP 6 auxiliary services

This matter regards the usage of electricity for auxiliary services. According to the Electricity, Gas and Water Authority (AEEGSI), self-consumption by certain types of plant (waste-to-energy) should be considered in the same way as consumption for auxiliary services.

A2A Ambiente S.p.A. (formerly Amsa S.p.A.)

In the CIP 6 convention entered into by A2A Ambiente S.p.A. (formerly Amsa S.p.A.), which has now expired, electricity consumption for auxiliary plant services was set at a flat 5% of gross output. Under the convention this conventional value "can be replaced ... on the basis of jointly defined technical inspections". A2A Ambiente S.p.A. (formerly Amsa S.p.A.) received an inspection from the Electricity Sector Equalization Fund (CCSE) at its Milan waste-to-energy plant on December 19, 2006. The visit led to a note issued by the CCSE (September 19, 2007) which disputed the consumption of electricity for auxiliary services higher than the flat rate of 5%, calculating this to be in a range between 16% and 23%. There are no further developments. Although the CCSE inspection was known for some time, the possibility that this could create potential liabilities only emerged when it was learnt that the AEEGSI had taken measures against other companies. In any event, it is deemed that the contingent liability cannot be reliably measured at present. Under a worst case scenario, the maximum liability could be as high as 40 million euro. Nevertheless, valid defensive objections could be raised to support the validity of the figure set in the convention, given the specific nature of the waste-to-energy plant in question, or in any case a figure close to this, with the consequent elimination of the estimated liability or at least a considerable decrease in the balance. Given the above arguments, the company believes that as of today the liability is possible but not probable. As a consequence, no amounts have been provided in the interim report on operations at December 31, 2014. As a secondary point, it is noted further that Amsa S.p.A. has joint responsibility due to the partial demerger of the business consisting of the plant in favor of A2A Ambiente S.p.A. and the possibility of being able to obtain partial compensation of any cost by way of contractual clauses.

In the case of requests of the kind that have been made to the companies of the former Ecodeco Group, it should be noted that Amsa S.p.A. will be able take action with the municipality to request the reimbursement of the portion of the fees for the urban hygiene service contract retained by the municipality contractor in application of the existing contract. In this respect in previous circumstances Amsa S.p.A. had already called for the activation of contractual clauses for requests for refunds, then effectively upheld by the municipality by calculating contractual settlement amounts in relation to reductions in electricity revenues arising from the avoided fuel cost component.

A2A Ambiente Group (formerly the Ecodeco Group)

Ecolombardia 4 S.p.A. received an inspection from the GSE (Energy Services Manager) in September 2011. A note dated January 4, 2012 followed, stating that the consumption of electricity produced by the plant and absorbed by its auxiliary services exceeded the agreed flat quantity. A dispute was raised against this note with the request for a review. On October 12, 2012, the AEEGSI disputed electricity usage as exceeding the flat quantity, with the conclusion that the CIP 6 incentives were paid for quantities of energy exceeding those put into the grid and that the excess should be recovered. The company filed an appeal with the Regional Administrative Court of Milan. The application for cautionary suspension was upheld. On January 22, 2014 the appeal was taken by the court under advisement. The appeal was then rejected. An appeal was filed with general registry number 986/14. By way of sentence December 30, 2014 no. 6430, the State Council confirmed the first instance sentence and thus the order of the Authority.

A2A Ambiente S.p.A. (formerly Ecodeco S.r.l.) received an inspection on its waste to energy plant and biogas plants at Corteolona (May 10-11, 2012 and July 5-6, 2012). The findings of the inspection team were the same as those noted for the Ecolombardia 4 S.p.A. plant, namely that the consumption attributable to the auxiliary plant services is higher than that indicated in the CIP 6 convention. On June 21, 2013, the AEEGSI issued a notification similar to that received by Ecolombardia 4 S.p.A. which instructed the CCSE to take action against A2A Ambiente S.p.A. (formerly Ecodeco S.r.l.) for the recovery of the excess. The request from the CCSE then arrived. The company appealed. The case was discussed at a hearing of January 14, 2014 and the appeal was taken by the court under advisement. The appeal was rejected. An appeal was filed with general registry number 1002/14. By way of sentence December 1, 2014 no. 5946, the State Council confirmed the first instance sentence and thus the order of the Authority.

The companies in question already made suitable provisions in their financial statements at December 31, 2013, commensurate with the estimated probable liability.

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

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

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

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

The internal legal department believes that the risk of the annulment of the original award of the tender to the UTE is remote (it was not even one of the counterparty's requests) and that the risk of losing in the matter concerning the amendment of the agreement between the consortium and the UTE, which provided for an increase in the fee as above, is possible. Losing the case would lead to a maximum potential risk for the UTE of 19 million euro. A2A Ambiente S.p.A., a member of the UTE with a 1% interest and jointly responsible, could be called to respond not only for its own interest but potentially also for a larger figure if the other members are insolvent towards the bank (it should be remembered that the UTE obtained a loan to build the plant). The figure of 19 million euro could then be further revised in the light of the conclusions of the appeal filed by the UTE against this sentence of the Regional Administrative Court.

To complete this matter trade and financial receivables of approximately 3.6 million euro due from the UTE were recognized in the financial statements of A2A Ambiente S.p.A. at December 31, 2014 which in the case of losing could become uncollectable.

Monfalcone Plant investigation

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

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

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

The investigation initiated by the Trieste Judicial Authority has not yet been completed and therefore the information needed to determine the effect of any illegal conduct has not yet been made available. Nevertheless the A2A Group, and in particular A2A Trading S.r.l., may incur damages, at its sole expense, arising from the qualitative and quantitative differences in the biomasses, since there is the risk for the latter, as toller and in charge of the plant's dispatch, that on the completion of the preliminary stage it may incur increased costs for the biomasses not delivered and increased costs for incorrectly stating the calorific value of the biomasses, delivered and not delivered.

To this should be added that the increased use of coal instead of biomasses could have as a consequence an increase in the environmental costs relating to the second half of 2009 and the whole of 2010, as well the need to reimburse the additional income or environmental allowances recognized with respect to the real income or allowances (the reference here is to Green Certificates). In fact for 2009 and 2010 the company may have filed declarations generating environmental allowances that are greater than those actually produced, as the calculation may have been affected by considering a biomass energy to conventional source energy ratio that is mistakenly higher than the real figure.

If this were the case, the company would have to file corrections to the above-mentioned past declarations and reimburse the income relating to environmental allowances that may have additionally been recognized.

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

It was notified that the investigation had been completed. After a previous postponement, the preliminary hearing was held on February 6, 2015.

At the moment, there is no information to identify the effects on the financial statements of the company of any proven illegal conduct on the part of biomass suppliers of the plant. A2A Trading and A2A conferred mandate to establish a civil party in the proceedings.

ASM Novara S.p.A. dispute

The shareholder Pessina Costruzioni and the outgoing directors Massimo Pessina and Guido Stefanelli served notice of the summons to have the court declare null the resolution of October 26, 2012 with which the Board of Directors of the company certified the existence of reasons to liquidate the company, pursuant to article 2484 of the Italian civil code, ordered publication of the resolution pursuant to article 2484 and issued a request to appoint the official receiver at the Court of Brescia pursuant to article 2487 of the Italian civil code.

The petition examines the motives illustrated in the memorandum of appearance in the civil action filed by Pessina Costruzioni and by its outgoing directors Massimo Pessina and Guido Stefanelli, noting the errors of irregularity in the composition of the Board of Directors passing the resolution and the errors in the certification of the causes of liquidation, which allegedly did not exist.

After a series of hearings and the filing on June 18, 2013 of the court order scheduling a hearing for September 19, 2013 after pronouncing a motivated rejection of the appeal, also due to the existence of the decree of the Court of Appeal in the meantime appointing the liquidator, which accordingly ascertained the existence of the cause for dissolution denied by the plaintiff, the case continued with the assignment to the parties of the legal time periods for filing briefs and deferred the hearing to January 16, 2014; at that hearing the judge order the personal appearance of the parties in order to verify the existence of an interest in the pronouncement, also in the light of the additional events, and to this end set the date of the hearing as April 15, 2014 (then deferred to May 20, 2014 at the request of the parties). At this hearing the parties summarized the status of the liquidation and the judge acknowledged the irreconcilable conflict existing between the shareholders that would make it likely that the situation of deadlock to be found in shareholders' meetings up until the liquidation would be repeated, a situation confirmed by the failure of the shareholders to approve the company's financial statements for 2011, 2012 and 2013. A hearing was set for July 17, 2014 with the request made to the parties to identify a means of settlement. Following an illustration of the opposing arguments of the parties, which led to the failure to arrive at a settlement, at the hearing the judge proposed a brief adjournment, asking the plaintiff to assess making changes to the wording of a settlement agreement which in the meantime had been drawn up as a possibility. The case was adjourned to September 25, 2014 and on that date Pessina requested a further deferral of the proceeding, now set for November 20, 2014.

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

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

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

At the formal appearance hearing on July 1, 2013 the Board discharged the requirements regarding its formation and the start of the proceedings, setting the deadlines for the submission of briefs and preliminary motions and the date of the first hearing. The dates set were October 15, 2013, December 20, 2013 and February 21, 2014 for the submission of briefs and March 5, 2014 for the first hearing. By way of an order of October 8, 2013, the Board deferred these deadlines to the following dates: November 19, 2013, January 21, 2014 and March 25, 2014 for the briefs and April 10, 2014 for the first hearing. The location for the arbitration was set as the offices of the President of the Arbitration Board in Milan. At the hearing of April 10, 2014, preceded by the submission of the parties' briefs, the Board set three new deadlines for the briefs (May 20 for A2A S.p.A., June 17 for Pessina and June 26 for A2A S.p.A.) and set the date of the merit hearing as July 11, 2014. At that hearing, the Board reserved the right to decide on all the applications submitted by the parties. By way of an order drawn up outside the hearing and filed on July 22, a hearing was set for September 16, 2014. At that hearing, after clarifying the conclusions, a deadline of November 18, 2014 was set for filing final statements and December 23, 2014 for filing reply briefs, with the final hearing to be held on January 16, 2015.

By order of November 17, 2014, these terms were deferred respectively to December 3 and January 7, 2015; on February 3, 2015, the hearing was held during which the Board did not provide investigation acts and extended the term to file the award to 120 days.

Dispute over public water derivation fees

Derivation of public water for the production of hydroelectricity

Mese plant

By way of Regional Law no. 22/2011 the Lombardy Region effectively doubled the fee for public water for use for hydroelectric purposes, without prejudice however to the ISTAT revisions for inflation (in particular the regional law provides that starting from 2012 the unit amount of the fee due to the Region for the use of large water derivations for hydroelectric use, as per paragraph 1, is set at 30 euro per Kilowatt of average annual nominal power).

Faced with the payment demands made by the Region for 2012 and 2013, Edipower S.p.A. considered the increase prescribed by law to be exorbitant and paid the fee considering solely the increase arising from the planned inflation rate as compared to the previous year.

As a consequence, for 2012 and 2013 the Region issued injunctions for the payment of the amount not paid by the company; Edipower S.p.A. appealed against these injunctions before the competent court.

Faced with the payment demand made by the Region for 2014, Edipower S.p.A. paid the fee considering solely the increase arising from the planned inflation rate as compared to the previous year. The Region has not yet issued an injunction for the payment of the difference.

For the Asta Liro plant, the Lombardy region has issued an injunction to pay the fees for derivations for hydroelectric use allegedly due for 2008 for Asta Liro and Fiume Mera. The company filed an appeal against this injunction with the Milan Regional Court of Public Waters (hereafter the Milan TRAP); the Milan TRAP partially rejected this appeal in the section in which the company asked: - for a ruling stating that it has no obligation to pay the fee for hydroelectric use for the amount mistakenly calculated by the Region and that the payment it has made is satisfactory. The sentence issued by the TRAP on the other hand partially upheld the request made by Edipower S.p.A. to rule as to its entitlement to settle the water use fee in an amount reduced by 10% by way of the non-applicability of the regional resolution introducing the regional surcharge. For the dispute in question the TRAP considered Regional Resolution no. 8/5775 of 2007 to be illegitimate, in that it simulated an increase in the fee due for the derivation by in reality incorporating an amount of a fiscal nature (the “regional surcharge”) in a charge (the derivation fee).

A similar dispute is also taking place for a number of plants in the Valtellina.

Surcharges for public water derivation

Mese plant

Edipower S.p.A. filed a petition before the competent court applying to establish the correct calculation of the surcharges on hydroelectric fees due pursuant to article 1 of Law no. 959/1953, by way of the non-applicability of the ministerial decrees that prescribed a revision to these fees on an annual basis (instead of every two years).

For the Mese plant, Edipower S.p.A. lost the cases it brought before the Milan TRAP opposing the payment demands for the above surcharges on the fees raised by the Province and the Consortium of Municipalities of the Mountain Catchment Basin (BIM) of Lake Como and the rivers Brembo and Serio. The company has decided not to file an appeal against the TRAP's sentences.

Udine plant

Edipower S.p.A. filed a petition before the competent court applying to establish the correct calculation of the surcharges on hydroelectric fees due pursuant to article 1 of Law no. 959/1953, by way of the non-applicability of the ministerial decrees that prescribed a revision to these fees on an annual basis (instead of every two years).

For the Udine plant, an appeal is currently pending before the High Court of Public Waters (hereafter the TSAP) filed by Edipower S.p.A. opposing the sentence of the Venice TRAP which rejected the appeal of Edipower S.p.A. against the payment demand raised by the Pordenone Livenza BIM.

An appeal is then pending before the TSAP opposing the sentence issued by the Venice TRAP which rejected the appeal of Edipower S.p.A. against the payment demand raised by the Consortium of Tagliamento BIM Municipalities in the provinces of Udine and Pordenone.

Finally an appeal is pending before the TSAP opposing the sentence issued by the Venice TRAP which rejected the appeal of Edipower S.p.A. against the payment demand raised by the province of Udine.

Brindisi bunker

The investigations that led to the sequestration of the Brindisi bunker (owned by Enel) have been formally closed; the head of the Brindisi power station has been sent for trial amongst others. Having civil responsibility, Edipower S.p.A. has been implicated in the relative court case by the parties instituting the action. A release notice for the seized areas was notified on May 13, 2010 as part of the criminal proceeding. In a ruling of March 8, 2013, the court acquitted the head of Edipower S.p.A.'s power station for the offence with which he was charged "because there is no case to answer".

On September 3, 2013 the public prosecutor at the Brindisi Court issued a notification that an appeal had been filed against the sentence of the Brindisi Court. The first hearing on appeal originally set for July 3, 2014 was postponed to October 27, 2014 as the appeal summons had not been served.

The hearing of October 27, 2014 was postponed to May 29, 2015 for impediment of the defenders of certain defendants.

* * *

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

A2A S.p.A. - General IRES/IRAP/VAT audit for fiscal year 2010

On January 20, 2014 the Regional Department of the Lombardy Tax Revenue Office – Milan Large Taxpayers Section – initiated a general audit of A2A S.p.A. for IRES, IRAP and VAT purposes for fiscal 2010. The audit was completed on December 15, 2014. The findings mainly related to violations exclusively regarding direct taxation. On January 14, 2015, the company also requested a report of facts ascertained, and following notification of the tax assessments by the Tax Authorities, is defining the tax claim.

A2A Reti Gas S.p.A. – COSAP Municipality of Milan for the years from 2003 to 2011

On December 27, 2011 the Municipality of Milan served payment notices for COSAP (a fee paid for occupying public spaces and areas) for the years 2003 to 2011. An application was filed for annulment of these notices by internal revocation, which the Municipality rejected. The company filed a summons with the Court of Milan against this rejection on July 11, 2012 and on September 25, 2012 filed an appeal with the regional administrative court. The date for the discussion before the Court of Milan has been deferred to October 23, 2014, while that for the discussion before the regional administrative court has not yet been set. In December 2014, payment notices were served for the years 2012-2014. In February 2015, a settlement agreement was entered into with the City of Milan for the final conclusion of the COSAP dispute for the years 2003-2011.

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

On January 24, 2013 the Finance Police - Brescia Unit commenced a general tax audit of Aprica S.p.A. (now A2A Ambiente S.p.A.) for IRES, IRAP and VAT purposes for fiscal 2009 and for fiscal 2010, an audit only to ensure that the requirements of Decree Law no. 78/2009 (the "Tremonti ter") had been fulfilled. The audit was completed on March 25, 2014. The findings mainly related to violations regarding direct taxation. On July 31, 2014 an assessment was served for 2009 which the company accepted, paying the amount due on August 29, 2014 and thereby putting a final end to the authorities' claim. For the year 2010, no assessment notices have yet been notified.

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

On September 4, 2014, the Tax Revenue Office – Brescia Provincial Department began a general tax audit of Partenope Ambiente S.p.A. (now A2A Ambiente S.p.A.) for fiscal 2011 for IRES, IRAP and VAT purposes. The audit was completed on October 6, 2014. The findings mainly related to violations exclusively regarding direct taxation.

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

On March 7, 2013, the Brescia Customs Agency commenced a technical audit of the Brescia waste to energy plant owned by Aprica S.p.A. (now owned by A2A Ambiente S.p.A.). The audit was completed on January 16, 2014 with the serving of a formal notice of assessment for the years 2008 to 2011. For 2008 and 2009, the Customs Authority served payment notices on May 7 and 21, 2014 together with the respective penalties. The company appealed against these two demands in July 2014. For the year 2009, in December 10, 2014, the company signed a conciliation agreement with the Customs Agency of Brescia for the final closure of the dispute and the consequent termination of the proceedings. On August 5, 2014, the Customs Authority served formal notices of assessment for 2012 and 2013. The company is assessing the action to be taken.

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

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

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

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

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

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

The outcomes of the 2002 and 2003 disputes were also favorable for the company but the Tax Revenue Office filed an appeal against both sentences. The appeal for 2002 was discussed on November 30, 2010, and by way of a sentence lodged on February 2, 2011 the Milan Regional Tax Commission overturned the sentence of the first court, upholding the Tax Revenue Office's appeal on almost all counts with the exception of the hazardous waste category. The company filed an appeal with the Supreme Court for 2002. For 2003 the appeal made by the Tax Revenue Office was discussed on November 7, 2011 before the Regional Tax Commission which rejected it with a sentence filed on November 11, 2011. The Tax Revenue Office has not appealed to the Supreme Court for 2003, 2004 and 2005 and the sentence has become final, thereby closing the litigation. For 2001 and 2002, the hearing dates for discussion before the Supreme Court have not yet been set.

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

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

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

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

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

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

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

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

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

7) Contingent assets

The Group had an excess of environmental certificates (Green Certificates and White Certificates) at December 31, 2014.

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

* * *

Consob Recommendation no. 61493 of July 18, 2013

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

The investments made in this sector in 2013 were of a marginal amount and due to ordinary maintenance.

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

0.4

Attachments to the notes to the consolidated annual report

1 - Statement of changes in tangible assets

Tangible assets *Millions of euro*	**Net book value at 12 31 2013**	**Changes during the year**			
		Investments	**Changes in category**	**Other changes**	
				Gross value	**Accumulated depreciation**
Land	245			26	
Buildings	986	3	11	(4)	1
Plant and machinery	4,438	83	75	67	(56)
Industrial and commercial equipment	40	5		(24)	3
Other assets	57	9	3	(5)	2
Landfills	27		1	23	(13)
Assets held under concession					
Construction in progress and advances	107	107	(96)	(8)	
Leasehold improvements	24	30	6	3	(1)
Leased assets	6			(55)	52
Total tangible assets	**5,930**	**237**	**-**	**23**	**(12)**

Tangible assets *Millions of euro*	**Net book value at 12 31 2012**	**Changes during the year**			
		Investments	**Changes in category**	**Other changes**	
				Gross value	**Accumulated depreciation**
Land	249			(3)	
Buildings	1,064	4	7	(1)	
Plant and machinery	4,816	77	113	4	
Industrial and commercial equipment	40	5			
Other assets	58	14	2	(12)	9
Landfills	14	5		13	
Assets held under concession					
Construction in progress and advances	109	119	(122)	6	
Leasehold improvements	13	3		21	
Leased assets	7				
Total tangible assets	**6,370**	**227**	**-**	**28**	**9**

Changes during the year					Net book value at 12 31 2014
Write-downs	Disposals/Sales		Depreciation	Total changes for the year	
	Asset value	Accumulated depreciation			
			(1)	25	270
(6)			(42)	(37)	949
(152)	(13)	5	(311)	(302)	4,136
			(4)	(20)	20
	(2)	2	(14)	(5)	52
			(8)	3	30
(1)				2	109
	(1)		(4)	33	57
			(1)	(4)	2
(159)	**(16)**	**7**	**(385)**	**(305)**	**5,625**

Changes during the year					Net book value at 12 31 2013
Write-downs	Disposals/Sales		Depreciation	Total changes for the year	
	Asset value	Accumulated depreciation			
(1)				(4)	245
(37)	(7)	2	(46)	(78)	986
(208)	(28)	11	(347)	(378)	4,438
			(5)		40
	(3)	3	(14)	(1)	57
			(5)	13	27
(4)	(1)			(2)	107
	(15)	4	(2)	11	24
			(1)	(1)	6
(250)	**(54)**	**20**	**(420)**	**(440)**	**5,930**

2 - Statement of changes in intangible assets

Intangible assets *Millions of euro*	Net book value at 12 31 2013	Changes during the year			
		Acquisitions	Changes in category	Reclassifications/Other changes	
				Gross value	Accumulated amortization
Industrial patent and intellectual property rights	36	5	11		(1)
Concessions, licences, trademarks and similar rights	748	48	12		1
Goodwill	482				
Assets in progress	21	17	(23)		
Other intangible assets	19				4
Total intangible assets	**1,306**	**70**	**-**		**4**

Intangible assets *Millions of euro*	Net book value at 12 31 2012	Changes during the year			
		Acquisitions	Changes in category	Reclassifications/Other changes	
				Gross value	Accumulated amortization
Industrial patent and intellectual property rights	35	6	11	13	(9)
Concessions, licences, trademarks and similar rights	752	38	5		
Goodwill	569			(87)	
Assets in progress	24	13	(16)		
Other intangible assets	13			9	
Total intangible assets	**1,393**	**57**	**-**	**(65)**	**(9)**

	Changes during the year					Net book value at 12 31 2014
	Disposals/Sales		Write-downs	Amortization	Total changes for the year	
	Asset value	Accumulated amortization				
				(17)	(2)	34
	(4)	3		(42)	18	766
						482
					(6)	15
				(2)	2	21
	(4)	**3**		**(61)**	**12**	**1,318**

	Changes during the year					Net book value at 12 31 2013
	Disposals/Sales		Write-downs	Amortization	Total changes for the year	
	Asset value	Accumulated amortization				
				20	1	36
	(8)	4		(43)	(4)	748
					(87)	482
					(3)	21
				(3)	6	19
	(8)	**4**		**(66)**	**(87)**	**1,306**

3 - List of companies included in the consolidated annual report

Company name	Registered office	Currency	Share capital (*thousands*)
Scope of consolidation			
A2A Reti Gas S.p.A.	Brescia	Euro	445,000
A2A Reti Elettriche S.p.A.	Brescia	Euro	520,000
A2A Calore & Servizi S.r.l.	Brescia	Euro	150,000
Selene S.p.A.	Brescia	Euro	3,000
A2A Servizi alla Distribuzione S.p.A.	Brescia	Euro	2,000
A2A Energia S.p.A.	Milan	Euro	2,000
A2A Trading S.r.l.	Milan	Euro	1,000
A2A Logistica S.p.A.	Brescia	Euro	250
A2A Ciclo Idrico S.p.A.	Brescia	Euro	70,000
A2A Ambiente S.p.A.	Brescia	Euro	220,000
Aspem Energia S.r.l.	Varese	Euro	2,000
A2A Montenegro d.o.o.	Podgorica (Montenegro)	Euro	300
Mincio Trasmissione S.r.l.	Brescia	Euro	10
Assoenergia S.p.A. in liquidation	Brescia	Euro	126
Abruzzoenergia S.p.A.	Gissi (Ch)	Euro	130,000
Retragas S.r.l.	Brescia	Euro	34,495
Aspem S.p.A.	Varese	Euro	174
Varese Risorse S.p.A.	Varese	Euro	3,624
Ostros Energia S.r.l. in liquidation	Brescia	Euro	350
Camuna Energia S.r.l.	Cedegolo (Bs)	Euro	900
A2A Alfa S.r.l.	Milan	Euro	100
Plurigas S.p.A. in liquidation	Milan	Euro	800
SEASM S.r.l.	Brescia	Euro	700
Proaris S.r.l.	Milan	Euro	1,875
Edipower S.p.A. (*)	Milan	Euro	1,139,312
Ecofert S.r.l. in liquidation	S. Gervasio Bresciano (Bs)	Euro	100
A3A S.r.l.	Brescia	Euro	10
Ecodeco Hellas S.A.	Atene	Euro	60
Ecolombardia 18 S.r.l.	Milan	Euro	658
Ecolombardia 4 S.p.A.	Milan	Euro	13,515
Sicura S.r.l.	Milan	Euro	1,040
Sistema Ecodeco UK Ltd	Canvey Island Essex (UK)	GBP	250
Vespia S.r.l. in liquidation	Milan	Euro	10
A.S.R.A.B. S.p.A.	Cavaglià (BI)	Euro	2,582
Nicosiambiente S.r.l.	Milan	Euro	50
Bioase S.r.l.	Sondrio	Euro	677
Montichiariambiente S.r.l.	Brescia	Euro	10
Aprica S.p.A.	Brescia	Euro	20,000
Amsa S.p.A.	Milan	Euro	10,000
Elektroprivreda Cnre Gore AD Niksic (EPCG)	Niksic (Montenegro)	Euro	1,003,666
EPCG d.o.o. Beograd	Beograd (Serbia)	Dinar RSD	35
Zeta Energy d.o.o.	Danilovgrad (Montenegro)	Euro	12,240

(*) The percentage does not take into account the possibility that the put option may be exercised.

% consolidated group shareholding at 12 31 2014	Shareholding %	Shareholder	Valuation method
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Reti Gas S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Energia S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
97.76%	97.76%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
91.60%	91.60%	A2A S.p.A. (87.27%) A2A Reti Gas S.p.A. (4.33%)	Line-by-line consolidation
90.00%	90.00%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	Aspem S.p.A.	Line-by-line consolidation
80.00%	80.00%	A2A S.p.A.	Line-by-line consolidation
74.50%	74.50%	A2A S.p.A.	Line-by-line consolidation
70.00%	70.00%	A2A Trading S.r.l.	Line-by-line consolidation
70.00%	70.00%	A2A S.p.A.	Line-by-line consolidation
67.00%	67.00%	A2A S.p.A.	Line-by-line consolidation
60.00%	60.00%	A2A S.p.A.	Line-by-line consolidation
79.50%	79.50%	A2A S.p.A.	Line-by-line consolidation
47.00%	47.00%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Ambiente S.p.A.	Line-by-line consolidation
98.86%	98.86%	A2A Ambiente S.p.A.	Line-by-line consolidation
68.58%	68.58%	A2A Ambiente S.p.A.	Line-by-line consolidation
96.80%	96.80%	A2A Ambiente S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Ambiente S.p.A.	Line-by-line consolidation
99.90%	99.90%	A2A Ambiente S.p.A.	Line-by-line consolidation
70.00%	70.00%	A2A Ambiente S.p.A.	Line-by-line consolidation
99.90%	99.90%	A2A Ambiente S.p.A.	Line-by-line consolidation
70.00%	70.00%	A2A Ambiente S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Ambiente S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Ambiente S.p.A.	Line-by-line consolidation
100.00%	100.00%	A2A Ambiente S.p.A.	Line-by-line consolidation
41.75%	41.75%	A2A S.p.A.	Line-by-line consolidation
100.00%	100.00%	EPCG	Line-by-line consolidation
57.86%	51.00%	EPCG	Line-by-line consolidation

4 - List of shareholdings in companies carried at equity

Company name	Registered office	Currency	Share capital (*thousands*)
Shareholdings in companies carried at equity			
PremiumGas S.p.A.	Bergamo	Euro	120
Ergosud S.p.A.	Roma	Euro	81,448
Ergon Energia S.r.l. in liquidation	Milan	Euro	600
Metamer S.r.l.	San Salvo (Ch)	Euro	650
Bergamo Servizi S.r.l.	Sarnico (Bg)	Euro	10
SET S.p.A.	Toscolano Maderno (Bs)	Euro	104
Azienda Servizi Valtrompia S.p.A.	Gardone Val Trompia (Bs)	Euro	6,000
Ge.S.I. S.r.l.	Brescia	Euro	1,000
Centrale Termoelettrica del Mincio S.r.l.	Ponti sul Mincio (Mn)	Euro	11
Serio Energia S.r.l.	Concordia sulla Secchia (Mo)	Euro	1,000
Visano Soc. Trattamento Reflui S.c.a.r.l.	Brescia	Euro	25
LumEnergia S.p.A.	Lumezzane (Bs)	Euro	300
Sviluppo Turistico Lago d'Iseo S.p.A.	Iseo (Bs)	Euro	1,616
ACSM-AGAM S.p.A.	Monza	Euro	76,619
Futura S.r.l.	Brescia	Euro	2,500
Prealpi Servizi S.r.l.	Varese	Euro	5,451
COSMO Società Consortile a Responsabilità Limitata	Brescia	Euro	100
G.Eco S.r.l.	Treviglio (Bg)	Euro	500
SED S.r.l.	Robassomero (TO)	Euro	1,250
Bergamo Pulita S.r.l.	Bergamo	Euro	10
Tecnoacque Cusio S.p.A.	Omegna (VB)	Euro	206
Bellisolina S.r.l.	Montanaso (LO)	Euro	10
Rudnik Uglja Ad Pljevlja	Pljevlja (Montenegro)	Euro	21,493
Total shareholdings			

Shareholding %	Shareholder	Carrying amount at 12 31 2014 (*thousands*)	Valuation method
50.00%	A2A Alfa S.r.l.	3,329	Equity
50.00%	A2A S.p.A.	-	Equity
50.00%	A2A S.p.A.	-	Equity
50.00%	A2A Energia S.p.A.	1,545	Equity
50.00%	Aprica S.p.A.	383	Equity
49.00%	A2A S.p.A.	1,116	Equity
49.15%	A2A S.p.A. (48.77%) A2A Reti Gas S.p.A. (0.38%)	4,755	Equity
44.50%	A2A S.p.A.	1,670	Equity
45.00%	A2A S.p.A.	3	Equity
40.00%	A2A S.p.A.	759	Equity
40.00%	A2A S.p.A.	10	Equity
33.33%	A2A Energia S.p.A.	214	Equity
24.29%	A2A S.p.A.	833	Equity
21.94%	A2A S.p.A.	33,112	Equity
20.00%	A2A Calore & Servizi S.r.l.	638	Equity
12.47%	Aspem S.p.A.	954	Equity
52.00%	A2A Calore & Servizi S.r.l.	69	Equity
40.00%	Aprica S.p.A.	3,400	Equity
50.00%	A2A Ambiente S.p.A.	1,496	Equity
50.00%	A2A Ambiente S.p.A.	-	Equity
25.00%	A2A Ambiente S.p.A.	242	Equity
50.00%	A2A Ambiente S.p.A.	-	Equity
39.49%	A2A S.p.A.	19,067	Equity
		73,596	

5 - List of available-for-sale financial assets

Company name	Shareholding %	Shareholder	Carrying value at 12 31 2014 (*thousands*)
Available-for-sale financial assets (AFS)			
Infracom S.p.A.	0.44%	A2A S.p.A.	155
Immobiliare-Fiera di Brescia S.p.A.	5.83%	A2A S.p.A.	642
Azienda Energetica Valtellina e Valchiavenna S.p.A. (AEVV)	9.39%	A2A S.p.A.	1,846
Other:			
Alesa S.r.l.	6.01%	A2A Reti Gas S.p.A.	
AQM S.r.l.	7.52%	A2A S.p.A.	
AvioValtellina S.p.A.	0.18%	A2A S.p.A.	
Banca di Credito Cooperativo di Calcio e Covo Società Cooperativa	n.s.	A2A S.p.A.	
Brescia Mobilità S.p.A.	0.25%	A2A S.p.A.	
Cavaglià Sud S.r.l. in liquidation	1.00%	A2A Ambiente S.p.A.	
Consorzio DIX.IT in liquidation	14.28%	A2A S.p.A.	
Consorzio Ecocarbon	n.s.	A2A Ambiente S.p.A.	
Consorzio Italiano Compostatori	n.s.	A2A Ambiente S.p.A.	
Consorzio L.E.A.P.	10.53%	A2A S.p.A.	
Consorzio Milan Sistema in liquidation	10.00%	A2A S.p.A.	
Consorzio Polieco	n.s.	A2A Ambiente S.p.A.	
Emittenti Titoli S.p.A.	1.85%	A2A S.p.A.	
E.M.I.T. S.r.l. in liquidation	10.00%	A2A S.p.A.	
Guglionesi Ambiente S.c.a.r.l.	1.01%	A2A Ambiente S.p.A.	
INN.TEC. S.r.l. in liquidation	11.45%	A2A S.p.A.	
Isfor 2000 S.c.p.a.	4.94%	A2A S.p.A.	
S.I.T. S.p.A.	0.26%	Aprica S.p.A.	
Stradivaria S.p.A.	n.s.	A2A S.p.A.	

Company name	Shareholding %	Shareholder	Carrying value at 12 31 2014 (*thousands*)
Tirreno Ambiente S.p.A.	3.00%	A2A Ambiente S.p.A.	
Prva banka Crne Gore A.D. Podgorica (*)	19.76%	EPCG	
DI.T.N.E.	1.45%	Edipower S.p.A.	
SIRIO S.C.P.A.	0.02%	Edipower S.p.A.	
ORIONE S.C.P.A.	0.22%	Edipower S.p.A.	
Total other financial assets			**6,200**
Total available-for-sale financial assets			**8,843**

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

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

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

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

- the adequacy in relation to the characteristics of the business and
- the effective application

of administrative and accounting procedures for the preparation of financial statements in the year 2014.

2. It is also certified that:

2.1 the consolidated financial statements:

a) are prepared in accordance with International Financial Reporting Standards as endorsed by the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002;

b) correspond to the information contained in the accounting ledgers and records;

c) provide a true and fair representation of the equity, economic and financial situation of the issuer and the whole of the companies included in the scope of consolidation;

2.2 the report on operations includes reliable analysis on the performance, result of operations and the business of the issuer and of all entities included in the consolidated financial statements as well as description of principal risks and uncertainties to which they are exposed.

Milan, April 9, 2015

Luca Camerano (For the Board of Directors)	Andrea Eligio Crenna (Manager in charge of preparing the corporate accounting documents)

0.5
Independent Auditors' Report

Independent Auditors' Report

AUDITORS' REPORT IN ACCORDANCEWITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

To the Shareholders of
A2A SpA

1 We have audited the consolidated financial statements of A2A SpA and its subsidiaries ("A2A Group") as of 31 December 2014, which comprise the statement of financial position, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and related notes. The directors of A2A SpA are responsible for the preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB, the Italian stock exchange commission. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors.We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 4 April 2014.

3 In our opinion, the consolidated financial statements of A2A SpA as of 31 December 2014 comply with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been drawn up clearly and give a true and fair view of the consolidated financial position, results of operations and cashflows of A2A SpA for the year then ended.

4 The directors of A2A are responsible for the preparation of a report on operations and a report on corporate governance and ownership structure, published in the *Governance – Corporate Documents* section of the company's website, in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No.58/98, presented in thereport on corporate governance and ownership structure, with the financial statements, as required

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by law. For this purpose, we have performed the procedures required under Italian Auditing Standard No. 001 issued by the Italian accounting profession (*Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*) and recommended by CONSOB. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No.58/98 presented in the report on corporate governance and ownership structure are consistent with the consolidated financial statements of A2A SpA as of 31 December 2014.

Milan, 27 April 2015

PricewaterhouseCoopers SpA

signed by
Giulio Grandi
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers