A2A S.p.A.
Via Lamarmora 230, 25100 Brescia,
Chare capital: Euro 1,629,110,744.04 fully paid
Fiscal code and registration on the Brescia Business Register 11957540153

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EXPLANATORY REPORT OF THE BOARD OF DIRECTORS ABOUT THE PLAN FOR THE MERGER BY INCORPORATION OF EDIPOWER S.p.A. AND A2A TRADING S.r.l. INTO A2A S.p.A.

(pursuant to Article 2501-quinquies, Italian Civil Code, and Article 70, Paragraph 2, Issuer Regulations)

INTRODUCTION

This report has been prepared by the board of directors of the company, A2A S.p.A. (a company publicly traded on regulated markets), pursuant to Article 2501-quinquies, Italian Civil Code, and Article 70, Paragraph 2, CONSOB Resolution No. 11971 of 14 May 1999 and subsequent amendments and additions (hereinafter, the "**Issuer Regulations"**), and has the purpose of illustrating and justifying, from a legal and business perspective, the plan for the merger-by-incorporation (hereinafter, also referred to as the **"Merger"**) of the companies, Edipower S.p.A. and A2A Trading S.r.l. (hereinafter, also known as the "**Merged Companies**") into the company, A2A S.p.A. (hereinafter, also known as the "**Incorporating Company**").

1. Companies participating in the Merger

Incorporating Company: "**A2A S.p.A.**", with registered office at Via Lamarmora 230, Brescia, and with managerial and administrative offices at Corso di Porta Vittoria 4, Milan, share capital of Euro 1,629,110,744.04 fully paid, registered on the Brescia Business Register, fiscal code and registration number 11957540153, Economic and Administrative Index No. 493995.

Merged Companies**:** "**Edipower S.p.A.**", with sole shareholder, with registered office at Corso di Porta Vittoria n. 4, Milan, share capital of Euro 905,710,851.00 fully paid, registered on the Milan Business Register, fiscal code and registration number 13442230150, Economic and Administrative Index No. 1651649, company subject to the activity of direction and coordination on the part of the Incorporating Company; "**A2A Trading S.r.l.**", with sole shareholder, with registered office at Milan, course of Porta Vittoria n. 4, share capital of Euro 1,000,000.00 fully paid, registered on the Milan Business Register, fiscal code and registration number 13390450156, Economic and Administrative Index No. 1645194, company subject to the activity of direction and coordination on the part of the Incorporating Company.

2. Type of Merger

The proposed Merger is to be executed through a standard merger by direct incorporation, considering that the Merged Companies are wholly owned by the Incorporating Company. From the standpoint of civil law, the transaction is to be executed in conformity with Article 2501 and the articles thereafter of the Italian Civil Code, and according to the terms and conditions contained in the Merger plan.

3. Purpose of the transaction

The merger-by-incorporation of "Edipower S.p.A." and "A2A Trading S.r.l." is in line with the process to streamline the companies of the A2A Group and represents an important aspect of the corporate restructuring of assets and activities of the A2A Group's Generation and Trading Business Unit.

Aside from reducing the number of special-purpose companies controlled by the holding company, this transaction will make it possible to bring together within one company all of the Group's hydroelectric assets, with consequent cost savings and possible improvements in terms of optimizing the organization and operations. At the same time, the integration of the Group's energy management activity will facilitate more rational operation with the production assets, as well as simplification of the intercompany contractual relationships currently in effect.

4. Legal aspects

The Merged Companies are wholly owned by the Incorporating Company, meaning the provisions of Article 2505, Italian Civil Code are applicable to the Merger, and, therefore, with there being no exchange ratio, there is no requirement to prepared the documents referenced in Article 2501-quinquies and Article 2501-sexies, Italian Civil Code. In addition, there will be no capital increase to service the Merger.

This explanatory report has nonetheless been prepared in accordance with the general criteria outlined in the Exhibit 3A referenced in Article 70, Paragraph 2, Issuer Regulations (i) because the Incorporating Company is listed in regulated markets, and (ii) for the purpose of providing adequate information to shareholders, the financial market and the regulatory bodies.

It is furthermore noted that:

- the proposed Merger does not qualify as one of the cases referenced in Article 117-bis of Legislative Decree No. 58 of 24 February 1998 (Consolidated Finance Act), since the magnitude of the assets of the Incorporating

Company, other than cash, cash equivalents and current financial asstes, is not only not significantly less than the assets of the Merged Companies, but is instead significantly greater;

- the explanatory document referenced in Article 70, Paragraph 6, Issuer Regulations has not been prepared since the proposed Merger is related to companies wholly owned and controlled by the Incorporating Company;
- the transaction referenced herein does not qualify as one of the transactions described in Article 2501-bis, Italian Civil Code (merger through leveraged buy-out);
- the transaction does not necessitate the authorization of the antitrust authorities since it is an infra-group transaction.

5. Financial statements of reference

Pursuant to Article 2501-quater, the resolution for the Merger is to be adopted on the basis of the financial statements of the companies involved, as prepared by the respective administrative bodies with reference to the date of 31 December 2015.

6. Effects of the Merger

For effect of the Merger, the Incorporating Company will acquire all of the net assets of the Merged Companies; as indicated, the Incorporating Company already owns all of the share capital of the Merged Companies. As such, the equity investments held by the Incorporating Company in the Merged Companies are to be cancelled.

The transaction will have no effect in amending the current equity investments within the Incorporating Company, since the Merger transaction does not entail A2A’s issuance of new shares.

The Merger will not lead to any changes in the Incorporating Company’s bylaws.

Pursuant to Article 2504-bis, Italian Civil Code, the Merger will become effective with respect to third parties as from the first day of the month following the last of the registrations of the Merger Act. However, should the last of the registrations occur on the first day of the month, the effectiveness of the Merger shall be that day. The Merger Act may provide for a later date.

The transactions effected by the Merged Companies shall be booked to the Incorporating Company's financial statements as from the first day of the year in which the Merger goes into effect, and for tax purposes, the Merger shall be considered effective as from the same date.

All of the companies involved in the Merger have a fiscal year end of 31 December.

Furthermore, the Merger:

- does not provide for any special treatment of specific categories of shareholders or holders of securities other than shares, nor does it provide any special advantage for the persons responsible for the administration of the participating companies;
- does not provide for any effect on shareholder agreements whose subject matter is the shares of the Incorporating Company;
- does not entail any exclusion of the Incorporating Company from its stock-market listing, and accordingly, the assumption of the right of withdrawal provided by Article 2437-quinquies Italian Civil Code is not applicable.

7. Tax ramifications

Aside from numerous other fiscal repercussions that will manifest effects of an operational nature on obligations and procedural formalities, and with respect to the payment of taxes, the main tax-related effects of the transaction are described hereunder:

- for tax purposes, the merger of companies is governed by Article 172 of the Decree of the President of the Republic No. 917 of 2 December 1986, as amended by Legislative Decree No. 344 of 2 December 2003;
- prevailing tax legislation is based on principles of general neutrality of merger transactions, which constitute neither the realization nor the distribution of capital gains and capital losses, whether with respect to the companies involved in the merger transaction or the related shareholders;
- for the effect of the Merger, the Incorporating Company will take the place of the Merged Companies for all fiscal obligations and rights, as of the effective date of the Merger; accordingly, the payment obligations of the Merged Companies, including those related to prepayments of taxes and taxes

withheld, that will be extinguished for the effect of the Merger, are to be fulfilled by the Merged Companies until the effective date; subsequent to such date, the aforementioned obligations shall be understood to be transferred, for all effects, to the Incorporating Company;

- for the purposes of indirect taxes, the Merger constitutes a VAT-exempt transaction, pursuant to Article 2, Paragraph 3, Letter f) of the Decree of the President of the Republic No. 633/1972; pursuant to such decree, the transfers of assets as a result of corporate mergers are not considered sales relevant for VAT purposes.

Milan, 12 April 2016

Chief Executive Officer of A2A S.p.A.

Signed: Luca Camerano