



2014

Report on operations

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This is a translation of the Italian original “Relazione sulla gestione 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

Letter to Shareholders



Dear Shareholders,

The year 2014 was a breakthrough year for the A2A Group, a year of change, from the governance with the establishment of the new Board of Directors in June, a year in which we laid the foundations for a new cycle of growth and development.

For the Italian economy, the year just ended was a further year of recession, the third in a row since the crisis began. GDP and industrial production continued to decline, although less than in the previous two years, having a negative impact on the energy sector: the demand for electricity decreased in the year by another 3% compared to 2013 and the demand for natural gas fell by 11.6%, mainly due to the very mild temperatures. The national electricity system is also characterized by an increasingly structural crisis in the thermoelectric sector. This has led to a further reduction of 10% of thermoelectric power generated in Italy over the previous year.

Despite the unfavourable conditions, with its core business the A2A Group has been able to achieve more than positive financial results, coping with these dynamics with operational efficiency initiatives that have involved, alongside the new management, the entire corporate structure and that have generated significant results in the short term. Despite the decrease in revenues, largely due to the above factors as well as the decline in wholesale energy prices, the EBITDA ratio was over a billion euro (1,024 million euro, -9.6% compared to 2013), with a net profit from ordinary activities of 175 million euro, up 12.2% over the previous year, and a net operating profit of 362 million euro, an increase of 41%. Profit for the year for -37 million euro (62 million euro in 2013) was affected by the effects of extraordinary items related to the write-down of thermoelectric assets for 207 million euro and the elimination of the “Robin

Hood Tax” for 65 million euro. It shall also be noted that during the year, investments were made for 307 million euro (+8.1% compared to 2013) and dividends were distributed for 102 million euro (+25.9%). In terms of financial position, the debt was reduced by more than 500 million euro, contributing to enhancing the Group’s solidity.

The contribution of the various sectors to EBITDA still had a dominant role, although down compared to the previous year, for the *Energy Sector*, with 463 million euro (45.2% of the total). Followed by the *Networks Sector* with 298 million euro (29.1%), the *Environment Sector*, whose contribution was 222 million euro (21.7%) and the *Heat and Services Sector* with 61 million euro (6%).

As mentioned earlier, the year 2014 saw major changes in the Group’s governance and operational structure. Regarding the first aspect, the focus was on streamlining management with the transition from the dual system, based on a Supervisory Board and a Management Board, to a single governing body represented by a Board of Directors composed of twelve members, of which three (chairman, vice-chairman and CEO) joined in an Executive Committee with mainly consulting, advisory and coordination functions. This detailed framework clearly defines responsibilities, facilitates effective and timely decision making, provides for a balance of powers and emphasizes the central role of the Board of Directors in managing the Group and, in particular, determining and pursuing its strategic objectives. The operational structure has been reorganized by Business Units, aiming to greater accountability on the managed operations, as well as to further economic and managerial efficiency, the results of which already in 2014 can be quantified as a reduction of about 24 million of fixed costs.

In parallel, in line with the progressive optimization of invested capital and improvement of the operational management of the Group, two major transactions were completed that involved Edipower S.p.A., which joined the Group in 2012 and a direct subsidiary of A2A S.p.A. since November 2013. Through an exchange of shareholdings with Dolomiti Energia, A2A strengthened its controlling stake in Edipower bringing it from 70.95% to 79.5%. At the same time, the integration was initiated of the staff corporate structures of the two companies, as part of the plan of homogenization and operational integration of structures and processes, aimed at obtaining better synergies and economic-operational efficiency.

The A2A Group is now a leader in Italy in all business areas in which it operates: energy, networks, heat, environment. After the acquisition of Edipower, it is the second largest producer of energy, with about 10 GW installed and a product mix geared to renewable sources, from which 53% of the energy generated derives. It is also the leader in Italy in environmental services and in district heating and the second largest operator in electricity distribution networks and is one of the first in gas and water cycle networks. However, the path of growth and consolidation

on the domestic and European markets requires constantly looking forward to new goals and new development objectives. With this in mind, in the second half of the year, the Strategic Plan 2015-2019 was prepared. The main objective of the Plan, at the basis of which there will be over 2 billion euro of investments in the five-year period, is to relaunch and redesign the A2A Group, initiating a process of strategic repositioning that in 2020, will result in more modern multi-utility, leader in the environment, smart grids and new energy models, more balanced and profitable, able to seize the opportunities that will open up in the Green Economy and Smart Cities, in addition to create value for the communities served.

The attention to relations with the territory and with all stakeholders, as well as aspects of social and environmental responsibility, always one of the strengths of the Group, has been further strengthened. It is no coincidence that A2A received the “CEEP-CSR Label” in 2014, a prestigious award sponsored by the CEEP - “European Centre of public utility companies” in Brussels and awarded annually to public utility companies that have distinguished themselves in the application of best European standards.

In summary, with 2014 we close a year in which the foundations were laid for further growth of the Group, with ambitious but attainable objectives. All 12,000 employees deserve our thanks for the passion, intelligence and commitment expressed daily in their work. Thanks to them, A2A has strongly consolidated its presence in the market and is ready to face the new challenges ahead.

Chairman of the Board of Directors

Giovanni Valotti



Chief Executive Officer

Luca Valerio Camerano



Corporate boards

BOARD OF DIRECTORS

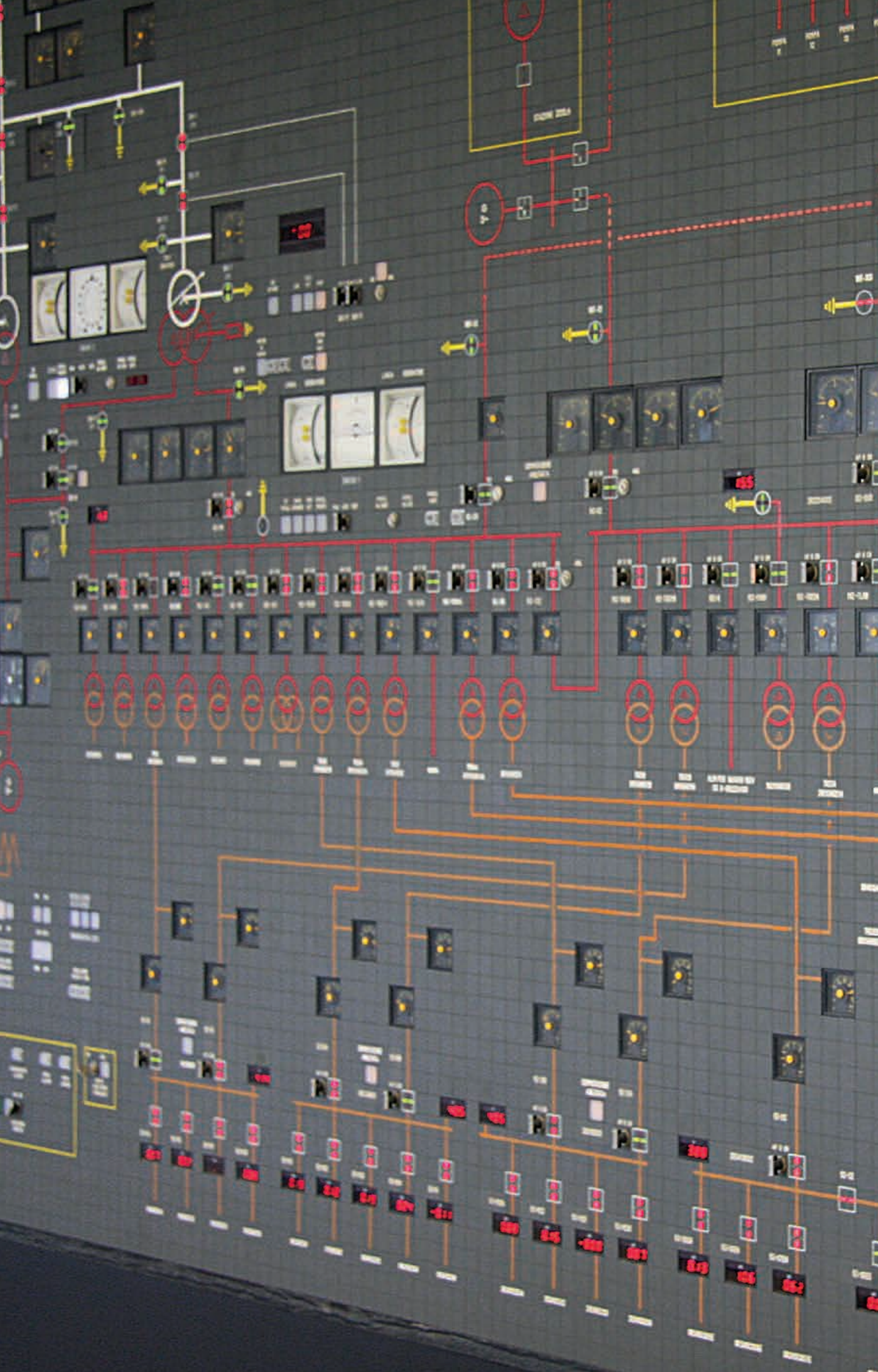
CHAIRMAN
Giovanni Valotti
DEPUTY CHAIRMAN
Giovanni Comboni
CHIEF EXECUTIVE OFFICER
Luca Camerano
DIRECTORS
Antonio Bonomo
Stefano Cao
Michaela Castelli
Elisabetta Ceretti
Mario Cocchi (resigned March 27, 2015)
Luigi De Paoli
Fausto Di Mezza
Stefano Pareglio
Secondina Giulia Ravera

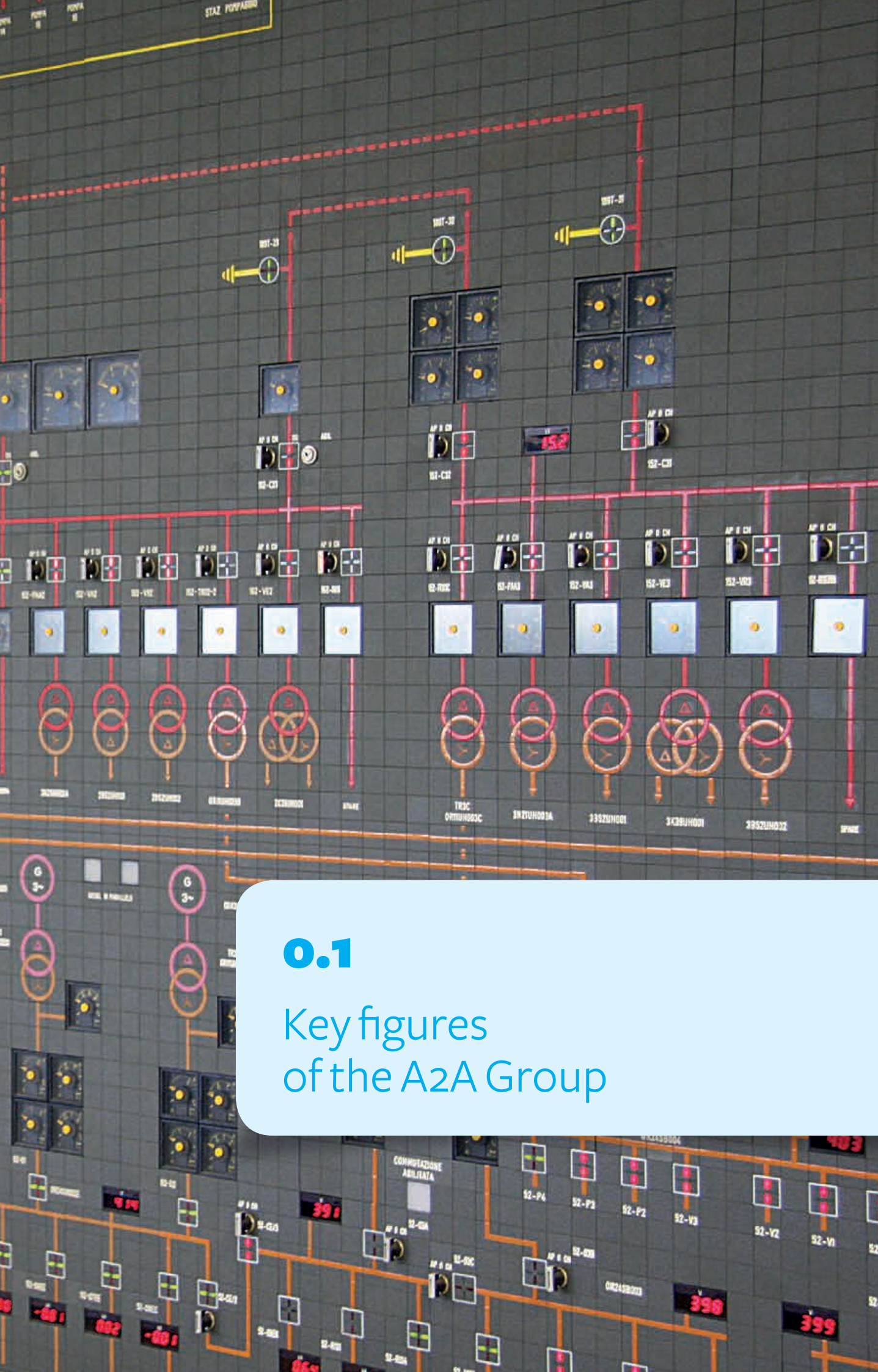
BOARD OF STATUTORY AUDITORS

CHAIRMAN
Giacinto Gaetano Sarubbi
STANDING AUDITORS
Cristina Casadio
Norberto Rosini
SUBSTITUTE AUDITORS
Onofrio Contu
Paolo Prandi

INDEPENDENT AUDITORS

PRICEWATERHOUSECOOPERS S.P.A.





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Key figures of the A2A Group

Areas of activity

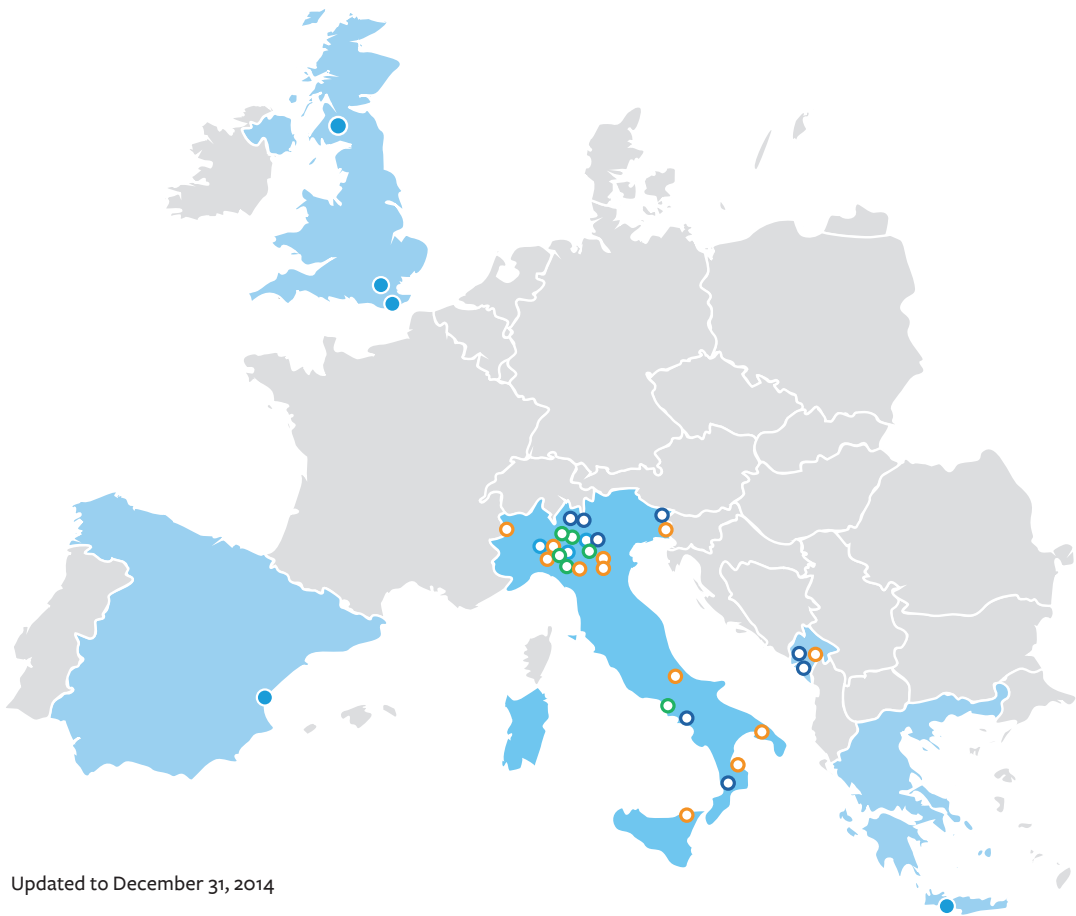
The A2A Group operates in the production, sale and distribution of gas and electricity, district heating, environmental services and the integrated water cycle. These activities in turn form part of the following sectors:

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.

Geographical areas of activity

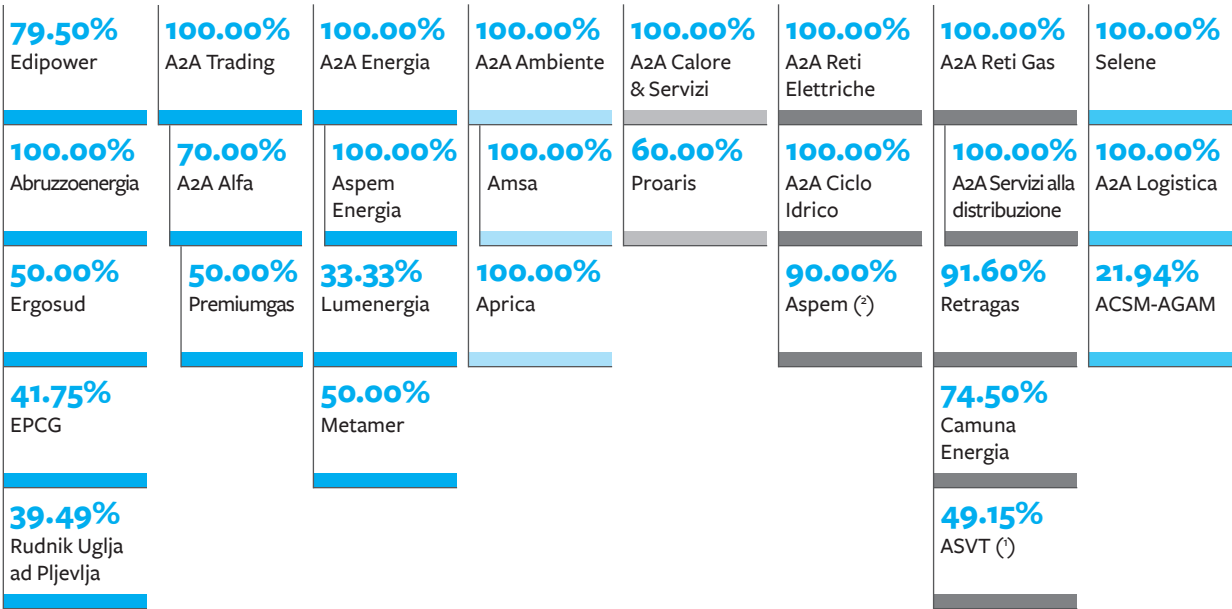


Updated to December 31, 2014

- Hydroelectric plants
- Thermoelectric plants
- Cogeneration plants
- Waste treatment plants
- Technological partnerships

Group structure

A2A S.p.A.



Areas of activity

Energy

Environment

Heat and Services

Networks

Other companies

(1) Of which 0.38% held through A2A Reti Gas S.p.A..

(2) There are put options on an additional interest in the company's share capital.

This chart shows the most significant shareholdings of the A2A Group. See attachments 3, 4 and 5 for full details of shareholdings.

Financial highlights at December 31, 2014 (**)

Revenues _____	4,984 million euro
Gross operating income _____	1,024 million euro
Result of the year _____	(37) million euro

Income statement figures

Millions of euro

	01 01 2014 12 31 2014	01 01 2013 12 31 2013
Revenues	4,984	5,604
Operating expenses	(3,311)	(3,807)
Labour costs	(649)	(664)
Gross operating income	1,024	1,133
Depreciation, amortization, provisions and write-downs	(662)	(876)
Net operating income	362	257
Result from non-recurring transactions	9	75
Financial balance	(210)	(206)
Result before taxes	161	126
Income taxes	(179)	(51)
Net result from discontinued operations	-	-
Minorities	(19)	(13)
Group result of the year	(37)	62
Gross operating income/Revenues	20.5%	20.2%

(**) The figures serve as performance indicators as required by CESRN/05/178/B

Balance sheet figures

Millions of euro

	12 31 2014	12 31 2013
Net capital employed	6,542	7,222
Total equity attributable to the Group and minorities	3,179	3,348
Consolidated net financial position	(3,363)	(3,874)
Consolidated net financial position/Equity attributable to the Group and minorities	1.06	1.16
Consolidated net financial position/Average market capitalisation	1.27	1.95

Financial data

Millions of euro

	01 01 2014 12 31 2014	01 01 2013 12 31 2013
Net cash from operating activities	940	779
Net cash used in investing activities	(303)	(231)
Free cash flow	637	548

Dividend _____ 0.0363 euro per share

Average market capitalization in 2014 _____ 2,639 million euro

Market capitalization at December 30, 2014 _____ 2,624 million euro

Key figures of A2A S.p.A.

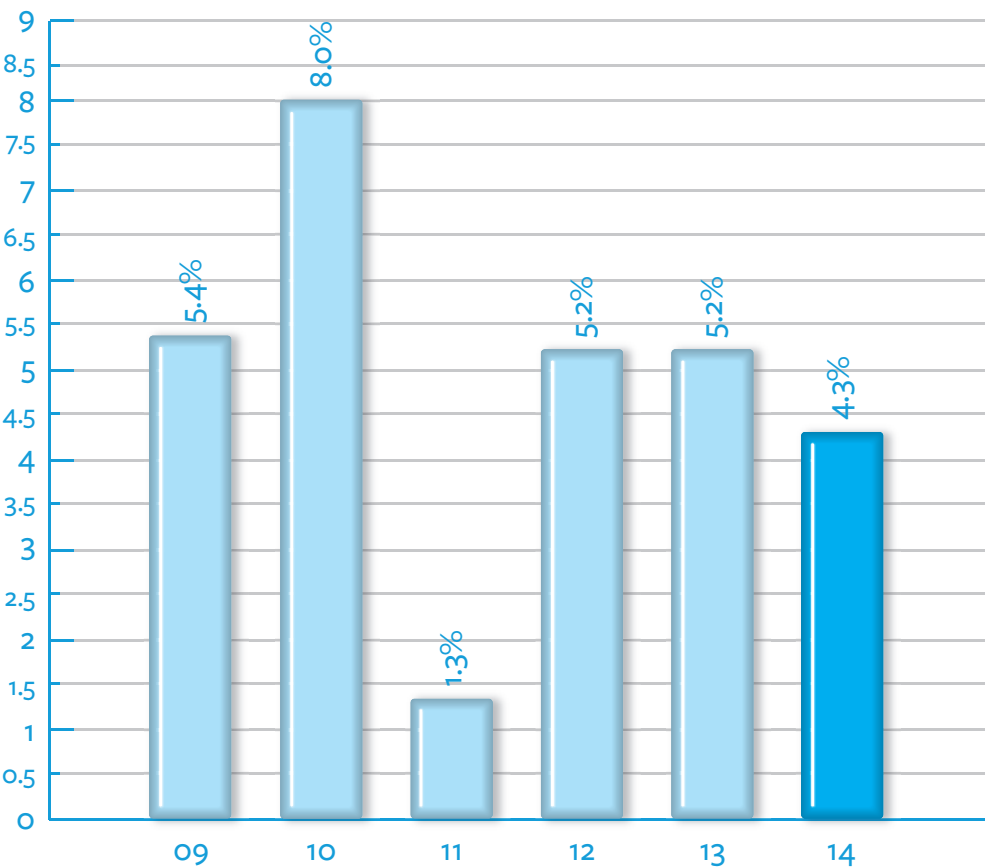
	12 31 2014	12 13 2013
Share capital (euro)	1,629,110,744	1,629,110,744
Number of ordinary shares (par value 0.52 euro)	3,132,905,277	3,132,905,277
Number of treasury shares (par value 0.52 euro)	26,917,609	26,917,609

Key indicators

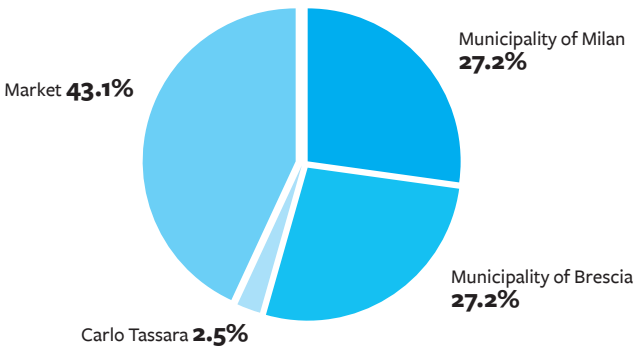
	12 13 2014	12 31 2013
Average 6-month Euribor	0.308%	0.336%
Average price of Brent crude (US\$/bbl)	99.51	108.74
Average exchange rate euro/US\$ (*)	1.33	1.33
Average price of Brent crude (euro/bbl)	74.59	81.87
Average price of coal (euro/tonne)	56.65	61.53

(*) Source: Italian Foreign Exchange Office.

Dividend/average share price for the year (DIVIDEND YIELD)



Shareholdings (*)



(*) Holdings exceeding 2% (updated at December 31, 2014).

Source: CONSOB, Italian Stock Exchange.

A2A S.p.A. on the Stock Exchange

A2A S.p.A. in figures (Italian Stock Exchange)

Market capitalisation at December 31, 2014 (millions of euro)	2,624
Average capitalisation in 2014 (millions of euro)	2,639
Average volumes in 2014	15,847,798
Average price in 2014 (*)	0.842
Maximum price in 2014 (*)	1.029
Minimum price in 2014 (*)	0.701
Number of shares	3,132,905,277

(*) euro per share
Source: Bloomberg

A2A Stock is also traded on the following platforms: Chi-X, BATS, Turquoise, Equiduct, Sigma-X, BOAT OTC, LSE Europe OTC, BATS Chi-X OTC.

On June 26, 2014 A2A S.p.A. distributed a dividend of 0.033 euro per share.

Rating

		Current
Standard & Poor's	M/L Term Rating	BBB
	Short Term Rating	A-2
	Outlook	Negative
Moody's	M/L Term Rating	Baa3
	Outlook	Stable

Source: Rating agencies

A2A forms part of the following indices

FTSE MIB
STOXX Europe
EURO STOXX
Wisdom Tree
S&P Developed Ex-US

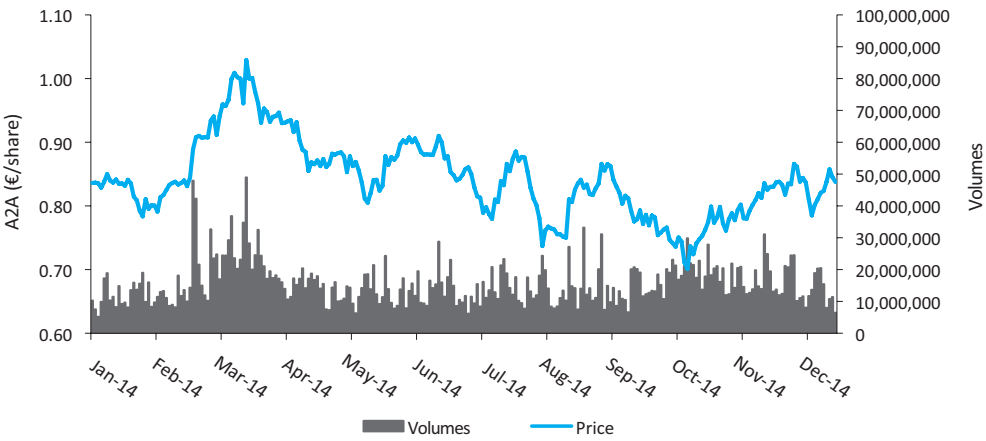
Ethical Indices

ECPI Ethical Index EMU
Axia Sustainable Index
Solactive Climate Change Index
FTSE ECPI Italia SRI Benchmark
Standard Ethics Italian Index

Source: Bloomberg

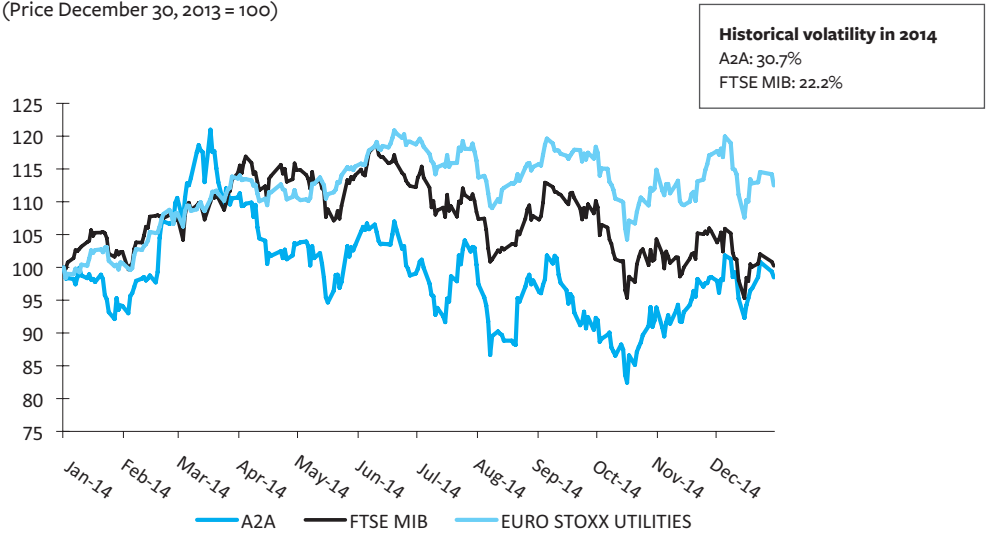
A2A is also included in the Ethibel Excellence Investment Register.

A2A in 2014



A2A vs FTSE MIB and EURO STOXX UTILITIES

(Price December 30, 2013 = 100)



Source: Bloomberg





0.2

Scenario and market

Macroeconomic scenario

2014 Results

Worldwide economic growth recorded an acceleration in 2014 thanks to the drive of developed countries; after +2.7% in 2013, global Gross Domestic Product (GDP) grew by 3.3% (Source: IMF). Of significant importance is the growth in the United States, which continue to be the locomotive of the world economy with +3.3% in 2014, and the slowdown in China where the GDP for 2014 amounted to +7.4%, the lowest rate in 24 years. Slowing growth in China is likely to have important repercussions at regional level, which partly explains the downward revisions of growth in many emerging countries in Asia.

Gross Domestic Product in the Eurozone grew by 0.8% in 2014, according to the latest estimates by the International Monetary Fund and Eurostat.

According to forecasts, 2014 was expected to be the year of the final recovery of the Italian economy. However, the changing international conditions, delays in payments of the debts of the public administration and the procrastination of the effects of the reforms of the previous biennium, marked the third consecutive year of recession for Italy. GDP came in at -0.4% after the declines of 2.4% in 2012 and 1.9% in 2013, returning to a lower level than that of 2000 (Source: Istat).

With regard to inflation, in 2014 and particularly in the last quarter, it declined almost everywhere, reflecting the decline in the prices of raw materials. The only exception is Brazil, where it remains high (6.4%) and Russia, where it continues to accelerate (11.4%) due to the sharp depreciation of the rouble and the rise of food product prices.

The Eurozone slipped into deflation in December. According to the estimate communicated by Eurostat, the inflation rate in the Eurozone stood at -0.2%, down from the increase of 0.3% recorded in November. On an annual basis, the average inflation rate is 0.4%, compared to an average of 1.3% the previous year.

For Italy, Istat confirmed preliminary estimates on the average annual inflation rate for 2014 of +0.2%, down by almost one percentage point compared to 2013 (+1.2%). The dynamic of

consumer prices in 2014 primarily reflects the effects of the prolonged decline in raw material costs (especially energy) and imported goods that combine with the persistent weakness in demand for consumption by households.

In 2014, the exchange rate of the euro against the US dollar had a divergent trend. Growth was recorded in the first part of the year that led it close to the ratio of 1.40 and then decreased gradually with the mitigation of the expansionary policies of the Federal Reserve (FED), until reaching the December low of 1.23 US dollars. The average annual value is 1.33, substantially in line with 2013.

During the year, the ECB revised the Reference Rate downward twice, already at a record low of 0.25%, bringing it to 0.15% in June and then 0.05% in September, then leaving it unchanged.

Outlook

The outlook in the short and medium term for the global economy remains uncertain due to the persistent weakness in the Eurozone and Japan, the ongoing slowdown in growth in China as well as the continuing economic crisis in Russia. The sharp fall in oil prices, determined both by supply expansion and weak demand, can help sustain growth. However, it entails risks due to the financial stability of exporting countries.

Global GDP is expected to increase only by 3.5% in 2015 and 3.7% in 2016; a reduction of 0.3 percentage points compared to the forecasts made in October. The United States continue to be the locomotive of the world economy with a +3.6% growth expected in 2015 while the outlook for emerging countries and in particular China has worsened. The second economic power in the world will see a slowdown in growth in 2015 to 6.3% (-0.3% compared with the October forecasts), i.e. the weakest expansion since 1990.

The International Monetary Fund (IMF) is more pessimistic even regarding Brazil, whose estimates were actually cut by 1.1%, stopping at a very weak +0.3% growth. However, according to the IMF, Russia will be affected by the most turmoil. Affected by the collapse in oil prices and the economic sanctions, it will see a GDP decline of 3 percentage points in 2015.

The International Monetary Fund has revised its forecasts downwards for global growth in Europe and Italy, warning that the positive effect of the decline in oil prices will be more than offset by weakness in investments and the halt in various countries. The Eurozone will also continue to be affected by deflation risks that will weigh on economic activity. The IMF expects growth of 1.2% in 2015 while in 2016 it will reach 1.4%. With regard to Italy, the IMF expects growth of 0.4% in 2015 followed by +0.8% in 2016.

Inflation in the Eurozone is expected to reach a low in the first quarter of 2015 before returning to grow slowly in the second quarter. The main upward risks are related to the further depreciation of the euro and the fall in oil prices both able to ensure stimulus to domestic and foreign demand. Downward risks mainly depend on the repercussions from the results of the Greek elections on the stability of the Eurozone.

Deflation is expected in Italy in 2015. According to the economic bulletin of the Bank of Italy, the change in consumer prices, which stood at 0.2% on average in 2014, should be marginally negative in 2015 and -0.2%, largely reflecting the sharp drop in oil prices. Inflation should then remain below 1% even in 2016.

The euro, after losing 12% in 2014 against the US currency, continued the downward trend in the first weeks of 2015. The Federal Reserve has completed the monetary stimulus (after three monetary easing plans undertaken since 2009) and is preparing for a rate increase. This is undoubtedly a “restrictive” factor that, in terms of exchange rate, pushes towards a revaluation of the dollar against major currencies, including the euro. However, on January 22, 2015, the President of the ECB Mario Draghi reiterated that the European Central Bank will initiate a plan of “Quantitative Easing” that is, the purchase of government bonds and other bonds from banks to introduce new money in the European economy, stimulate bank lending to businesses and boost inflation, currently dangerously low, at around 2%. These two opposing forces will favour an appreciation of the dollar against the euro. The exchange rate of the dollar against the euro is expected to fall to a value of 1.20 in the 2015-2016 biennium (Source: ECB).

According to market expectations, the three-month interest rate is expected to remain stable at 0.1% for the entire 2015-2016 biennium; yields on ten-year BTPs should gradually increase to 2.3% in 2015, reaching 2.6% in 2016.

Energy market trends

The year 2014 was characterized by the collapse in oil prices; this situation will have important consequences in 2015 as well. The decrease began as early as mid-year and continued in the third quarter with a sharp acceleration in the last two months. The price of Brent went from 115 \$/bbl in May to 60 \$/bbl in December (-44.6%). The price averaged 99.5 \$/bbl for the year, a decrease of 8.5% over the previous year.

Prices were driven downwards by the structural market conditions. The continuous increase in US crude oil production over the last two years and the growth in demand at rates below expectations led to a gradual but continuous increase in supply and stocks worldwide. The failure to reach an agreement in the OPEC meeting held November 24, 2014 also contributed to the decline in prices. During the meeting, it was decided to maintain production unchanged consolidating a situation of oversupply, and the subsequent announcement of additional discounts from Saudi Arabia that is attempting to gain market share also at the expense of prices charged. With reference to world demand, it is noted that, in the report of December 12, 2014, the International Energy Agency (IEA) revised the estimate for the year 2014 downward once again, forecasting a reduction of -0.23 Mbbbl/g.

The worldwide coal market remains very weak, mainly due to the reduction in the prices of raw materials of competitors and the increased bargaining power of consumers in pricing. The price stood at 75.2 \$/ton for 2014, a decrease of 7.9% over the previous year.

Electricity

As far as the national electricity market is concerned, in Italy in 2014 there was a net requirement of 309,006 GWh (source: Terna), down 3.0% over the previous year showing a negative monthly change of requirements throughout 2014, except September only. The biggest drop was in July and August (respectively -4.8% and -5.9%), characterized by lower temperatures of more than a degree and a half compared to 2013, which led to a decrease in electricity consumption in the period.

The lower domestic demand led to a reduction in net production of 4.0%, which stood at 267,557 GWh, and was met for 86% with domestic production and for the remainder of the balance between foreign import and export which was up 3.7% over 2013.

Regarding production, the year 2014 was characterized by exceptional hydraulicity, supporting production from hydroelectric sources which rose by 7.4% over 2013 to reach 58,067 GWh (a level not seen since 2006). Thermoelectric production was down by 9.7%, reaching 165,684 GWh compared to 183,404 GWh recorded in 2013. The average hours of operation for the year 2014 estimated at national level for all thermoelectric technologies were down by 10% compared to 2013. Production from renewable sources rose, in particular photovoltaic, which increased by 9.8% to 23,299 GWh, and that from geo-thermal sources, which posted an increase of 4.2%. Wind production increased slightly (1%), reaching 14,966 GWh.

In view of the above-mentioned factors, in the year 2014 there was a significant reduction in the price quotations on the Power Exchange. The baseload PUN (Single National Price) for the year settled at 52.1 €/MWh, a decrease of 17.3% over the 2013 price of 63.0 €/MWh). Peak load prices also fell (-16.2% for peak load PUN to reach 59.0 €/MWh) as did off-peak prices (-18.1% for off-peak PUN to reach 48.2 €/MWh). Even at area level there was a decrease in all areas compared to the year 2013. The North area continues to remain the most cost-effective while Sicily the most expensive.

Natural gas

In 2014 the demand for natural gas fell by 11.6% over the corresponding period of the previous year, to close at 61,413 Mcm (source: Snam Rete Gas). The considerable drop in gas consumption was mainly due to the very mild temperatures. Other important factors that characterized the decline in demand for gas were the lack of economic growth and the increased production of renewable energy sources that affected the production of combined cycle gas plants. In fact, consumption in the thermoelectric sector decreased by 14.3% over the previous year. The residential and commercial segment recorded a decrease of 14.6% compared to 2013. Industrial consumption showed a slight recovery in January-October, although the annual average was 0.1% lower compared to 2013, due to the decrease in November and December.

Imports represented approximately 89% of requirements excluding changes in stocks, while domestic production satisfied the remainder. Domestic production (-7.2% compared to the same period of 2013) and imports of natural gas, which dropped by 10.0%, both fell.

The gas price on the PSV (the benchmark spot market for gas in Italy) for the year 2014 was 23.1 €/MWh, a fall of 17.2% over 2013, while the gas price on the TTF (the benchmark spot market for gas in northern Europe) was 20.9 €/MWh, a decrease of 22.8% over 2013. At the same time the gap between the PSV price and the TTF price widened, reaching an average of 2.3 €/MWh over 2014.





0.3

Changes in legislation

Energy Sector

Production

Legislative Decree no. 79/1999 (hereafter the Bersani decree) liberalized energy production: with the objective of encouraging competition in the market, it prescribed that from January 2003 no producer may generate or directly or indirectly import more than 50% of the total electricity produced and imported in Italy.

Incentives for the production of renewables

In addition, the Bersani decree set the requirement to give priority to the use (dispatch priority) of electricity produced from renewable energy sources (in addition to that produced by cogeneration) when transmitting and dispatching electricity.

With effect from 2001, importers and entities in charge of plants which in any one year import or produce more than 100 GWh of electricity from non-renewable sources are required to put into the national electricity grid, in the following year, a proportion of electricity produced by renewable source plants, excluding cogeneration, self-consumption at the plant and exports, initially equal to 2% of the total produced/imported. These entities may also meet this requirement, wholly or in part, by buying the equivalent proportion or the relative allowances (Green Certificates, which attest the production of a specific quantity of electricity certified as produced from renewables) from other producers or from the GRTN (now the GSE).

By way of Legislative Decree no. 387/03, implementing Directive 2001/77/EC and relating to the encouragement of electricity produced from renewable energy sources in the internal electricity market, additional requirements on the matter were subsequently set out, including:

- regulation by the Electricity, Gas and Water Authority of local exchange services for plants fuelled by renewable sources having a power not exceeding 20 kW (the right to the service was subsequently extended by Law no. 244/07 to plants having a power not exceeding 200 kW) and of dedicated services for the withdrawal (by the GSE) of the electricity produced by plants fuelled by renewable sources having a power less than 10 MVA and by plants

having any power fuelled by renewable wind, solar, geothermic, wave power, tidal power and hydraulic power sources, limited in the latter case to flowing water plants;

- the introduction of specific measures to encourage the use of solar power (in the form of an incentive tariff of decreasing amount having a duration such as to ensure a fair remuneration of the investment and usage costs), which then led to the Energy Account.

In addition, by way of Law no. 244/07 (the 2008 Finance Law), an All-Inclusive Tariff was introduced which acts as an incentive mechanism, an alternative to Green Certificates, reserved for IAFR qualified plants (plants fuelled by renewable sources), having an average annual nominal power not exceeding 1 MW or 0.2 MW for wind plants. This law also revised a number of provisions regarding Green Certificates.

Implementing the requirements of Directive 2009/28/EC, Legislative Decree no. 28/2011 governs the criteria for setting up incentive regimes designed to achieve the renewable production targets for the period up to 2020, and then implemented by the Ministerial Decree of July 6, 2012. The provisions set out in the decree are applicable for electricity production plants fuelled by renewable sources other than photovoltaic plants, having a power not less than 1 kW, to which incentive tariffs are recognized for which they have direct access for power levels below the thresholds set by the law, or as the result of tender procedures for power levels above these. The decree additionally grants a net production incentive for plants that produce electricity from renewable sources which began operations by December 31, 2012 and which have acquired the right to use Green Certificates for the entitlement period remaining after 2015.

Large hydroelectric derivation concessions

Changes in legislation over the past few years have, in real terms led to the continuation by the present holders of the use of existing concessions even if they have formally expired, including certain of these held by A2A S.p.A., and have introduced a number of regulations to enable tenders to be called. More specifically, article 37, paragraph 4 (ref. Law 134/2012 converting Decree Law no. 83/2012, the “Growth Decree”) confirms the period of 5 years before the expiry of the concession as being the time limit within which a tender must be called and sets the term of future concessions in 20 years, extendible to 30 years depending on the size of the investments granted and the criteria that will be established by the ministerial decree being issued under article 12, paragraph 2 of Legislative Decree no. 79/99 as amended. In addition, a special transitional regime is provided for calling tenders for concessions which have already expired or which expire on or before December 31, 2017 (those that are unable to comply with the 5-year period for calling the tender). These tenders must be called within 2 years of the effective date of the ministerial decree for implementation (as per paragraph 2 of article 12,

Legislative Decree March 16, 1999, no. 79 and subsequent amendments and integrations). The new concession must start at the end of the fifth year following the original expiry date and in any case no later than December 31, 2017.

In terms of the way in which the concession will pass from the outgoing to the incoming operator, the legislator has opted for the sale of the business unit used for the concession against the payment of a price which has been previously established and agreed between the outgoing operator and the granting administration before the offering stage, and which is published in the tender offer. The ministerial decree has the responsibility for determining the technical and economic parameters required for calculating the consideration and the amount due to the outgoing concessionaire, and should establish the detailed implementation regulations for tenders, subject to the opinion of the Electricity, Gas and Water Authority⁽¹⁾. If no agreement can be reached between the outgoing concessionaire and the granting administration on the size of the consideration and the amount, an arbitration procedure comes into play.

In September 2013, the European Commission initiated a fact-finding enquiry involving various member states on the conditions for allocating, extending and renewing concessions for water for hydroelectric use and additionally sent the Italian government a default notice stating that certain of the provisions just referred to (in particular the timing of the tender and the means by which the business should be transferred) and recently introduced by the Italian legislator (by way of Law no. 134/2012 converting Decree Law no. 83/2012 the “Development Law”), as well as certain rules in the legislation of the autonomous provinces of Trento and Bolzano, are inconsistent with the principles and laws of community law (freedom of establishment; article 12 of the “Bolkestein Directive” 2006/123/EC).

At the end of January the Italian government provided an initial response to the Commission’s enquiry.

At a regional legislative level, by way of article 14 of Law no. 19 of December 23, 2010, the Region of Lombardy amended Regional Law no. 26 of December 12, 2003, adding article 53-bis which contains provisions on the temporary continuation of the exercising of the concessions and on the regulation of tenders for the reassignment of these, as well as the subsequent framework in this respect. Implementing these provisions, by way of Resolution no. 1205 of December 29, 2010 the Regional Council provided for the “temporary continuation” by A2A S.p.A. of the use of the derivations at Stazzona, Lovero and Grosotto which expired on December 31, 2010. The resolution additionally confirmed the requirement to pay the envisaged fees and additional fees and to carry out the ordinary and extraordinary maintenance work specified in article 53-bis; in addition, it deferred the calculation of an additional fee to be paid from January 1, 2011

(1) Reference in this respect should be made to the comment in note 29 to the income statement.

to a subsequent resolution, not yet adopted as of today. AzA S.p.A. has filed an appeal against this resolution and the verdict is still pending.

In the meantime, following the government's challenge to certain provisions of Regional Law no. 19 of December 23, 2010, with Sentence no. 339/2011 the Constitutional Court ruled that the regional laws for governing tenders and the subsequent framework for the concessions are unconstitutional. Paragraphs 4 and 5 of article 53-bis, introduced by the above-mentioned law, which provide among other things for the possibility for the Regional Council to lay down more severe conditions of use during that period, remain effective, also from an economic standpoint, although AzA S.p.A. has raised a question of constitutionality on the above ruling. In addition, in August 2013, the Regional Council of Lombardy approved, pursuant to the same regulations, the temporary continuation by AzA S.p.A. until July 28, 2014 of the use of the hydroelectric concessions at San Giacomo, Premadio and Braulio which expired on July 29, 2013; the date of July 28, 2014 was subsequently extended by one year (resolution of the Regional Council no. 2278 of August 1, 2014). AzA S.p.A. has also filed an appeal against this provision with the TSAP for various counts of illegitimacy, additionally raising the same questions of unconstitutionality as per the above-mentioned paragraphs 4 and 5, in that they fail to abide by the fundamental principle set forth in national law (article 12, paragraph 8-bis of Legislative Decree 79/99) whereby until the new entity awarded the concession takes over the existing holder should continue under unaltered conditions. It shall be noted that by way of Regional Law of December 30, 2014 no. 35 (published in BURL December 31, 2014), the Lombardy Region amended article 53-bis of Regional Law 26/2003 cited, attributing to the Regional Council the power to allow the temporary continuation of the exercise of concessions due to expire by December 31, 2017, as well as the power to determine an additional fee under said continuation or any forms of compensation for the territory. The application of the additional fee may be retroactive.

Finally, with Executive Decree 11712 of December 6, 2013, the unit amounts of the regional fees applicable to small and large derivations (respectively 15.35 €/kW and 30.91 €/kW) have been updated to 2014; these fees were then updated to 2015 by Executive Decree 11849 of December 5, 2014 (respectively 15.44 €/kW and 31.09 €/kW). A decree of November 22, 2013 then set the amount at which the additional BIM fees are to be paid by entities awarded hydroelectric derivation concessions for motive-power generation for the two-year period from January 1, 2014 to December 31, 2015. More specifically, for each kW of average nominal output granted or recognized pursuant to the Consolidated Text of legislative provisions on water and electricity plants (approved by Royal Decree no. 1775 of December 11, 1933 as amended), this amount is raised:

- from 22.13 euro to 22.88 euro for motive-power generation with an average annual output exceeding 220 kW and up to 3000 kW;

- from 29.40 euro to 30.40 euro for motive-power generation with an average annual output exceeding 3000 kW.

Lastly, the Constitutional Court handed down its judgment, with Sentence no. 25/2014, on the appeals brought by the Provinces of Trento and Bolzano concerning the alleged violation by the State of the privileges of the Autonomous Provinces laid down in constitutional provisions, as provided for in paragraphs 4 to 8 of article 37 of Decree Law no. 83 of June 22, 2012 (the “Growth Decree”), in relation to the tendering procedures for granting large hydroelectric diversion concessions and the procedures for determining the concession fees. The Court ruled that the rules on competition and public tendering procedures fall within the sole competence of national legislation (which therefore must also apply to the Autonomous Provinces) and even more so – as the Court specified in the circumstances – if it is a question of regulations that *“are designed to simplify access for economic operators to the energy market under uniform conditions across the country by regulating the relative published procedures with regard to the timing of the bids and the contents of the tenders”*.

Remuneration of plants essential for the safety of the electricity system

The company Terna S.p.A. has confirmed that the San Filippo del Mela 150 and 220 kV plants should be included as units essential for the working of the electricity market also in 2014. Pursuant to the provisions of the Authority’s Resolution no. 635/2013/R/eel, both plants are admitted for the whole year to the cost reintegration framework (the application of the framework is extended to the first half of 2015 for the 150 kV plant).

By way of Resolution 55/2014/R/eel the Authority determined the amounts on account of the fee for the reintegration of costs recognized to Edipower S.p.A. for managing the plants for 2013 to the extent required by the company with its specific request.

In addition, again in relation to the 2013 fee, by way of Resolution no. 278/2014/R/eel the Authority approved the typical technical parameters of the company’s plants falling under the reintegration framework (being the same parameters applied for 2011 and 2012) and supplemented the regulations relating to the effects of the imbalances on the reintegration charge, with retroactive effect from 2013.

By way of Resolution no. 347/2014/R/eel the Authority on the other hand established the balance for the reintegration fee for the costs recognized for Edipower S.p.A. for 2012.

In conclusion, by way of Law no. 116/14 of August 11, 2014, converting Decree Law no. 91/04 (the “Competitiveness Decree Law”), among the other measures designed to reduce electricity bills for end customers with a low and medium voltage supply (article 23) the legislation

provides (paragraph 3-bis) that until the 380 kV “Sorgente-Rizziconi” power line connecting Sicily with the mainland becomes operational, as well as the other measures aiming to achieve a significant increase in the interconnection capacity between the Sicilian electricity network and that of the mainland, all the electricity production units having power exceeding 50 MW situated in Sicily, with the exclusion of non-programmable renewable plants, shall be considered to be essential resources for the safety of the electricity system, with the requirement for offering on the market of the previous day.

The legislation additionally requires that pending an organic reform of the regulation of the imbalances within the dispatch service market, the Authority must remove the macro-areas of Sicily and Sardinia. By way of Resolution 525/2014/R/eel, the Authority therefore ordered, with effect from November 1, 2014, the removal of said macro-areas, through the merger of the same with the macro-area physically interconnected to these (South macro-area).

As of January 1, 2015 until the date of entry into operation of the power line (currently scheduled for June 30, 2015), the bid and remuneration procedures of these units were therefore defined by the AEEGSI (Electricity, Gas and Water Authority) respectively by way of resolutions nos. 521 (defining Scheme 91/14) and 500/2014/R/eel.

In particular, for the purpose of defining scheme 91/14, the Authority proposed adopting the cost reintegration approach (article 65 Resolution no. 111/06), which allows a timely recognition of costs, including the fair return on invested capital.

Lastly, on December 30, 2014, Terna S.p.A. published the list of plants essential for the safety of the electricity system valid for the year 2015, also confirming for the following year the inclusion of the San Filippo del Mela 150 and 220 kV plants among the units essential for the operation of the electricity market.

Remuneration of production capacity availability

On June 17, 2014, the Council of State turned down the appeal filed by the AEEGSI for the reversal of the sentences of October 2013 by which the Lombardy Regional Administrative Court had upheld the appeals filed by a number of operators (including A2A Trading S.r.l.) for the annulment of AEEGSI Resolution no. ARG/elt 166/10 in the section amending the criterion for calculating the additional fee as provided by the regulations for the remuneration of production capacity in force for the transitional period.

Pending the completion of the litigation, by way of Resolution 90/2014/R/eel the Authority had moreover provided for the recognition to the operators concerned of an account on the additional fee for 2012 and 2013. As the result of the completion of the dispute and

implementing the provisions of Resolution no. 400/2014/R/eel, by way of which the AEEGSI transposed the effects (by amending the disputed formula), the additional settlement amounts due for 2010, 2011, 2012 and 2013 have been recalculated and recognized.

As part of the procedure initiated by way of Resolution 6/2014/R/eel, with Resolution 320/2014/R/eel, the AEEGSI has moreover extended to the Ministry of Economic Development (MED) a proposal for the integration of the rules of the electricity production capacity remuneration transitional mechanism, in accordance with the provisions of the Finance Law, in force since January 1, 2014, related to the provision of flexibility services.

With regard to the adjustment of the standard remuneration system, by way of Resolution no. 375/2013/R/eel the Authority verified the compliance with the regulatory scheme of the new capacity market proposed by Terna S.p.A. pursuant to the provisions of Resolution ARG/elt no. 98/11.

Finally, given the requirements of the Finance Law, by way of a decree of June 30, 2014 the Ministry of Economic Development approved – imposing a series of conditions designed to minimize the costs to be borne by the system and encourage efficiency – the proposal for the regulation of the system for remunerating the availability of production capacity received from Terna S.p.A., which became effective at the same time.

Primary frequency regulation

By way of Resolution no. 66/2014/R/eel, noting the technical difficulties reported by Terna S.p.A. in introducing the new rules on the remuneration of the primary frequency regulation by April 1, the Authority postponed this requirement to November 1 while authorizing the grid operator to implement a transitional regime from April 1, in order not to penalize those operators who had already sustained expenditure on the investments needed to comply with the mechanism.

Green Certificates

By way of Resolution no. 20/2014/R/efr the AEEGSI set the average annual sales price for electricity for 2013, established to implement article 13, paragraph 3 of Legislative Decree no. 387/03 and calculated on the basis of the criteria specified in Resolution ARG/elt no. 24/08. The amount set was 65.54 €/MWh.

Therefore, as communicated by GSE to the operators:

- the reference price for green certificates (GC) for 2014, pursuant to article 2, paragraph

148 of Law no. 244 of December 24, 2007, is 114.46 €/GC, excluding VAT, calculated as the difference between 180.00 €/MWh and the average annual sales price of electricity sold in 2013 as per article 13, paragraph 3 of Legislative Decree no. 387/03, as defined by the AEEGSI by way of the aforementioned resolution;

- the withdrawal price of green certificates issued for production from renewable sources in 2013 is 89.28 €/GC, excluding VAT;
- the withdrawal price of green certificates issued for production from cogeneration plants associated with district heating (GC_DH) in 2013 is 84.34 €/MWh, excluding VAT.

Emissions Trading

In accordance with the current provisions on Emissions Trading, in order to fulfill the annual obligation to return CO₂ emission allowances for emissions made, the maximum amount of CERs and ERUs (as an alternative to EUAs) which may be used by plant operators for the second trading period (2008-2012) is as follows:

- 19.3% for thermoelectric plants;
- 7.5% for district heating and other combustion plants of the allowances allocated free of charge.

In consideration of the fact that new entrants, in the absence of allocations, do not have the option to exchange the allowances allocated with CERs and ERUs, pursuant to the provisions of Decree no. 30/13, by way of Resolution no. 120/2014/R/efr the Authority has granted them, for the number of allowances due for each trading period considered, limited to a maximum of 19.3% or 7.5% of the allowances themselves depending on the type of plant, the difference between the unit value of the EUAs and the unit value of those which can be used as an alternative.

Withdrawal regime

By way of Resolution no. 618/2013/R/eel the Authority changed the minimum guaranteed price (lower than the previous values applied) for electricity production plants up to 1 MW fuelled by renewable sources, with effect from January 1, 2014.

To reduce the impact on the A₃ component of the means by which electricity is sold, paragraph 2 of article 1 of Decree Law no. 145 (“Destination Italy”) of December 23, 2013, converted into Law no. 9/2014, also changed the withdrawal regime system, establishing that starting January 1, 2014 the withdrawal price for all renewable source plants accessing incentives for the electricity tariffs on energy produced will be equal to the hourly zone price (and not only,

as currently required by Resolution no. 280/07, when the price is higher than the guaranteed minimum). This does not apply to energy produced by photovoltaic plants with a nominal peak power of up to 100 kW and hydroelectric plants of up to 500 kW.

By way of Resolution 179/2014/R/efr, the Authority accordingly amended the provisions of Resolution no. 280/07 to introduce these requirements.

Economic conditions for the protected categories service

Article 1, paragraph 1 of Decree Law no. 145/2013 (“Destination Italy”), converted into Law no. 9/2014, establishes that the AEEGSI must update the criteria for determining the reference prices for supplies to end users not served by the open market, taking account of the changes in the actual hourly price trend of electricity on the market.

By way of Resolution no. 170/2014/R/eel the AEEGSI also confirmed the criteria for determining the energy component of the economic conditions for greater protection and accordingly also the previously mentioned payment scheme, considering that it is too early to make structural changes as the dynamics in the setting of electricity market prices are still evolving.

Finally, by way of Resolution 670/2014/R/eel and as part of the update for the calendar year 2015 of the RCV (Remuneration of Selling Costs) remuneration component the Authority introduced a compensation mechanism related to the calendar year 2014. Admission to the mechanism involves the submission in 2015 of a request to the Authority.

Regulation of the electricity sector in Montenegro

Production

One of the energy policy objectives of the Montenegro government is an increase in the use of renewable energy by the country.

More specifically, in September 2011 the government introduced an incentivizing tariff (by way of the “Decree on the Tariff System for the Establishment of Preferential Prices of Electricity from Renewable Sources of Energy and Efficient Co-generations”) to support the production of energy from renewable sources. Power Purchase Agreements with the market operator CGES having a 12-year term are envisaged for purchasing the energy produced, at prices annually adjusted for inflation. With the approval of the implementation of Directive 2009/28/EC by the Energy Community, in October 2012 Montenegro also accepted the setting of a binding objective for producing energy from renewable sources which must reach 33% as a percentage of total consumption by 2020.

Transmission and distribution tariffs/sales prices

At the end of 2011, the Energy Regulatory Agency (RAE), the autonomous and independent body having the function of regulating the energy sector, approved the method to be used for calculating electricity transmission and distribution tariffs, together with the means for establishing energy prices for sales to end customers.

The new method introduces regulatory elements into Montenegro law that are similar to those in force in the principal European countries, such as the establishment of multi-year regulatory periods, the introduction of capital valuation methods and a remuneration rate and the means of making the sector more efficient through the use of price caps.

The first regulatory period started on August 1, 2012 and has a three-year term. For the first year a WACC (weighted average cost of capital) of 6.8% is applied to net invested capital (meaning the value of the assets in use at the end of year t-1, stated less of any grants received and revalued for inflation). Capital is updated annually on the basis of investment plans approved by the Agency, while depreciation is charged over the useful lives included in the documents sent to the Agency on making the request for approval of the tariffs. Operating costs are calculated by applying a profit-sharing logic, starting from the figures sent by the company to the Agency.

At the present moment, the tariffs calculated for the third year of the new regulatory period, which began on August 1, 2014 and was originally to have ended on July 31, 2015, are in force. The duration of this final year of the new regulatory period (as well as the regulatory period itself) has however been extended to the end of 2015 in order to align the new period beginning on January 1, 2016 to the calendar year.

Finally, at the end of December 2013 the RAE unexpectedly approved a provision to amend the current tariff methodology, impacting the method of calculating the fees for using the electricity transmission grid borne exclusively by the generation operators, with effect originally planned for the period between January 1, 2014 and July 31, 2015 but recently extended to December 31, 2015 (as seen for the term of the third year of the tariff regulatory period as well as the regulatory period itself). EPCG has filed an appeal for the annulment of this decision, which it believes is based on premises which are not in line with the principles of transparency and non-discrimination that should form the basis of the regulation, and which appear to be extremely detrimental to the economic and financial balance of the company. This appeal was upheld in the first instance, although the RAE has opposed this judgment. A final ruling by the courts is currently awaited in this respect.

Recent changes in legislation in the natural gas sector

Upstream gas market

Criteria for the allocation of gas storage

By way of Decree of February 19, 2014 the Ministry of Economic Development defined the quantities and criteria for the allocation of storage capacity with reference to the period from April 2014 to March 2015, requiring that storage capacity be allocated by means of a competitive auction.

Under this decree, industrial customers in the regulated regime are allocated the capacity becoming available following the recalculation of the strategic storage volume for the regasification services to be supplied to industrial customers; the decree also establishes the modulation storage space, which was fully allocated by auction at first only to those entities that supply household customers. The additional storage capacity made available following the recalculation of the modulation storage space were allocated by means of an auction open to all applicants, also for services other than modulation.

The decree specified the limits on capacity allocation, providing that in all procedures no entity could obtain more than 35% of the total allocable capacity.

By way of Resolution 85/2014/R/gas, the Authority established the criteria and schedule for the gas storage auctions to be held in 2014/2015.

In July, earlier than planned, Stogit allocated the whole capacity to be used for peak and flat services by auction.

Gas exchange

The configuration of the gas market is currently as follows:

- Spot Gas market (MP-GAS), which started in December 2011, consisting of the Gas Market for the Previous Day (MGP-GAS) and the Infra-daily Gas Market (MI-GAS);
- Forward Gas market (MT-GAS), started in September 2013.

To improve liquidity in the forward gas market, Decree Law no. 145 of December 23, 2013 contains urgent measures to start up the “Destination Italy” plan. According to paragraph 1.16 ter, each entity injecting natural gas into the national gas pipeline network, and whose wholesale market share exceeds the value of 10%, shall be subject, starting from January 1, 2004, to the obligation to offer to sell in the above-mentioned market a volume of natural gas equal to 5% of the total annual amount injected, with the simultaneous purchase offer for an equal amount, for a period of three years. The AEEGSI is required to prepare a special

provision on the procedures relating to the way in which this obligation must be met and on the difference between the offered sales and purchase prices.

Balancing

With reference to the market session G-1 (locational) introduced by way of Resolution no. 538/2012/R/gas, and in implementation of the subsequent provisions of the Authority, several types of flexible resources (interconnection points with other countries, Edison Stoccaggio storage sites, linepacks, GNL flexibility, the capacity not used by Snam Rete Gas and the additional capacity determined by Stogit) were introduced as part of the platform PB-Gas starting in February 2014.

The Authority once again intervened in the G-1 market session with Resolution 485/2014/R/gas, providing amendments with reference to the rules for submission of tenders subject to reinstatement of line-pack and storage in the availability of the carrier as part of this session.

With reference to the system of guarantees for covering the balancing system as per Resolution ARG/gas/45/11, a sentence issued by the Council of State in September reinstated the validity of the credit rating issued by the agencies as a reliable form of guarantee for the gas balancing. On the other hand, the Council of State turned down the Authority's appeal against the second part of the Regional Administrative Court's sentence appealed against, which ruled that a generic write-down of gas in storage that has been pledged as a guarantee was unlawful.

By way of Resolution no. 423/2014/R/gas, the Authority took further action by classifying the regulatory set-up of the gas reserves in storage given by way of guarantee as an irregular pledge, therefore enabling the gas in storage also to be given as a guarantee to entities other than the entity in charge of the balancing, such as for example financial institutions.

Downstream gas market

Economic conditions for the protected service

By way of Resolution no. 196/2013/R/gas, the Authority updated the mechanism parameters for encouraging the renegotiation of long-term natural gas supply contracts, pursuant to Resolution no. 447/2013/R/gas.

Environment Sector

Recent changes in legislation in the environment sector

Regulation of local public services and expiry of concessions

Local public services are now regulated not only by the relevant industry regulations (e.g. 164/00 or Legislative Decree 152/06 amended as far as integrated water services are concerned by Decree Law 133/14 currently being converted into law) but also by article 34, paragraphs 20-26 of Decree Law no. 179 of October 18, 2012 on “Further urgent measures for the country’s growth” (the “Growth Decree 2.0”), converted by Law no. 221 of December 17, 2012 and amended by Law no. 9/2014 and Law no. 15/14. In particular, this legislation requires that direct assignments agreed at October 1, 2003 for publicly held companies already listed at that date and for subsidiaries of these pursuant to article 2359 of the Italian civil code should cease at the expiry date specified in the service agreement or other documents governing the relationship. On the other hand, assignments not having an expiry date terminate on December 31, 2020, without the possibility for any extension and without the need for the body to adopt a specific resolution.

Consolidated Environment Law

Legislative Decree no. 152 of April 3, 2006 (“Regulations on environmental matters”) as subsequently amended, most recently by Legislative Decree no. 205/10, which dictates measures implementing Directive 2008/98/EC on waste, acts as the reference legislation for the environment sector.

TARES and TARI

Article 14 of Decree Law no. 201 of 2011 (the “Save Italy Decree”) introduced a new system of paying for urban waste disposal and inseparable services with effect from January 1, 2013 which went by the name of TARES.

As of January 1, 2014 TARES has been replaced by TARI, a part of the IUC, the Single Municipal Tax introduced by the Letta government in the 2014 Finance Law (Law no. 147 of December 27, 2013 on “Provisions for the formation of the State’s annual and long-term budget”).

Industrial emissions

Legislative Decree no. 46 of March 4, 2014 on provisions on industrial emissions implementing Directive 2010/75/EU, with amendments to parts II, III, IV and V of Legislative Decree no. 152/2006, has introduced new regulations having an effect on all industrial plants, with new limits on atmospheric emissions and increased and tighter controls. The decree additionally introduces the requirement to prepare a report at each start of activities and in any case whenever there are changes of an authorization nature which must photograph the situation of the effects on the environment and health of the activities in order to be able to assess the status of the production site before, after and at the end of activities. By way of implementing this provision, starting in 2016, also the regulations to be followed by waste-to-energy plants, currently dictated by Legislative Decree no. 133/05, will be introduced by Legislative Decree no. 152/06 in the text dictated by Legislative Decree no. 46/14.

Other measures of interest

By way of Decree Law no. 150 of December 30, 2013 (the “Thousand Extensions Decree”), a further extension, to December 31, 2014, was introduced for disposing of special urban waste with PCI > 13,000 kJ/kg in a landfill.

In December, a decision and two EU regulations were issued that impact the classification methods of waste at European level:

- EU Commission Regulation 1357/2014/EU regarding hazard characteristics: replacement of Annex III to Directive 2008/98;
- EU Commission Decision 2014/955/EU; new European waste list: decision amending the Decision 2000/532/EC;
- EU Commission Regulation 1342/2014/EU on persistent organic pollutants with amendment of Annexes IV and V of Regulation 850/2004/EC.

The impacts specifically relate to the procedures for the attribution of waste hazard classes (corrosivity, irritation, harmfulness, etc.), the application limits of the same that chemical laboratories shall consider and the consequent application of H risk phrases (substituting R phrases) regarding ecotoxicity. Currently, as already in place at national level, with regard to references to the ADR agreement, shall remain applicable.

We also report the DPCM of December 17, 2014 approving the Environmental Declaration Form (MUD) for the year 2015 and the Guidelines of the Lombardy Region of October 7, 2014 on the planning and sustainable management of landfills. It shall be noted that the resolution is being prepared for new landfills; however, it also implements additions related to the management of existing landfills, introducing greater controls in the design phase and provides precise indications of sites in place for verifications relating to the management.

The “Unblock Italy” Decree Law – provisions on waste-to-energy

The Official Journal no. 212 of September 12, 2014 published Decree Law no. 133/2014 (the “Unblock Italy” Decree) on “*Urgent measures for the opening of worksites, the construction of public works, the digitalization of the country, bureaucratic simplification, the emergency of hydro-geological instability and a pick-up in industrial activities*”). Among the provisions of interest is article 35 regarding waste-to-energy plants, which requires a prime minister’s decree to be issued within 90 days identifying the plants for the recovery of energy and the disposal of urban and special waste, already existing or yet to be constructed, which are needed to implement a modern integrated system for managing this waste which can achieve national security in self-sufficiency, in order to supersede the infringement procedures for the failure to implement European legislation for the sector.

These plants will constitute infrastructure of pre-eminent national interest. For existing plants the legislation provides that it will be necessary to plan to work at thermal load saturation, with the resulting amendment of the authorizing provisions where this is not already prescribed. The new plants must be constructed to comply with the classification of energy recovery plants.

Finally, since there are no catchment area restrictions, priority will be given as far as energy recovery plants are concerned to the processing of urban waste for the specific region, while urban waste produced in other regions will only be processed up to the authorized residual availability.

Overview of the regulation of the CIP 6/92 conventions

By way of Provision no. 6 of 1992 the Interministerial Price Committee introduced incentives for the production of electricity from plants fuelled by renewable and similar sources. The provision guaranteed that ENEL would buy electricity (then the GRTN and now the GSE) at a price made up of the following two components:

- the incentive component (recognized only for the first eight years): based on an estimate of the additional costs for each individual technology;

- the avoided cost component (recognized for the whole term of the purchase agreement, up to 15 years): plant, usage and maintenance costs plus the cost of the purchase of fuel.

As is known under the 2007 Finance Law access to the incentive was restricted to plants fuelled by renewable sources, without prejudice to the existing situation. Law no. 310 of December 30, 2008 moreover returned to the subject, admitting the recognition of the incentive to plants fuelled by similar sources allowed access to such for reasons connected with a waste emergency declared by the Prime Minister.

Following the expiry of the Snam/Confindustria “Long-term agreement for the supply of gas for the production of electricity for sale to third parties”, the reference point for updating the withdrawal price for the component covering avoided costs (the CEC), the Electricity, Gas and Water Authority, as permitted by the legislator by article 2, paragraph 141 of Law no. 244/07 and article 30, paragraph 15 of Law no. 99/09, intervened with provisions no. 249/06 and ARG/elt no. 158/04 (the subject of litigation which continued for so long that at the end of 2013 the Authority made a proposal to operators to review the means of calculating the Avoided Fuel Cost component applicable for the electricity withdrawn in 2008), and finally with the publication of opinions sent to the Ministry concerning the most suitable means of updating the reference formula.

Changes in laws and regulations regarding the CIP 6/92 incentives

By way of Decree Law no. 69 of June 21, 2013 (the “Decreto del Fare”), converted by Law no. 98 of August 9, 2013, the government set the value of the CEC for 2013 and following years.

From 2014 the value of the CEC – as far as the gas CEC is concerned – must be updated quarterly on the basis of the procurement cost of natural gas on the wholesale markets, as determined in Deliberation no. 196/2013/R/GAS as amended.

As far as the waste management cycle is concerned, for waste-to-energy plants situated in emergency areas the value of the CEC must on the other hand be calculated on the basis of the basket as per Law no. 99/2009, with oil products having a weight of 60% until the completion of the eighth year of activities.

By way of Opinion no. 503/13/l/eel, the Authority reported to the Ministry of Economic Development the guidelines used to calculate the CEC for 2013 and subsequent years, implementing the provisions of the decree.

In compliance with the proposed decisions, the balance due for CEC in 2013 and the advance for the first quarter of 2014 were established by means of the decree of January 31, 2014.

Specifically, the decisions were found to be:

- for 2013, more favorable for plants not located in waste crisis areas;
- for the first quarter of 2014, more favorable for plants located in waste crisis areas (Acerra for the A2A Group) which were able to continue to benefit from an indexing applied to the PTOP.

The Ministry has also provided for the simplification of the procedure for establishing the relevant advance and settlement values for the operators included in the convention, leaving the Authority the task of calculating and publishing them on its website, subject to prior notification to the MED, starting from the second quarter of 2014.

Pursuant to the provisions of the decree, in communications of May 5, 2014 and July 30, 2014 and lastly October 24, 2014, the Electricity, Gas and Water Authority subsequently published the quantification of the values of the CEC as per Section II point 2 of provision no. 6/92 of the CIP on account (respectively) for the second, third and fourth quarters of 2014 for waste-to-energy plants that have been in service for not more than eight years and for plants situated in waste emergency areas, as well as for plants not falling in these categories, with reference to the relative period of entry into service.

Auxiliary services

On the completion of inspections carried out by the AEEGSI at a number of the Group's subsidized plants a request was made for the return of a part of the subsidies received, a portion considered unduly credited in the years in which the relative withdrawal conventions were in force. The companies involved appealed against the repayment request but the Regional Administrative Court turned down the appeals. The operators have accordingly filed an appeal with the Council of State.

With Sentence no. 06537 of December 1, 2014, the State Council issued an opinion on the merits, confirming the obligation for A2A to return part of the CIP 6 incentives disbursed to the subsidiary Ecodeco S.r.l., now A2A Ambiente S.p.A., related to the calculation of auxiliary plant consumption.

Current regulations concerning other important incentives for the sector's plants

In addition to the above, reference should also be made to the framework of laws and regulations set out in the introduction to the information provided for the Energy Sector for matters concerning the production of electricity by biogas fuelled plants, and more specifically the provisions on Green Certificates.

Heat and Services Sector

Significant events during the year

The results of the fact-finding inquiry into district heating were published in March 2014. This inquiry was initiated by the Italian Antitrust Authority in December 2011 as a result of repeated reports concerning the level of tariffs, service connection constraints and the service management awarding procedures. The objective of this inquiry was to obtain an overview of the services from a legal standpoint and to check whether there were any critical issues in terms of competition in the sector, with regard to the methods for determining the price of heat, the incentives granted, the facilities for connection to the district heating network and difficulties with disconnection. This was performed to decide whether antitrust measures were necessary to restore a level playing field and, where appropriate, recommend legislative and/or regulatory measures to ensure better systemization of the service.

In the report on the results of the inquiry the Italian Antitrust Authority stated that it would be advantageous and appropriate to adopt legislation designed to provide a framework of rules within which the district heating network operators can operate and which, in particular, strengthens the conditions for effective ex ante competition between heating systems. Owing to the diversity that characterizes the different district heating systems in Italy, this legislation should not be based on a single model to apply to all situations but tailored to each situation. It should focus on the aspects related to the quality of the service offered.

Furthermore, the Italian Antitrust Authority stated that the legislation should identify the parties responsible for defining these provisions and monitoring compliance, without prejudice to its powers in cases where violations amount to an abuse of a dominant position.

Regulation of the service

At the end of June 2014, the Italian cabinet approved on a final basis the legislative decree implementing European Directive 2012/27/EU on energy efficiency, which amends Directives 2009/125/EC and 2010/30/EU and repeals Directives 2004/8/EC and 2006/32/EC.

The aim of the decree is to reduce the European Union's dependence on imported energy by exploiting energy efficiency and introducing measures aiming to stimulate the economy in its current state of crisis and oppose climate change.

Among the provisions adopted which have importance for the heat sector are a series of measures regulating the district heating service, which require the AEEGSI to establish:

- service quality, continuity and safety standards;
- criteria for calculating user connection charges and the way in which users can exercise their disconnection rights;
- the way in which prices for the supply of heat, connection, disconnection and accessory equipment should be publicized and disseminated;
- reference conditions for connection to the networks;
- heat cessation charges exclusively in the cases of new networks and if there is a connection requirement ratified by municipal or regional administrations.

By way of Resolution 411/2014/R/com, the Authority accordingly initiated a proceeding for the implementation of the legislator's provisions falling under its responsibility regarding the regulation and control of the sector consisting of district heating, district cooling and hot water for domestic use.

In order to remedy the restrictive definition of district heating contained in the aforementioned Legislative Decree Energy Efficiency, with Law no. 164/2014 converting Decree Law no. 133/2014 ("Unblock Italy" Decree Law) the legislator amended this definition, thus resolving the inconsistency with as mentioned in the same EU Directive of reference.

Networks Sector

Recent changes in legislation in the transportation and distribution sector

Transportation of natural gas

Transportation tariffs

By way of Resolution no. 514/2013/R/gas the Authority approved the regulation for the tariff of the transportation service for the IV Regulatory Period (2014-2017). The most important points to be found in the new regulatory framework include the determination of the remuneration rate for fixed capital, set at 6.3% (with a regulatory lag of +1% for future investments), the reformulation of incentivized investments and the maintenance of a capacity and commodity tariff articulation, but with the addition of an equalization mechanism for the variable part. Lastly, it provides for the phasing out of the regional fee reduction applied to points located within 15 km of the national network, introduced pursuant to Resolution ARG/gas no. 184/09.

In July, upholding the appeal filed by a number of operators, the Regional Administrative Court in Milan partially annulled the resolutions establishing gas transportation tariffs for the new regulation period 2014-2017 and for 2014 (514/2013, 603/2013 and 641/2013). The provisions apparently ignored the various legislation requiring the use of constant downwards sliding scale criteria for the tariff based on the amount of gas used by the end customer, in order to reward consumers using greater volumes of gas. The tariff structure imposed by the AEEGSI on the other hand rewarded network users who, with the same committed capacity, had a higher network use coefficient, to the disadvantage of thermoelectric users.

Transport default service

In September, the Lombardy Regional Administrative Court confirmed the validity of the regulation on this matter. The underlying reasoning is the same as that opposed by the Council of State regarding the controversy over the distribution default service.

Distribution of natural gas

Allocation and performance of the distribution service

Following the reform of the means of allocating the natural gas distribution service, 177 “Minimum Territorial Ambits” were defined (the Ministerial Decree of January 19, 2011 and the Ministerial Decree of October 18, 2011), for which tenders will be called and awarded for the allocation of the service in accordance with the requirements of the tender regulation (Ministerial Decree of November 12, 2011 no. 226, as subsequently integrated and amended). Regulations have also been adopted to protect the jobs of the employees of the operators involved in the restructuring of the sector (the Ministerial Decree of April 21, 2011). In recent years, several provisions have intervened amending Legislative Decree 164/2000 and Ministerial Decree 226/2011 with particular reference to the procedures for determining the reimbursement to be paid to the outgoing manager and calling tenders.

In particular, by way of the Ministerial Decree of May 22, 2014 guidelines have been approved regarding the criteria and means of application for determining the reimbursement value of the natural gas distribution plants.

As part of the responsibilities assigned by the legislator to the regulator, after regulating the procedure for analyzing the tender documentation that the bodies in charge of the tender must send to the Authority in Resolution no. 155/2014/R/gas, the Authority identified the procedure and the methodology for analyzing cases where there is a difference exceeding 10% between the plant reimbursement value and the value recognized for tariff purposes in Resolution no. 310/2014/R/gas. Lastly, by way of Resolution 571/2014/R/gas, the Authority amended the service contract scheme for the distribution of natural gas, originally defined in Resolution 514/2012/R/gas and approved by the Ministry of Economic Development on February 5, 2013.

Reference should be made to the following paragraphs for an analysis of the provisions on the regulation of the tariffs for distribution and metering services for territorial management for the period 2014-2019.

Distribution and metering tariffs and regulating gas quality

By way of Resolution no. 573/2013/R/gas and Resolution no. 574/2013/R/gas the Authority approved the regulation of the tariff for municipal and supra-municipal management and the quality of the service for the distribution and metering of gas for the IV regulatory period (2014-2019). Subsequently the tariff regulation for area management was approved by way of Resolution no. 367/2014/R/gas.

As far as the year 2014 is concerned by way of Resolution no. 132/2014/R/gas the Authority

established the provisional reference tariffs for the natural gas distribution and metering services; the final values will be approved early 2015. As for the previous years, by way of Resolution 633/2014/R/gas, the Authority redefined the 2013 tariffs for some managers including A2A Reti Gas S.p.A. following the adjustment of some material errors.

Finally, the Lombardy Regional Administrative Court by way of sentences nos. 2553, 2554, 2555 and 2556, upheld the requests of A2A Reti Gas S.p.A. against the extension of the tariff regulation in force in the third regulatory period of 2013 prepared by Resolution 436/2012/R/gas; the extension was determined in the absence of an adequate review the key elements needed to calculate the remuneration rate. However, by way of Resolution 591/2014/C/gas, the Authority approved the submission of the appeal to the State Council against said sentences, which had led to the partial annulment of Resolution 436/2012/R/gas and those connected to it.

As for the incentive regulation of the regulation, the Authority, by way of Resolution 497/2014, determined the amounts of awards and penalties for individual operators. The total amount of the awards for A2A Reti Gas S.p.A. amounted to 1.288 million euro.

As in previous regulatory periods, the tariff system for the IV period also provides for tariff decoupling between the reference tariff, in order to determine the allowed revenues of the individual operator, and the mandatory tariff, actually applied to end users at a macro-area tariff level. The differences arising between the revenues admitted and those actually obtained are then eliminated through appropriate equalization mechanisms. The reference tariff is calculated in such a way as to ensure: 1) that net invested capital is remunerated; 2) that depreciation is covered, calculated on the basis of the useful lives valid for regulatory purposes; and 3) that operating costs are covered, calculated on a parametric basis and updated through a price-cap method using an X-factor depending on the size of the company. The invested capital remuneration rate for 2014-2015 has been set at 6.9% for the distribution service and 7.2% for the metering service; these values will be updated at the end of 2015 for the two-year period 2016-2017 and at the end of 2017 for the two-year period 2018-2019, taking into consideration the performance of ten-year treasury bonds in the 12 months before the update. Furthermore, to minimize the time lag with which remuneration of the investments is recognized the tariffs have been determined also bearing in mind the pre-closing value of the investments for the year t-1. Unlike the previous regulatory period the incentives for certain types of investment are recognized as part of the regulation of quality.

Finally, by way of Resolution 631/2013/R/gas as last amended by Resolution 651/2014/R/gas, the Authority identified the obligations regarding installation, commissioning and minimum specifications of the smart meter gas.

The invested capital valid for the determination of tariffs is calculated using the revalued historical cost method, while regulatory useful lives are used for the depreciation charge,

not amended with respect to the third regulatory period (apart from meters). In addition the valuation of invested capital and the depreciation charge recognized in the tariff is affected by the decision taken by the operator, valid at a business level, between the two alternative frameworks for the treatment of the stock of grants as of December 31, 2011 prescribed by the regulator. For the three-year period 2014-2016, the value of the X-factor for large-scale operators has been set at 1.7% for the distribution service (2.4% in 2013) and 0% for the metering service (2.8% in 2013); the X-factor for the following three-year period (2017-2019) will be established at the end of 2016 following a specific procedure.

Distribution default service

By its sentence of June 12, 2014 the Council of State upheld the appeals of the AEEGSI against the measures with which at the end of 2012 the Lombardy Regional Administrative Court annulled the regulation relating to the default service for the distribution of gas (the sentences in question had already been suspended for precautionary purposes at the beginning of 2013). In the meantime the Authority had supplemented the regulations on several occasions.

The Council of State accordingly upheld the regulator's reasoning, noting that the default service leads back to the balancing service of which it forms a specific case.

As the result of the Council of State's ruling the AEEGSI has returned as regulator of the sector. In particular, by way of Regulation no. 246/2014/R/gas it introduced provisions designed to make distribution companies responsible so as to bring the attempts to physically cut off the delivery points to a successful completion, while by way of Resolution no. 315/2014/R/gas it adopted provisions aimed at enabling the regulations to be properly applied in the cases where the service has not been regularly provided with reference to the period between February 1, 2014 and May 31, 2014.

Electricity distribution

Distribution and metering service tariff framework

By way of Resolution ARG/elt no. 199/11 the AEEGSI adopted the Consolidated Text of provisions to regulate the transmission and distribution of electricity (TIT) and the Consolidated Text of provisions regulating the supply of the Electricity Metering Service (TIME) for the IV regulatory period (2012-2015).

In relation solely to the tariff adjustment for metering services, variations with respect to the previous regulatory period were included in the value of the X-factor (set at 7.1% per annum) and in revenue equalization for low voltage metering services. With reference to the

distribution service, many of the tariff regulation schemes already in force during the previous regulatory period were maintained, in particular:

- the adoption of tariff decoupling, which requires a mandatory tariff to be applied to end users and a reference tariff for the definition of revenue restrictions, specific by operator calculated on the basis of the number of users (PoD);
- the application of the profit-sharing method for the definition of initial operating cost levels to be recognized in the tariff;
- the updating of the tariff quota covering operating costs through the price-cap method, setting the annual objective for increased productivity (X-factor) at 2.8% for distribution activities;
- the evaluation of invested capital using the revalued historical cost method;
- the definition of the rate of return on invested capital through WACC;
- the calculation of depreciation on the basis of the useful lives valid for regulatory purposes.

By way of Resolution no. 607/2013/R/eel the Authority revised the capital remuneration rate, which for the 2014-2015 tariffs will be 6.4% (+1% for investments made after 2012 to cover the regulatory lag). In addition, the same resolution amended the treatment of grants (in particular lump sum grants) which, unlike the past, will be deducted from the invested capital and not from the recognized operating costs.

Concluding the further detailed investigations requested by A2A Reti Elettriche S.p.A. concerning the reference tariffs established by Resolution no. 122/2013/R/gas, by way of Resolution no. 258/2014/R/eel the Authority approved the reference tariffs for the electricity distribution and metering services for 2014 and remedied a material error that had been made in the calculation of the reference tariffs for 2013.

Finally, the Authority, by way of Resolution 547/2014/R/eel, determined with reference to the year 2013, the awards and penalties related to recoveries of service continuity of electricity distribution and the incentive regulation for reduction in the number of MV users with higher number of interruptions than the standards set by the Authority. A2A Reti Elettriche S.p.A. was awarded of 1,128,857.27 euro and Camuna Energia S.r.l. was awarded 4,733.26 euro.

In view of the expiry of the regulatory period, the Authority, by way of Resolution 483/2014/R/eel, has initiated the procedure for defining the tariff regulation in Regulatory Period V; this procedure will include, as expressly provided in Resolution 597/2014/R/eel, the update process of the methodology and criteria for the calculation of the rate of return on invested capital that will be applied to all network services, both in the electricity and gas sectors, regulated by the Authority.

Loss equalization

By way of Resolution no. 559/2012/R/eel the Authority initiated a revision of the method of calculating the difference between actual and standard losses, initiating a project, currently in progress, designed to quantify low voltage network losses before setting up a new mechanism for calculating loss equalization on distribution networks.

In the same provision, pending the completion of the proceeding for revising the network loss equalization mechanism, the Authority also introduced a transitional equalization mechanism between companies, extended to 2013 (Resolution no. 608/2013/R/eel) and 2014 (Resolution no. 169/2014/R/eel). This mechanism provides for the recognition to distributors having losses lower than the standard level of only 50% of the amount due for 2012 and only 25% of that due for 2013 and 2014.

With Sentence of May 20, 2014 no. 1307 for partial annulment of the Resolutions of the Authority 559/2012/R/eel and 608/2013/R/eel, the Regional Administrative Court upheld the appeal filed by A2A Reti Elettriche S.p.A. for annulment of the provisions relating to 2012 and 2013. The Authority filed an appeal against said sentence before the State Council which, with its Sentence of December 15, 2014 no. 06153, upheld the arguments of the Authority thus annulling the sentence of the judge of first appeal.

Provisions common to the two sectors (gas and electricity distribution)

Contribution to the operating costs of the Electricity, Gas and Water Authority

By way of Resolution no. 235/2014/A the Authority established the rate of the contribution to the operating costs of the Electricity, Gas and Water Authority due by entities operating in the electricity, gas and integrated water sector sectors pursuant to paragraph 68-bis of article 1 of Law no. 266/05 and article 24-bis of Decree Law no. 1/2012 in conjunction with conversion Law no. 27/2012. On the basis of the provision the contribution for 2014 has been confirmed as 0.25 per thousand of 2013 revenues for entities operating in Italy in the integrated water service sector, while it has been reduced to 0.28 per thousand for entities operating in Italy in the electricity and gas sectors, due to the continuation of an uncertain macroeconomic scenario.

Energy saving and efficiency

Energy saving targets (2013 and 2014)

By way of Resolution no. 11/2013/R/efr, pursuant to the provisions of the Decree of December 28, 2012 the Authority has sent to the MED and the GSE the data needed to establish the specific primary energy saving objectives for distributors for 2013, to be achieved by the end of May 2014.

In consideration of the information made available by AEEGSI by way of Resolution no. 9/2013, as corrected by Determination no. 2/2014, the GSE has also informed obliged distributors as to the national energy efficiency improvement quantitative targets for end users within their competence for 2014.

Tariff contribution

By way of Resolution no. 13/2014/R/efr the Authority defined a new mechanism for determining the tariff contribution to cover the costs incurred by distributors subject to energy efficiency obligations, in force since obligatory year 2013, which entails the calculation of a preliminary unit tariff contribution and a final unit tariff contribution.

The final unit tariff contribution for the obligatory year ended and the preliminary unit tariff contribution for the obligatory year underway will be published by June 30 each year. By way of the Determination of July 2, 2014, the Authority accordingly published the values of the final tariff contribution for the obligatory year 2013 (being 110.27 €/TEE) and the preliminary tariff contribution for obligatory year 2014 (being 110.39 €/TEE), calculated by applying the criteria of article 3, paragraphs 1 and 2 of Resolution no. 13/2014/R/eel.

Legislative Decree transposing the European Directive on energy efficiency

Among the measures adopted by the Legislative Decree implementing European Directive 2012/27/EU on energy efficiency, in addition to the provisions adopted on district heating the following matters are noted, being of particular importance for the networks sector:

- the requirement to ensure that entities carrying out metering activities provide users with individual meters that accurately measure their actual consumption and provide information on actual time of use (“smart meters”);
- provisions for superseding the electricity tariff structure using a sliding scale based on consumption and adjusting components to the cost of the actual service.

Integrated water service

Duration of existing allocations

Following the referendum, which took place on June 12 and 13, 2011 the legislative provisions referred to in the questions involved were repealed, including article 23-bis of Decree Law no. 112/2008 on the assignment of local public services of economic importance.

As concerns the existing management, as specified by article 34 of Decree Law no. 179/12, converted into Law no. 221/12, the services allocated to in-house providing public companies which meet the requirements set by community jurisprudence (control over the operator to be the same as that carried out over internal bodies, performance of activities mostly for the administration or the administrations of shareholders, wholly publicly-held capital) remain active until their natural expiry date.

Tariff regime

By way of Resolution no. 643/2013/R/ldr, in fulfillment of the provisions previously adopted for the first regulatory period 2012-2015, the Authority determined the Water Tariff Method (MTI) for 2014 and 2015 and established the means and timing of the approval of the tariffs for 2012 and 2013, with reference to operators for which approval has not yet been formally resolved (which include the companies of the A2A Group) due to non-fulfillment on the part of the territorial entities.

To calculate the costs recognized in the tariff, a specific scheme (“regulatory scheme”) is included in the MTI which provides for four alternative methods of calculation (quadrants):

- based on the ratio, for each operator, between investment needs for the period 2014-2017 and the value of the existing infrastructures (in particular, “financial amortization” is recognized in the case where that ratio is less than the reference value (equal to 0.5));
- depending on whether or not changes are made to the operator’s objectives or activities (higher coverage levels are recognized in case of changes in the scope of the activities managed).

Important provisions for the period

By way of Resolution 163/2014/R/ldr the Authority provides for the return to end users in the first available billing of the integrated water service tariff component relating to the remuneration of capital, repealed through the public referendum which took place on June 12 and 13, 2011, with reference to the period from July 21, 2011 to December 31, 2011.

On April 30, 2014, pursuant to article 5.5 of Resolution no. 643/2013/R/idr, the companies of the A2A Group provided the Authority and the Province of Brescia Ambit Office with the preliminary information required for the tariff revision for 2014 and 2015. On June 13, 2014, the Ambit Office approved the tariffs applicable for 2014 within the limit of the increase permitted by the normalized method.

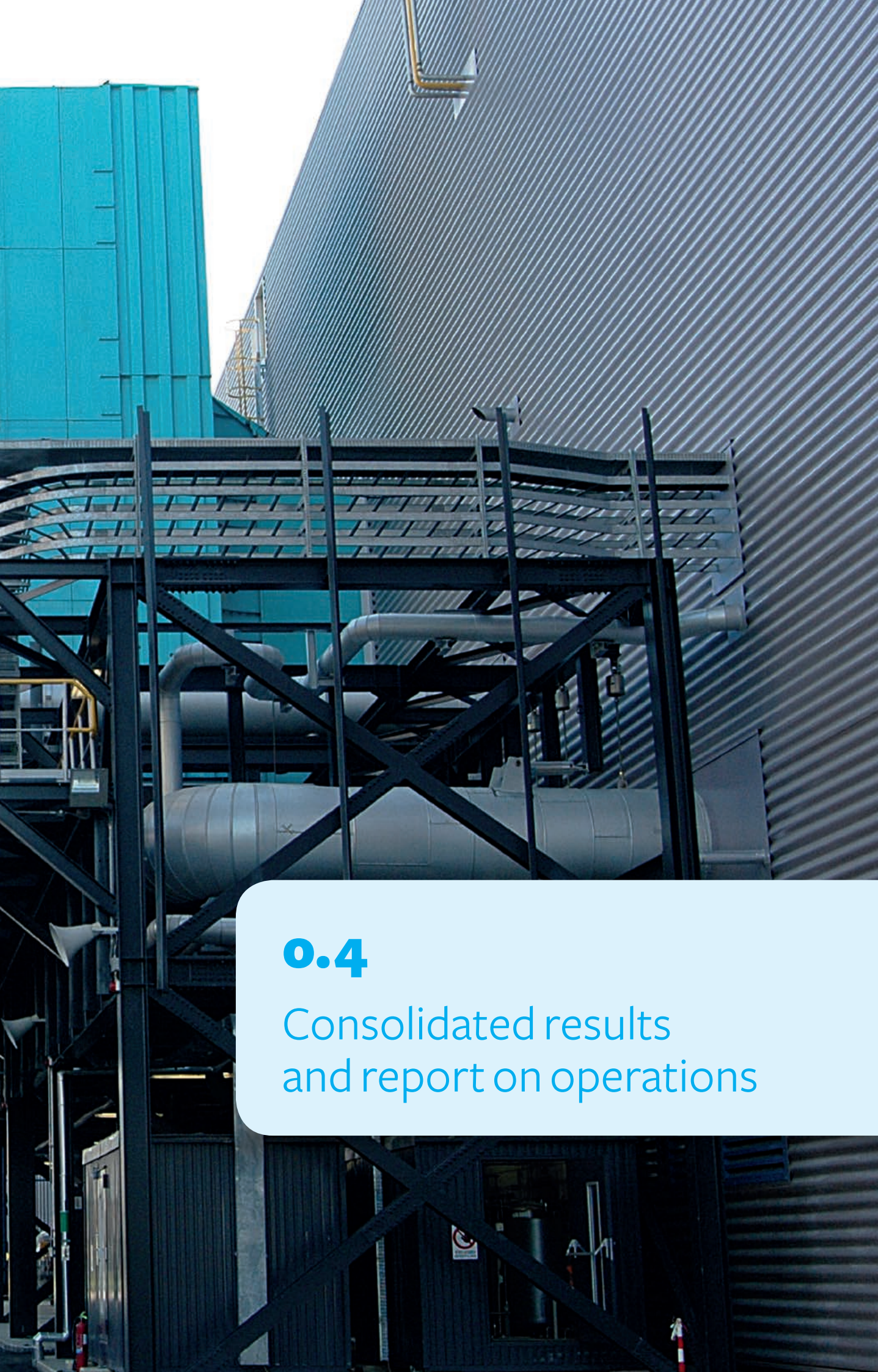
In October 2014, the AEEGSI warned the Territorial Ambit Office of the Province of Brescia to fulfill the completion of the loading procedure of all documents necessary for the approval of the theta multiplier for the years 2014 and 2015. On December 5, 2014, as a result of the non-fulfillment of the ATO, the company A2A Ciclo Idrico S.p.A. completed the submission process to the AEEGSI required by Resolution 643/13/R/idr.

In addition, for former CIPE (Aspem Group) operators the Authority established the criteria for calculating the tariff multiplier and the maximum total value of the settlements admissible for 2010 and 2011 in Resolution no. 268/2014/R/idr.

In July 2014 the Brescia Ambit Office initiated the procedure for entitled users to make a request for a reimbursement of the purification tariff not due for the period between October 15, 2003 and October 15, 2008, pursuant to sentence no. 335/2008 of the Constitutional Court. Specific lists of these users have been published on the websites of the Managers (17,311 users for A2A Ciclo Idrico S.p.A. located in 30 served municipalities).

The maximum amount to be reimbursed by the A2A Group amounts to approximately 5.5 million euro.



A photograph of an industrial facility, likely a power plant or refinery. The image shows a complex network of large, horizontal pipes supported by a dark metal framework. In the background, there are large buildings with corrugated metal siding, one of which is painted a bright blue. The sky is visible at the top. The overall scene is industrial and modern.

0.4

Consolidated results
and report on operations

Summary of results, assets and liabilities and financial position

Results

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.

<i>Millions of euro</i>	01 01 2014 12 31 2014	01 01 2013 12 31 2013	Changes
Revenues	4,984	5,604	(620)
of which:			
- Revenues from the sale of goods and services	4,761	5,389	(628)
- Other operating income	223	215	8
Operating expenses	(3,311)	(3,807)	496
Labour costs	(649)	(664)	15
Gross operating income	1,024	1,133	(109)
Depreciation, amortization and write-downs	(605)	(736)	131
Provisions	(57)	(140)	83
Net operating income	362	257	105
Result from non-recurring transactions	9	75	(66)
Net financial charges	(165)	(183)	18
Affiliates	(45)	(23)	(22)
Result from disposal of other shareholdings	-	-	-
Result before taxes	161	126	35
Income taxes	(179)	(51)	(128)
Result after taxes from operating activities	(18)	75	(93)
Net result from discontinued operations	-	-	-
Minorities	(19)	(13)	(6)
Group result of the year	(37)	62	(99)

During the year, “**Revenues**” of the A2A Group totaled 4,984 million euro, a decrease of 620 million euro compared to 2013, mainly due to the decline in sales of electricity in wholesale markets and sales of energy for heating resulting from the high thermal efficiency recorded in the reporting period.

Key quantitative data for the year 2014 contributing to the formation of Group revenues, compared to the previous year, are as follows:

	12 31 2014	12 31 2013
Electricity sold to wholesale and retail customers (GWh)	28,269	24,527
Electricity sold on the Power Exchange (GWh)	11,798	13,082
Electricity sold on foreign markets (GWh)	13,483	12,699
Electricity sold – EPCG (GWh)	3,943	4,135
Gas sold (Mcm)	3,062	2,435
Heat sold (GWht)	1,951	2,396
Electricity distributed (GWh)	10,782	11,098
Electricity distributed - EPCG (GWh)	2,448	2,530
Gas distributed (Mcm)	1,739	2,076
Water distributed (Mcm)	60	63
Water purified (Mcm)	34	35
Waste disposed of (Kton)	2,594	2,517

Production Details	12 31 2014	12 31 2013
Thermoelectric production (GWh)	5,540	7,432
Thermoelectric production - EPCG	1,322	1,311
Hydroelectric production (GWh)	6,090	5,023
Hydroelectric production - EPCG (GWh)	1,716	2,498
Heat production (GWht)	2,032	2,413
Electricity produced by cogeneration (GWh)	233	300
Electricity sold coming from waste-to-energy and biogas plants (GWh)	1,095	1,103

The **Gross Operating Income** equaled 1,024 million euro, a reduction of 109 million euro compared to 2013.

The following table shows the composition by business area:

<i>Millions of euro</i>	12 31 2014	12 31 2013
Energy Business	463	533
Environment Business	222	282
Heat and Services Business	61	86
Networks Business	298	256
Other Services and Corporate Business	(20)	(24)
Total Ebitda	1,024	1,133

The Gross Operating Income of the Energy Business equaled 463 million euro, a decrease of 70 million euro compared to the previous year.

This reduction is substantially due to the decline in electricity prices recorded on the wholesale markets, only partially offset by strong hydraulicity recorded in 2014, by higher margins achieved in the environmental certificates market, as well as the contribution resulting from the careful management of gas procurement sources.

The margin also declined of the subsidiary EPCG that, in this segment, recorded a decrease of 21 million euro compared to 2013, which had benefited from higher hydroelectric production.

The Gross Operating Income of the Environment Business equaled 222 million euro, a reduction of 60 million euro compared to 2013.

This performance is mainly due, for 27 million euro, to the presence in 2013 of a positive element of non-recurrent income pertaining to the year 2012 relative to the sale price of electricity produced under the CIP 6 scheme and, for 26 million euro, to lower revenues due to the expiry of the CIP 6 agreement of the waste-to-energy plant in Brescia.

The Gross Operating Income of the Heat and Services Business equaled 61 million euro, a decrease of 25 million euro compared to the previous year.

The reduction of the margin, relative to both the District Heating Business and the Heat Management Business, can essentially be attributed to the unusual climatic conditions recorded in 2014.

This negative effect was only partially offset by the effective action of commercial development and by greater margins achieved from the sale of white certificates awarded for the management of the district heating service in the cities of Milan, Brescia and Bergamo.

The margin of the Networks Business amounted to 298 million euro, up by 42 million euro compared to the previous year. The result of 2013, however, included the allocation of mobility charges relating to the corporate restructuring plan for around 12 million euro. Net of these charges, the growth of the Gross Operating Income of the Business, amounting to 30 million euro, can be attributed to the electricity distribution sector following the application, from June 2014, of Resolution 258/14/R/eel of AEEGSI, which resulted in higher revenues allowed for the years 2012, 2013 and 2014. The contribution of the electricity distribution sector of the EPCG Group was positive due to the effect of the increase in the distribution tariffs.

Amortization, Depreciation, Provisions and Write-downs amounted to a total of 662 million euro (876 million euro at December 31, 2013) and include amortization and write-downs of the intangible and tangible assets for 605 million euro (736 million euro at December 31, 2013) and net provisions for 57 million euro (140 million euro in 2013).

The item recorded an overall reduction of 214 million euro compared to the previous year, due to the effect of lower amortization of the tangible assets due to write-downs from Impairment Test performed at December 31, 2013, the review of the useful life of the CCGT plants from July 1, 2014, the lower write-downs carried out following the results of the 2014 Impairment Test compared to those deriving from the 2013 Impairment Test, as well as the decrease of the net risk provisions related to surpluses recorded during the year in question following the resolution of some disputes with local Authorities and lower provisions for bad and doubtful debt as there was no longer any risk of not collecting certain receivables from customers for which provisions were made in previous years.

Due to the effect of the dynamics explained above, the **Net Operating Income** (EBIT) equaled 362 million euro (257 million euro in 2013).

The **Result from non-recurring transactions** is positive by 9 million euro in 2014 and mainly incorporates, for 12 million euro, the execution of the exchange agreement between A2A S.p.A. and Dolomiti Energia S.p.A. which provided for the sale to A2A S.p.A. of Edipower shares owned by Dolomiti Energia S.p.A. in exchange for the sale of Dolomiti Energia shares held by A2A S.p.A. plus the 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. 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, adjusted by non-recurring net expense of 8 million euro incurred by the subsidiary EPCG.

Net financial charges equaled 165 million euro (183 million euro in 2013). The reduction compared to the previous year, equal to 18 million euro, can be mainly attributed to lower net payable financial charges on the debt for 51 million euro adjusted by the negative performance of the variation in the fair values and realized gains of the financial derivative contracts for 33 million euro.

Affiliates were negative for 45 million euro (negative for 23 million euro in 2013) and can be mainly attributed to the write-down, for 54 million euro, of the shareholding that A2A S.p.A. holds in Ergosud S.p.A. in order to align the book value of the shareholding with the value resulting from the Impairment Test process and the evaluation of other minor shareholdings positive for 9 million euro.

Income taxes for the year amounted to 179 million euro (51 million euro in 2013). Sentence no. 10/2015 of the Constitutional Court, which declared the additional IRES (so-called “Robin Hood Tax”) to be unconstitutional with effect from February 12, 2015, resulted in an overall negative effect on the taxes for the year equal to 65 million euro, partially offset by the positive effect deriving from the recording of deferred taxes on the write-downs of tangible assets, following the Impairment Test carried out, and by the reduction of the so-called Robin Hood Tax in 2014 which returned to 6.5% following the natural expiry of the three-year temporary increase by 4 percentage points provided for by Law Decree 138/2011, converted into Law 148/2011.

The **Group result of the year** was negative for 37 million euro (positive for 62 million euro in 2013).

Financial position and assets

Consolidated “**Capital employed**” at December 31, 2014 amounted to 6,542 million euro and is covered by the Net Equity for 3,179 million euro and the net financial debt for 3,363 million euro.

The “**Working capital**” amounted to 348 million euro, reduced by 393 million euro compared to December 31, 2013 mainly as a result of the reduction of the trade receivables and other current assets.

The “**Net fixed assets**” amounted to 6,194 million euro, a reduction of 287 million euro compared to December 31, 2013 mainly due to the amortization and write-downs deriving from the Impairment Test carried out.

The “**Net financial position**”, equal to 3,363 million euro, improved by 511 million euro compared to December 31, 2013 following the positive generation of cash flow of operations, partially offset by the resources absorbed by the investments in tangible and intangible assets for 307 million euro and by dividends paid for 102 million euro.

<i>Millions of euro</i>	12 31 2014	12 31 2013	Changes
CAPITAL EMPLOYED			
Net fixed assets	6,194	6,481	(287)
- Tangible assets	5,625	5,930	(305)
- Intangible assets	1,318	1,306	12
- Shareholdings and other non-current financial assets (*)	82	196	(114)
- Other non-current assets/liabilities (*)	(287)	(379)	92
- Deferred tax assets/liabilities	323	372	(49)
- Provisions for risks, charges and liabilities for landfills	(498)	(605)	107
- Employee benefits	(369)	(339)	(30)
<i>of which with counter-entry to equity</i>	(383)	(379)	
Working capital	348	741	(393)
- Inventories	284	284	-
- Trade receivables and other current assets (*)	1,846	2,272	(426)
- Trade payables and other current liabilities (*)	(1,865)	(1,872)	7
- Current tax assets/tax liabilities	83	57	26
<i>of which with counter-entry to equity</i>	(28)	(8)	
Assets/liabilities held for sale (*)	-	-	-
<i>of which with counter-entry to equity</i>	-	-	
TOTAL CAPITAL EMPLOYED	6,542	7,222	(680)
SOURCES OF FUNDS			
Equity	3,179	3,348	(169)
Total financial position beyond one year	3,908	3,942	(34)
Total financial position within one year	(545)	(68)	(477)
Total net financial position	3,363	3,874	(511)
<i>of which with counter-entry to equity</i>	5 ¹	3 ¹	
TOTAL SOURCES	6,542	7,222	(680)

(*) Excluding balances included in the net financial position.

<i>Millions of euro</i>	01 01 2014 12 31 2014	01 01 2013 12 31 2013
Net financial position at the beginning of the year	(3,874)	(4,372)
Iren demerger effect	-	45
Result of the year ^(*)	(30)	(18)
Amortization	446	486
Write-downs/disposals of tangible and intangible assets	169	260
Affiliates	45	23
Net taxes paid	(133)	(122)
Change in assets and liabilities ^(*)	443	150
Net cash from operating activities	940	779
Investments in tangible and intangible assets	(307)	(284)
Investments in shareholdings and securities	-	(3)
Disposal of fixed assets and shareholdings	-	53
Dividends received from shareholdings	4	3
Cash flow from investment activities	(303)	(231)
Free cash flow	637	548
Dividends paid by the parent company	(102)	(81)
Dividends paid by the subsidiaries	(4)	(6)
Cash flow from the distribution of dividends	(106)	(87)
Changes in financial assets/liabilities with counter-entry to equity	(20)	(8)
NET FINANCIAL POSITION AT THE END OF THE YEAR	(3,363)	(3,874)

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

(**) Income for the year is shown net of capital gains generated by the sale of shareholdings.

Significant events during the year

The EIB provides financing of 115 million euro for A2A's investment plan

The European Investment Bank (EIB) and A2A signed an agreement on March 13, 2014 for a 15-year loan of 115 million euro for carrying out investments relating to integrated waste management and power generation.

Settlement of the dispute between A2A Reti Elettriche S.p.A. and ENEL

On March 18, 2014 the dispute between A2A Reti Elettriche S.p.A. and ENEL regarding the value of the electricity distribution business in the Municipalities of Milan and Rozzano came to a close, as described in further detail in the section "Other information". This business was acquired in 2002 as part of the liberalization measures included in Legislative Decree no. 79/1999, and in the absence of an agreement on the price with the seller ENEL the amount to be paid was calculated by an arbitration panel.

The settlement agreement agreed by the parties requires ENEL to repay 89.5 million euro to A2A Reti Elettriche S.p.A..

Amsa S.p.A. and the Municipality of Milan sign an agreement for 2014-2016

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.

Moody's upgrades its outlook to stable and keeps its rating for A2A S.p.A. unchanged at Baa3

Moody's has upgraded its outlook for A2A from "negative" to "stable" and confirmed its long-term rating for the company at Baa3.

A2A S.p.A.: the Supervisory Board approves the 2013 financial statements

Meeting on April 29, 2014 under the chairmanship of Prof. Pippo Ranci Ortigosa, the Supervisory Board approved the separate and consolidated financial statements for the year ended December 31, 2013 prepared by the Management Board.

The Supervisory Board also approved the Management Board's proposal for submission to the Shareholders' Meeting of June 13-16, 2014 for the distribution of a dividend of 0.033 euro per ordinary share, to be paid from June 26, 2014 (ex-dividend from June 23, 2014) with record date June 25, 2014.

A2A S.p.A. and the trade unions sign an agreement for dealing with the crisis in the electricity production sector

On May 23, 2014, A2A S.p.A. and the electricity sector trade unions signed an important agreement at the offices of Assolombarda.

Given the critical situation on the electricity market, which deteriorated even further in the first quarter of 2014 (demand for electricity fell for the tenth consecutive quarter and has now reached 2002 levels), the objective was set to improve the competitiveness of the Group's production plants while at the same time minimizing the effects on employment.

This agreement, together with the confirmation of a number of lay-off schemes and other arrangements already used in 2013 with the aim of maintaining jobs (solidarity contracts and the state-subsidized "cassa integrazione ordinaria" scheme), envisages the early retirement of 120 workers and the start of a "mobilità" scheme to encourage the redeployment and retraining of the Group's staff at a local level, including by way of transfer to business areas less affected by the crisis.

During the various meetings with the unions, the company also illustrated the progress made by the "Networks Area" reorganization project (regarding A2A Reti Elettriche S.p.A., A2A Reti Gas S.p.A. and A2A Servizi alla Distribuzione S.p.A.) agreed with the unions in July 2013.

This project also has the aim of increasing the competitiveness of the companies involved through job retraining and the development of skills already to be found in the Group.

When fully implemented the project will create new job opportunities for around 50 people, who will partly be selected from within the Group and partly by hiring around 30 young graduates and high school leavers over the next two years.

This operation has led to the recognition of a lay-off provision of approximately 9 million euro.

A2A S.p.A.: lists submitted for the appointment of the Board of Directors and the Board of Statutory Auditors

The following lists of candidates were submitted on May 20, 2014:

For the Board of Directors:

The Municipality of Brescia and the Municipality of Milan put forward the names of the following persons: Giovanni Valotti (as Chairman of the Board of Directors), Giovanni Comboni (as Vice Chairman of the Board of Directors), Luca Camerano (jointly put forward as Chief Executive Officer by the Municipality of Milan and the Municipality of Brescia), Stefano Cao, Elisabetta Ceretti, Michaela Castelli, Fausto Di Mezza, Stefano Pareglio, Antonio Bonomo, Luciana Ravicini, Maria Elena Costanza Bruna Cappello, Marina Brogi and Enrico Corali.

Carlo Tassara S.p.A. put forward the names of the following persons: Mario Cocchi and Giambattista Brivio.

The Municipality of Bergamo and the Municipality of Varese put forward the names of the following persons: Marco Baga and Renzo Torchiani.

A group of asset management companies and institutional investors put forward the names of the following persons: Luigi De Paoli, Dina Ravera and Vittorio Mongino.

For the Board of Statutory Auditors:

The Municipality of Brescia and the Municipality of Milan put forward the names of the following persons: Norberto Rosini and Cristina Casadio as standing auditors and Paolo Prandi as substitute auditor.

Carlo Tassara S.p.A. put forward the names of the following persons: Franco Carlo Papa and Stefano Spiniello.

A group of asset management companies and institutional investors put forward the names of the following persons: Giacinto Sarubbi and Onofrio Contu.

A2A S.p.A.: Shareholders' Meeting

At a general meeting on June 13, 2014, the shareholders of A2A S.p.A.:

- 1) approved the proposed distribution of a dividend of 0.033 euro per ordinary share to be paid as from June 26, 2014 (ex-dividend from June 23, 2014) with record date June 25, 2014;
- 2) voted in favor of the first part of the 2014 Compensation Report;
- 3) authorized the Board of Directors to purchase and dispose of treasury shares (the maximum number of treasury shares that may be held is 313,290,527, taking into account the shares already held by A2A S.p.A. and its subsidiaries, being one tenth of the shares making up the share capital);
- 4) approved the new bylaws which provide for the adoption of the “traditional” system of management and control;
- 5) appointed the following Board of Directors of 12 members for a term of three years using the voting list system:

Giovanni Valotti – Chairman, Giovanni Comboni – Vice Chairman, Luca Camerano, Stefano Cao, Elisabetta Ceretti, Michaela Castelli, Fausto Di Mezza, Stefano Pareglio and Antonio Bonomo (taken from the list jointly submitted by the Municipality of Brescia and the Municipality of Milan, owners of a total shareholding equal to 55.124% of share capital), Mario Cocchi (taken from the list submitted by the minority shareholder Carlo Tassara S.p.A., owner of a total shareholding equal to 2.512% of share capital), Luigi De Paoli and Dina Ravera (taken from the list jointly submitted by a group of asset management companies and institutional investors, owners of a total shareholding equal to 1.178% of share capital).

All appointees have declared that they meet the requisites of independence prescribed by article 148, paragraph 3 of Legislative Decree no. 58/98 and article 3 of the Corporate Governance Code;

- 6) established the annual compensation for each director at 80,000 euro;
- 7) appointed for a term of three years using the voting list system the Board of Statutory Auditors consisting of the following 3 standing members and 2 substitute members:
Norberto Rosini – Standing Auditor, Cristina Casadio – Standing Auditor and Paolo Prandi – Substitute Auditor (taken from the list jointly submitted by the Municipality of Brescia and the Municipality of Milan, owners of a total shareholding equal to 55.124% of share capital), Giacinto Sarubbi – Chairman and Onofrio Contu – Substitute Auditor (taken from the list jointly submitted by a group of asset management companies and institutional investors, owners of a total shareholding equal to 1.178% of share capital);
- 8) established the annual compensation for the Chairman of the Board of Statutory Auditors and each standing auditor at 100,000 euro and 70,000 euro respectively.

A2A S.p.A.: Resolution of the Board of Directors

On June 17, 2014, A2A S.p.A.'s Board of Directors held its first meeting under the chairmanship of Giovanni Valotti.

The Board appointed Luca Valerio Camerano as Chief Executive Officer, vesting him with broad powers for the Company's ordinary operations.

The Board assigned the Chairman specific responsibilities concerning relationships with shareholders, the institutions, regulatory authorities and the media and external relations and, in conjunction with the Chief Executive Officer, with regard to drawing up proposals for extraordinary operations.

The Board of Directors also appointed an Executive Committee made up of three members: the Chairman Giovanni Valotti, the Vice Chairman without powers Giovanni Comboni and the Chief Executive Officer Luca Valerio Camerano. The Committee mainly has functions of a consultative nature for coordinating the executive directors' work and functions of a propositional nature for the Board of Directors.

This detailed framework clearly defines responsibilities, facilitates effective and timely decision making, provides for a balance of powers and emphasizes the central role of the Board of Directors in managing the Group and, in particular, determining and pursuing its strategic objectives.

As part of the meeting the Board also ascertained the existence of the independence requirements prescribed by article 148, paragraph 3 of the Consolidated Financial Act for all the Directors and Statutory Auditors and the existence of the independence requirements prescribed by article 3 of the Corporate Governance Code for listed companies for the directors Giovanni Comboni – Vice Chairman, Antonio Bonomo, Stefano Cao, Michaela Castelli, Elisabetta Ceretti, Mario Cocchi, Luigi De Paoli, Stefano Pareglio and Dina Ravera, and the statutory auditors Giacinto Sarubbi – Chairman, Cristina Casadio and Norberto Rosini.

Finally, the Board of Directors set up the following three committees, in place of the previous four, appointing their members as follows:

- Control and Risks Committee: Michaela Castelli – Chairman, Mario Cocchi – Vice Chairman, Fausto Di Mezza and Dina Ravera;
- Appointments and Compensation Committee: Giovanni Comboni – Chairman, Antonio Bonomo and Stefano Cao;
- Committee for the Territory: Giovanni Valotti – Chairman, Stefano Pareglio – Vice Chairman, Elisabetta Ceretti and Luigi De Paoli.

Increase in share capital by EPCG

In addition to approving the 2013 financial statements, at their general meeting on July 17, 2014, EPCG's shareholders resolved a share capital increase arising from the conversion of the company's tax liability.

In detail, this operation was carried out as follows:

- 5,883,737 shares, each with a nominal value of 7.6482 euro, were issued in favor of the State of Montenegro for a total of approximately 45 million euro as payment of past tax liabilities;
- as a result, EPCG's shareholding structure has changed slightly as follows, with no variations in A2A's rights to manage the company as established in the agreements signed in 2009:
 - State of Montenegro: 57.02%
 - A2A S.p.A.: 41.75%
 - Minority shareholders: approximately 1.23%.

A2A S.p.A. and Dolomiti Energia S.p.A.: shareholding exchange agreement finalized

In execution of the agreements signed by A2A S.p.A. and Dolomiti Energia S.p.A. on March 15, 2012 for the acquisition of the control of Edipower S.p.A. on May 24, 2012, and as a consequence of the exercising by Dolomiti Energia S.p.A. of the rights included therein, on September 3, 2014 A2A S.p.A. and Dolomiti Energia S.p.A. finalized the exchange of the 8.54% of the share capital of Edipower S.p.A. held by Dolomiti Energia S.p.A. for the 7.91% of the share capital of Dolomiti Energia S.p.A. held by A2A S.p.A..

In addition, A2A S.p.A. will pay a settlement balance of 16 million euro to Dolomiti Energia S.p.A. in four quarterly installments from October 1, 2014 to July 1, 2015.

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

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

In accordance with the requirements of IAS/IFRS the A2A Group has already considered the effects of the operation in its previous financial statements, to which reference should be made for further details.

In conclusion, with the completion of this operation the trading agreement between the A2A Group and Dolomiti Energia S.p.A. for the supply of "green energy" produced by the plants of

Edipower S.p.A., under which approximately 480 GWh of energy was sold in 2013 and 160 GWh in the first half of 2014, has come to an end.

A2A S.p.A.: resolution of the Board of Directors

On September 24, 2014, A2A's Board of Directors, chaired by Mr. Giovanni Valotti, approved the compensation of the company's Executive Chairman, Vice Chairman and Chief Executive Officer on the proposal of the Appointment and Compensation Committee and the favorable opinion of the Board of Statutory Auditors.

The total compensation of senior management – the Chairman, Vice Chairman and Chief Executive Officer – has been reduced by 50% over the previous payment structure. The overall cost to the group has fallen by more than 65%.

None of the three members of senior management is engaged under an employment contract.

More specifically, at the meeting the Board approved the following compensation for each specific position:

- Executive Chairman, all-inclusive gross annual compensation of 390 thousand euro, with no variable component.
- Vice Chairman, gross annual compensation of 40 thousand euro, with no variable component, recognized for the position as head of the A2A Group's Internal Audit function.
- Chief Executive Officer, gross annual compensation of 620 thousand euro. The Chief Executive Officer also receives a variable portion of up to 40% of the total compensation based on achieving the objectives stated in the Incentive Plan.

The Chief Executive Officer has waived any variable remuneration that may be due to him for 2014.

The Municipality of Milan and A2A S.p.A. present the municipality's new public lighting

Thanks to a replacement program being implemented by the Municipality of Milan and carried out by A2A S.p.A., all the lighting points located in the territory of the municipality, meaning over 140 thousand will use LED equipment by August 2015. However, by the start of the Expo exhibition on May 1, 2015, 80% of systems will have already been renewed. An innovative decision in the wake of similar decisions taken by cities such as Los Angeles, Copenhagen, Stockholm and Oslo, which will ensure equal efficiency and higher luminous efficacy and savings of 52% in consumption and 31% in the Municipality of Milan's "electricity bill".

As a result of this new lighting annual consumption per head will be halved, falling from the present 87 kWh to 42 kWh.

Taken overall, there will be a reduction from over 114 million kWh a year – a quantity of energy sufficient to satisfy the energy needs of 42 thousand apartments – to 55 million kWh, corresponding to the theoretical consumption of 20 thousand apartments.

A result which will take Milan to a consumption level that is lower than the average in the European Union (51 kWh per head) and in the leading countries in Europe (France, Spain and Germany), and on a par with Great Britain.

The A2A Group will incur expenditure of 38 million euro over a two-year period for replacing all of the city's lighting bodies and 500 control panels and installing the remote control system.

The decision taken in favor of LED will mean a clear improvement in terms of efficiency, lighting efficacy and safety. The new lighting bodies will guarantee an efficiency equal to that of the traditional lamps used until now (100 lumens per watt), but the light beam will be better pointed and the lamps will have a much longer lifecycle (up to 5 times that of traditional lamps); in terms of service quality and safety this will mean fewer broken lamps on the city streets.

At least 10 thousand fewer lights will be burnt each year, and by introducing the new technology – remote control – information on the condition of the systems or any malfunctioning will be available in real time, enabling action to be taken far more quickly.

District heating networks in the Milan metropolitan area: A2A's network is increasing and pollutants are decreasing

With the start of the 2014-2015 heating season the number of apartment equivalents served by A2A's district heating network in the Milan metropolitan area has risen to 170 thousand, representing an increase of 4.3% over the previous year. The volumes connected total 41.5 million cubic meters

Approximately 16.5 kilometers of network (double piping) has so far been laid in the municipalities of Milan, Sesto San Giovanni, Cinisello Balsamo and Novate Milanese in 2014.

During 2013 the use of district heating enabled the emission of approximately 5 tonnes of fine dust particles, 110 thousand tonnes of carbon dioxide, 129.2 tonnes of nitrous oxide and 46.2 tonnes of sulfur dioxide and the consumption of 38 thousand toe (tonnes of oil equivalent) to be avoided.

Twenty seven new public buildings in Milan will use district heating as a source, for a total of over 710 thousand m³ and approximately 16 MWt of installed power.

Among the new public buildings connected to the network are the following: the Sormano Library, 23 elementary, middle and high schools, the centre for senior citizens in Via Don C. S. Martino and the judicial offices in Via Guastalla and Via Andreani.

A2A's district heating networks are mainly fuelled by renewable sources – waste-to-energy plants and heat pumps – and by high yield simultaneous electricity and heat production systems, ensuring a significant saving in the use of fossil fuels (such as diesel and methane) and providing a service with high standards of quality, safety and respect for the environment.

The district heating development plan for the towns in the Milan metropolitan area is drawn up and implemented in line with guidelines for town-planning and road works scheduling that have been agreed with the municipal administrations.

Acerra waste-to-energy plant: environmental management effectiveness is confirmed

The Acerra waste-to-energy plant worked to 100% production capacity over the first nine months of 2014, confirming the high standards of efficiency that have been reached and providing a fundamental contribution to the waste cycle in Campania.

A total of 436 million kilowatt hours of electricity were produced from the processing of the 515 thousand tonnes of waste received by the plant, which when put into the grid satisfied

Figures for atmospheric emissions, continuously recorded by a double monitoring system capable of guaranteeing uninterrupted measurement, confirmed values which were well below those set by European legislation and also the stricter limits established by the Integrated Environmental Authorization which regulates the Acerra site.

Thanks to the best environmental protection practices that have been adopted in running the plant, the waste-to-energy plant obtained the prestigious EMAS Registration in 2014.

Compared to the legal limits required to be met by the Acerra waste-to-energy plant to enable it to operate, during the first nine months the plant had emission levels, certified by third party laboratories, which were lower on average by 89% for fine particles, 76% for carbon dioxide, 37% for nitrous oxide, 97% for sulfur oxide, 99.9% for mercury and 99.7% for dioxins and furans.

The way in which the plant operates – it is run by A2A Ambiente – enabled atmospheric emissions of approximately 100 thousand tonnes of carbon dioxide and the consumption of approximately 90 thousand tonnes of oil equivalent to be avoided, as well as the resort to other fossil fuels such as hydrocarbons, gas and coal.

During 2014, ordinary maintenance was carried out on the plant's firing lines enabling it to work at full efficiency, thus complying with the high safety levels set for operating without jeopardizing its ability to process the planned quantities of waste.

A2A Group: the first solar thermal power plant for district heating in southern Europe in Varese

On October 31, 2014 work began in Varese on the construction of the first solar thermal power plant for district heating in southern Europe. The plant is being built for A2A by Varese Risorse and will contribute to producing heat to be supplied to buildings through the city's distribution network. This innovative plant will produce heat from fully renewable sources and will be used to replace production by the other "historical" district heating plants already run by the A2A Group in Varese.

The plant will be integrated into the city grid and will enable water to be stored, before distribution, in tanks having a capacity of 430 m³. An investment of 400 thousand euro is planned.

It has been estimated that the solar plant will produce 450 MWh of thermal energy a year, equivalent to the sanitary hot water requirements of 150 apartments, avoiding the need to resort to 43 toe (tonnes of oil equivalent) of fossil fuels and accordingly providing both an economic and environmental benefit.

Thanks to this plant, atmospheric emissions of 108 tonnes of CO₂ will also be avoided each year.

The A2A Group is the leader in Italy in the district heating sector as the result of its experience of over 40 years in planning and managing activities in the Milan, Brescia, Bergamo and Varese areas. The construction of this innovative plant forms part of the Group's strategy, which as ever is directed towards adopting the best technologies available and placing the utmost emphasis on managing infrastructure in order to protect the environment, save raw materials and reduce polluting emissions.

A2A S.p.A.: resolution of the Board of Directors

On December 17, 2014, with the favorable opinion of the Board of Statutory Auditors, the Board of Directors approved the appointment of Andrea Eligio Crenna as manager in charge of preparing the corporate accounting documents pursuant to article 154-bis of Legislative Decree 59/98.

Municipalities of Milano and Brescia: sale of shareholding of AzA S.p.A.

It shall be noted that in December 2014 the Municipalities of Milan and Brescia sold a shareholding of 0.51% of AzA S.p.A..

Therefore, 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.

Significant events after December 31, 2014

A2A S.p.A. and the Repower Group sign agreement for electric mobility

On January 13, 2015 A2A S.p.A. and the Repower Group, one of the leading Swiss providers in the management of renewable resources, concluded an agreement to make available to a larger number of users the charging infrastructure for electric vehicles. Thanks to this new partnership, Repower customers have been provided with a card with which they can access, until December 2015, the service offered by the charging points of the A2A Group. It is a real advantage that simplifies the use of electric vehicles.

This agreement stems from the interest of electric mobility, thanks to the common intention to actively support this new sector, relaunching it with new services.

The public infrastructure for charging of electric cars realized in Brescia and Milan, with a total of 50 columns for 100 charging points, is now fully operational and, since July 2013, has allowed fast charging up to 22 kW in three-phase, allowing the latest generation cars to recharge to 80% in about 50 minutes. In parallel, the installation of private charging points is ongoing for car-sharing companies and owners of electric vehicles for the benefit of urban air quality.

A2A Ciclo Idrico S.p.A.: excellent results on water quality in Brescia

Thanks to the actions undertaken by A2A Ciclo Idrico S.p.A. in 2014, the quality of drinking water in Brescia improved further.

In December 2014, the value of Hexavalent Chromium, recorded in 75% of the water supplied to the city aqueduct, was less than 2 micrograms/liter, concentration below the detection limit of the analytical methods currently used.

An amount of 100% of the water has a value of less than 3 micrograms/liter, which is far below the best global regulatory standards.

It is worth remembering that a current limit of 50 micrograms/liter is set by legislation for total chromium (consisting of trivalent chromium and hexavalent chromium), a level also

confirmed in the latest edition of the Guidelines for Drinking-water Quality issued by the World Health Organization. The plants realized allow the transformation of Hexavalent Chromium (soluble in water) into Trivalent Chromium (insoluble in water), through the addition of ferrous sulphate (FeSO_4). The trivalent chromium is then removed by filtering the water through a bed of activated carbon.

A2A Ciclo Idrico S.p.A. started installation of the system for reducing Hexavalent Chromium in wells that had a greater presence (Serenò 2, San Donino, Grazzine and San Bartolomeo).

The A2A Group will incur expenditure of more than 4 million euro over a two-year period in order to achieve an improvement in the quality of the water distributed in the city of Brescia.

The Brescia aqueduct, managed by A2A Ciclo Idrico S.p.A., is subject to rigorous controls based on a protocol of analyses agreed with the local health authority. This protocol requires water samples to be taken on a monthly basis both from the control points (26 situated throughout the city), which are representative of the distribution network, and from the treatment plants; for the sources of procurement controls are annual or with lower frequency, depending on the quality of the untreated water sampled.

In addition to the above controls, since April 2014, the concentration of Hexavalent Chromium and Total Chromium has been measured weekly at all 26 control points of the network and the results are regularly published on the website of A2A Ciclo Idrico S.p.A..

In 2014, in the city of Brescia alone, A2A Ciclo Idrico S.p.A. carried out 4,600 tests (3,968 to check chemical and physical parameters and 632 to check microbiological parameters) and analyzed a total of 50,430 chemical, physical and microbiological parameters. These analyses confirmed that the water distributed from the civic aqueduct complies fully with Legislative Decree no. 31/01.

Each year a copy of all the analyses is sent to the local health authority which carries out its own sampling and analyses as a means of ensuring the utmost independence and efficiency of the checks with respect to the operator.

Brescia with LED: new public lighting project

By 2016, all the light point in Brescia, about 43 thousand, will use LED fixtures thanks to a substitution plan planned by the Municipality of Brescia and realized by the A2A Group.

An innovative choice that will ensure equal efficiency and equal light output, a savings of 39% of consumption and 8 million euro in 10 years on the “bill” of the Municipality of Brescia.

A 39% reduction of electricity actually means saving every year more than 1,300 TOE (tonnes of oil equivalent), equivalent to the annual consumption of about 1,500 cars, and avoiding the emission into the atmosphere of 2,700 tons of CO₂.

As a result of this new lighting annual consumption per head will be almost halved, falling from the present 92 kWh to 56 kWh.

Taken overall, there will be a reduction from over 18 million kWh a year – a quantity of energy sufficient to satisfy the energy needs of 8,200 apartments – to 11 million kWh, corresponding to the theoretical consumption of 5,000 apartments.

The A2A Group will incur expenditure of 12 million euro for replacing all of the city's lighting bodies.

The decision taken in favor of LED will mean an improvement in terms of efficiency and safety. The new lighting bodies will guarantee lighting performance equal to that of the traditional light bulbs used until now (100 lumens per watt). However, the light beam will be better pointed and the lamps will have a much longer lifecycle (up to 5 times that of traditional lamps); in terms of service quality and safety, this will mean fewer broken lamps on the city streets.

At least 2,500 fewer lights will be burnt each year. And with the new remote control technology adopted, information on the condition of the systems or any malfunctioning will be available in real time, enabling action to be taken far more quickly.

Even at the end of life, the LEDs represent an environmental advantage thanks to the total absence of mercury and other pollutants.

The higher efficiency of LED lighting will also have the effect of reducing light pollution, thanks to the concentration of lighting toward sidewalks and roads and the absence of emission of light intensity upwards.

The reduction in expenses is also guaranteed by the significant energy savings and reduced maintenance and replacement costs of the LEDs, which stand out for their durability, resistance to vibration and unfavorable atmospheric conditions.

A2A has created “ILLUMINiamo”, a new app to inform citizens on the progress of the project, with a counter that allows users to know the number and percentage of light bulbs already replaced. Thanks to ILLUMINiamo, citizens can report directly to A2A - also by means of automatic detection of their device - the presence of street lights turned off or unlit streets.

A2A Energia S.p.A. has planned several initiatives to spread the values of the project and promote the use of LED lighting in homes as well.

Events have also been planned for the neighborhoods of Brescia, as soon as the

replacement of the light bulbs with the new LED equipment will have been completed in each area of the city.

A2A Ambiente S.p.A.: agreement signed with Apindustria Brescia for integrated waste management of companies

On January 30, 2015, A2A Ambiente S.p.A. and Apindustria Brescia signed an agreement for the integrated management of waste from associated companies.

The agreement represents a real opportunity for associated companies that can thus take advantage of the favorable and simplified service conditions through A2A Ambiente S.p.A.; the latter acts as a single interface that ensures prompt qualified service to handle any issue relating to waste management and the resulting regulatory requirements, with particular attention to the activities of final treatment realized with high standards of quality and safety at plants mostly owned by the A2A Group, or accredited by it, authorized and certified by the most authoritative national Entities.

The collection and treatment of industrial waste, in fact, is a complex activity, regulated by a multitude of standards, which requires expertise and constant updating.

By partnering with A2A Ambiente S.p.A., a leading Italian company in the environmental sector, companies in Brescia may also benefit from a direct relation with the final operator, avoiding the need for intermediaries. This will facilitate the transparency of the whole process of waste tracking, with a precise identification of the responsibilities of the players involved.

The agreement is aimed at more than 1,000 potentially interested companies, with an estimated production of 10,000 tons of industrial waste per year.

Under the agreement, in the next few months Apindustria Brescia will manage the dissemination and promotion of the contents of the agreement as well as any update meetings dedicated to associated companies. A2A Ambiente S.p.A. will deal with the activities of customer contact reported by Apindustria Brescia, the formulation of the offers, the conclusion of contracts, the organization and management of logistics for waste collection and transportation and the transfer to the treatment or recovery plants.

A2A S.p.A.: bond issue for 300 million euro successfully completed

On February 18, 2015, A2A S.p.A. issued a 10-year bond for 300 million euro as part of its Euro Medium Term Notes program. The renewal and increase to a total of 4 billion euro was approved by the Board of Directors on November 6, 2014.

The issue, aimed at institutional investors, recorded orders corresponding to twelve times the amount offered. The bonds have an annual coupon of 1.75%, which is at the minimum levels for the A2A Group, and were placed at an issue price of 99.221%, with a spread of 110 basis points compared to the midswap reference rate. The bonds are governed by English law and admission to trading on the regulated market of the Luxembourg Stock Exchange was requested on February 25, 2015, subject to the signing of the relevant contract documents. The bond securities will be assigned a rating by Moody's and Standard&Poor's.

The issue, intended for the reimbursement of a portion of existing debt, will allow reducing the average rate of the debt of the A2A Group and, in line with the financial strategy, extending the average maturity of debt and optimizing the timing of maturities.

As previously announced, the A2A Group has also launched an offer for the partial repurchase of bonds maturing in 2016, whose outstanding nominal amount is 762 million euro. The conditions for repurchase are described in the Tender Offer Memorandum dated February 18, 2015.

The placement was handled by Banca IMI, Barclays, BNP Paribas and UniCredit as Joint Bookrunners. The Tender Offer is handled by Barclays and BNP Paribas.

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

On March 24, 2015, Carlo Tassara S.p.A. filed a lawsuit in civil court against A2A and the French giant EDF for “very heavy damages to the value of its shareholding in Edison”, in the reorganization of the energy group dating back to 2012. The proceeding was initiated in recent days and notified to the parties concerned. The reorganization of Edison had ended with an agreement announced on December 26, 2011, under which EDF acquired 30% of Edison held by the Italian partners (led by A2A) and subsequently launched a takeover bid for the rest of the capital; in turn, the Italian partners acquired 50% of Edipower from Edison. According to the allegations of Carlo Tassara S.p.A., “the amount paid for the sale of Edipower was set well below the value that this would have had in an isolated transaction to offset the discount in turn granted by Italian partners to EDF in the purchase of Edison shares”. Tassara claimed the serious economic consequences of said discount, since it was “forced to sell 10% of Edison in its possession adhering to the takeover bid at a debased price with heavy damage to the shareholding, evidenced by impairment recognized in the 2011 financial statements for a total of 294 million euro”. The holding company led by Pietro Modiano concludes by stating that A2A S.p.A. and EDF acted in violation of article 2497 of the Civil Code and “by way of the joint exercise of the management and coordination of

Edison pursued only the satisfaction of their converging business interests in defiance of the hetero-managed company, the principles of good business and corporate management and the interest of minority shareholders”. Hence the request for compensation to the extent that will result from the proceedings, following a technical expertise, plus legal interest and currency revaluation.

The company believes to have operated correctly and is proceeding with its evaluations.

A2A S.p.A.: resignation of a Director

On March 27, 2015, Independent Director Mario Cocchi resigned from the office of Director and consequently also Vice Chairman of the Audit and Risks Committee.

Municipalities of Milano and Brescia: sale of shareholding of A2A S.p.A.

It shall be noted that in the first two months of 2015 the Municipalities of Milan and Brescia sold a shareholding of 4.5% of A2A S.p.A..

This transaction was realized to integrate the sale of a block of shares of A2A S.p.A. of 0.51% in December 2014.

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.

A2A S.p.A.: agreement with the Government of Montenegro for the management of EPCG

A2A S.p.A. and the Government of Montenegro have agreed to extend the management rights of A2A S.p.A. in EPCG until June 30, 2015.

This extension allows continuing the negotiations already underway for the continuation of the partnership in terms of profitability and investment choices, definition and stability of a new regulatory plan, as well as management autonomy and efficiency.

Activities will also continue in EPCG aimed at creating the conditions for effective profitability and a return for shareholders, including the possible distribution of dividends as early as 2015.

Outlook for operations

In April 2015, the Group approved the new Strategic Plan 2015-2019. The main objective of the Plan is to relaunch and redesign A2A, initiating a process of strategic repositioning that in 2020, will result in more modern multi-utility, leader in the environment, smart grids and new energy models, more balanced and profitable, able to seize the opportunities that will open up in the Green Economy and Smart Cities.

The main development lines of the Plan can be divided into three main areas:

1. Restructuring and reduction of exposure in the thermoelectric sector;
2. Relaunch of investments in key areas of the environment, networks and free energy market;
3. Redesign of the mission of A2A to seize the opportunities of the future.

Proposal for the allocation of net profit for the year ended December 31, 2014 and the distribution of a dividend

The annual financial statements of A2A S.p.A. for the year ended December 31, 2014 show a net profit of 8,257,733.00 euro.

If you are in agreement with the criteria used to prepare the financial statements, with the accounting principles and methods used in those statements and with the measurement criteria adopted, we invite you to approve:

the allocation of the net profit for the year of 8,257,733.00 euro as follows:

- 412,887.00 euro to the legal reserve;
- 7,844,846.00 euro as an ordinary dividend payable to shareholders to ensure a remuneration of 0.0363 euro for each outstanding ordinary share by taking 104,902,506.00 euro from other distributable reserves.

By way of information we bring to your attention that on the basis of the number of shares currently outstanding (3,105,987,668 shares taking account of treasury stock of 26,917,609 shares), the amount distributed as an ordinary dividend of 0.0363 euro will total 112,747,352.00 euro.

The ordinary dividend will be paid from June 24, 2015, with coupon detachment on June 22, 2015 and record date June 23, 2015.

Board of Directors



A person wearing a blue jacket is working on a large, dark industrial pipe. The scene is dimly lit, with the person's hands and the pipe being the primary focus. The background is dark and industrial, with various metal structures visible.

0.5

Analysis of main sectors
of activities

Results 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	
Tangible assets	3,136	3,486	433	446	
Intangible 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

The A2A Group operates in the following sectors:

Energy Sector

This sector's activity is the sale of electricity and methane gas on wholesale and retail markets. Support for the marketing areas is assured by fuel procurement, electricity generation plant planning and dispatching, portfolio optimization and trading on domestic and foreign markets.

Environment Sector

This sector's activity relates to the whole waste management cycle, which ranges from collection and street sweeping to the treatment, disposal and recovery of materials and energy. It includes the recovery of the energy content in waste by means of waste-to-energy or biogas plants.

Heat and Services Sector

This sector's activity is mainly the sale of heat and electricity produced by cogeneration plants (mostly owned by the Group). Cogenerated heat is sold through district heating networks. The sector also provides management services for heating plants owned by third parties (heat management services).

Networks Sector

This sector's activity consists of the technical and operational management of networks for the transmission and distribution of electricity, the transport and distribution of natural gas and the management of the entire integrated water cycle (water captation, aqueduct management, water distribution, sewerage network management, purification). Also included are activities relating to public lighting, traffic regulation systems, the management of votive lights and systems design services.

Other Services and Corporate

Corporate services consist of the guidance, strategic direction, coordination and control of industrial operations, as well as business and operating activity support services (e.g. administrative and accounting services, legal services, procurement services, personnel management services, information technology services, telecommunications services, etc.). Other services include video-surveillance, data transmission, telephony and internet access services.

Energy Sector

The Energy Sector comprises the following activities:

- **Electricity generation:** power plant management through a generation pool of hydroelectric and thermoelectric plants with installed power of 9.8 GW ⁽¹⁾;
- **Energy Management:** the purchase and sale of electricity and gaseous and non-gaseous fuels on national and international wholesale markets; the procurement of the fuels needed to meet the requirements of the thermoelectric plants and customers; planning, programming and dispatching for electricity generation plants;
- **Sale of electricity and gas:** marketing of electricity and gas to the eligible customer market. Also included is the sale of electricity to customers eligible for “higher protection”.

In addition to the activities carried out directly by A2A S.p.A., the Energy Sector also includes the following companies:

Energy	Consolidated companies of the A2A Group
Thermoelectric and hydroelectric plants	• Abruzzoenergia • A2A Energia • A2A Trading • Edipower • Plurigas in liquidation • Aspem Energia • EPCG
Energy Management	
Sale of electricity and gas	

The quantitative and economic figures for the year ended December 31, 2014 are not comparable with those for 2013. In fact, the figures for 2013 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 Turbigio 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.

(1) Includes 100% of the Edipower S.p.A. plants and the EPCG plants.

Quantitative data - electricity sector

The following is a summary of the key quantitative data of the Energy Sector.

GWh	12 31 2014	12 31 2013	Changes	% 2014/2013
SOURCES				
Net production	11,633	12,458	(825)	(6.6%)
- thermoelectric production	5,540	7,432	(1,892)	(25.5%)
- hydroelectric production	6,090	5,023	1,067	21.2%
- photovoltaic production	3	3	-	-
Purchases	41,917	37,850	4,067	10.7%
- single buyer	2,329	2,671	(342)	(12.8%)
- stock exchange	7,326	9,507	(2,181)	(22.9%)
- foreign markets	15,250	14,296	954	6.7%
- other purchases	17,012	11,376	5,636	49.5%
TOTAL SOURCES	53,550	50,308	3,242	6.4%
USES				
Protected market sales	2,329	2,671	(342)	(12.8%)
Sales to eligible customers and wholesalers	25,940	21,856	4,084	18.7%
Sales on the exchange	11,798	13,082	(1,284)	(9.8%)
Sales on foreign markets	13,483	12,699	784	6.2%
TOTAL USES	53,550	50,308	3,242	6.4%

Note: the sales figures are stated gross of any losses. The quantitative data relating to the EPCG Group are not included.

The Group's electricity output in 2014 amounted to 11,633 GWh, to which should be added purchases of 41,917 GWh for a total availability of 53,550 GWh.

Production fell by 6.6% over the previous year.

More specifically, the decrease in thermoelectric production, due above all to the lower load factor of the combined cycle plants, was only partially offset by the increase of +21.2% in hydroelectric production arising from the extraordinary rainfall especially in the first nine months of 2014.

As a result of the reduction in production, to deal with the increase in uses purchases of electricity increased by 10.7% over 2013, from 37,850 GWh to 41,917 GWh.

Sales of electricity on end markets and foreign markets rose by 18.7% and 6.2% respectively while there was a fall in sales on the protected market (-12.8%) and on the IPEX markets (-9.8%).

Taken as a whole, electricity sales made by the energy sector reached 53,550 GWh (50,308 GWh in 2013).

The following is a summary of the key quantitative data relating to the electricity sector of the EPCG Group.

GWh	12 31 2014	12 31 2013	Changes	% 2014/2013
SOURCES				
Production	3,038	3,809	(771)	(20.2%)
- thermoelectric production	1,322	1,311	11	0.8%
- hydroelectric production	1,716	2,498	(782)	(31.3%)
Imports and other sources	905	326	579	n.s.
- imports	886	195	691	n.s.
- other sources	19	30	(11)	(36.7%)
EPS (Serbian Electricity Company)	-	101	(101)	(100.0%)
TOTAL SOURCES	3,943	4,135	(192)	(4.6%)
USES				
Domestic market consumption	3,155	3,129	26	0.8%
Network losses	125	142	(17)	(12.0%)
Other uses	29	82	(53)	(64.6%)
Export	634	622	12	1.9%
EPS (Serbian Electricity Company)	-	160	(160)	(100.0%)
TOTAL USES	3,943	4,135	(192)	(4.6%)

At December 31, 2014, the total availability of the EPCG Group was 3,943 GW (4,135 GW in the previous year).

The EPCG Group produced a total of 3,038 GWh (-20.2% over 2013), of which 1,322 GWh from thermoelectric sources and 1,716 GWh from hydroelectric sources.

The reduced production can therefore be mainly attributed to hydroelectric sources (-782 GWh), which in 2013, archived results above the historical average due to the exceptional rainfall.

This dynamic, together with a domestic demand essentially in line (+0.8%), led to an increase in the quantity of electricity imported (+691 GWh).

The electricity trade exchange agreement with EPS (the Serbian Electricity Company) was terminated with effect from January 1, 2014.

The relative electricity inflows and outflows were therefore zero in the year.

Quantitative data - gas sector

<i>Millions of cubic metres</i>	12 31 2014	12 31 2013	Changes	% 2014/2013
SOURCES				
Procurement	3,780	3,424	356	10.4%
Withdrawals from stock	(71)	33	(104)	n.s.
Internal consumption/GNC	(10)	(10)	-	-
TOTAL SOURCES	3,699	3,447	252	7.3%
USES				
End uses	1,114	1,428	(314)	(22.0%)
Thermoelectric uses	523	848	(325)	(38.3%)
Heat + environment uses trading	99	134	(35)	(26.1%)
Wholesalers	1,963	1,037	926	89.3%
TOTAL USES	3,699	3,447	252	7.3%

Quantities are stated at standard cm at an HCV of 38100 MJ on delivery.

The volume of gas sold in 2014 amounted to 3,699 million cubic meters, a rise of 7.3% over the previous year (3,447 million cubic meters).

The decreases of -38.3% in thermoelectric uses and 22.0% in sales to end customers, mainly caused by the especially mild weather in the year, were more than offset by an increase in sales on the gas wholesale market (+926 million cubic meters compared to December 31, 2013).

Economic data

<i>Millions of euro</i>	01 01 2014 12 31 2014	01 01 2013 12 31 2013	Changes
Revenues	3,803	4,368	(565)
Gross operating income	463	533	(70)
% of revenues	12.2%	12.2%	
Depreciation, amortizations, provisions and write-downs	(405)	(622)	217
Net operating income	58	(89)	147
% of revenues	1.5%	(2.0%)	
Investments	61	76	(15)

Revenues in the Energy Sector totaled 3,803 million euro in 2013 (4,368 million euro in the year ended December 31, 2013).

The gross operating income equaled to 463 million euro, a decrease of 70 million euro compared to 2013.

This reduction is substantially due to the decline in electricity prices recorded on the wholesale markets, only partially offset by strong hydraulicity recorded in 2014, by higher margins

achieved in the environmental certificates market, as well as the contribution resulting from the careful management of gas procurement sources.

Moreover, compared to the previous year, there were higher redundancy costs in connection with the business restructuring plan amounting to 8 million euro.

The margin also declined of the subsidiary EPCG which, in this segment, recorded a decrease of 21 million euro compared to 2013, which had benefited from higher hydroelectric production.

Depreciation, amortization, provisions and write-downs totaled 405 million euro (622 million euro at December 31, 2013). The reduction of 217 million euro is due: for 93 million euro to the recognition in the reporting year of lower impairment of assets resulting from the impairment analysis; for 82 million euro to lower provisions for risks and allowances for receivables and; for 42 million euro to lower amortization and depreciation, partly due to the revision of the useful life of the Group's combined cycle plants.

As a result of the above changes the sector earned net operating income of 58 million euro (-89 million euro in 2013).

Capital expenditure for the year totaled 61 million euro, of which 13 million euro relating to the EPCG Group. This consisted mainly of extraordinary maintenance at the hydroelectric plants in Calabria and Udine for 19 million euro, at the coal thermoelectric plant at Monfalcone for 11 million euro as a result of the interventions of environmental improvements (DeNOx) and at the combined cycle thermoelectric plant at Gissi for 2 million euro. Lastly, investments were made for extraordinary maintenance of other combined cycle plants of the Group for a total amount of 4 million euro and interventions on information systems of A2A Trading S.r.l. and A2A Energia S.p.A. for about 6 million euro.

The EPCG Group made investments which essentially related to extraordinary maintenance at the thermoelectric plant at Pljevlja (8.3 million euro) and the hydroelectric plants at Perucica (1.4 million euro) and Piva (2.4 million euro).

Environment Sector

The Environment Sector comprises the activities relating to the entire waste management cycle. These activities are briefly described below:

- **Collection and street sweeping:** street cleaning and the collection of waste for transportation to its destination;
- **Treatment:** an activity that is carried out in dedicated centers to recover or convert waste in order to make it suitable for the recovery of materials, waste-to-energy with energy recovery or disposal in landfills;
- **Disposal:** this involves the final disposal of urban and special waste in combustion plants or landfills, where possible recovering energy through waste to energy or the use of biogas.

The following companies form part of the Environment Sector:

Environment	Consolidated companies of the A2A Group
Collection and street sweeping	• AzA Ambiente • Amsa • Aprica • Montichiariambiente • Aspem S.p.A.
Treatment	
Disposal and energy recovery	

The following is a summary of the key quantitative and economic data of the Environment Sector.

Quantitative data

	12 31 2014	12 31 2013	Changes	% 2014/2013
Waste collected (Kton)*	920	896	24	2.7%
Waste disposed of (Kton)	2,594	2,517	77	3.1%
Electricity sold (GWh)	1,095	1,103	(8)	(0.7%)
Heat sold (GWht)**	1,020	1,122	(102)	(9.1%)

(*) Waste collected in the municipalities of Milan, Brescia, Bergamo and Varese.

(**) Quantities at the plant entrance.

In the reporting year, there was an increase of 2.7% in the quantity of waste collected compared with the previous year in the main areas served (in particular, in the Municipalities of Milan, Brescia e Bergamo).

An increase of 3.1% over 2013 was also recorded in the quantity of waste disposed, mainly due to the commissioning of the glass treatment plant in Asti (as of July 2014) and the powder inertization plant in Giussago (as of December 2013).

The production of heat by the waste-to-energy plants instead fell over the previous year (-102 thermal GWh) due to the decreased quantities required by the District Heating sector, while the quantity of electricity sold amounted to 1,095 GWh (1,103 GWh in 2013).

Economic data

Millions of euro	01 01 2014 12 31 2014	01 01 2013 12 31 2013	Changes
Revenues	794	850	(56)
Gross operating income	222	282	(60)
% of revenues	28.0%	33.2%	
Depreciation, amortizations, provisions and write-downs	(98)	(95)	(3)
Net operating income	124	187	(63)
% of revenues	15.6%	22.0%	
Investments	41	41	-

The Environment Sector posted revenues of 794 million euro in 2014 (850 million euro at December 31, 2013).

The Gross Operating Income equaled 222 million euro, a reduction of 60 million euro compared to 2013.

This performance is mainly due, for 27 million euro, to the presence in 2013 of a positive element of income pertaining to the year 2012 relative to the sale price of electricity produced under the CIP 6 scheme and, for 26 million euro, to lower revenues due to the expiry of the CIP 6 agreement of the waste-to-energy plant in Brescia.

Net of these components, the Gross Operating Income of the Sector is slightly lower than the previous year (-7 million euro) mainly due to lower revenues from the sale of electricity.

Depreciation, Amortization, Provisions and Write-downs amounted to 98 million euro, substantially in line with the previous year (95 million euro at December 31, 2013).

As a consequence of the above changes Net Operating Income amounted to 124 million euro (187 million euro in the previous year).

Capital expenditure for the year totaled 41 million euro and mainly related to maintenance and development work on treatment plants and landfills (14 million euro) and waste-to-energy plants (9 million euro) and the purchase of collection vehicles and containers (16 million euro).

Heat and Services Sector

The Heat and Services Sector comprises the activities of cogeneration, district heating and the sale of heat, as well as other activities relating to heat management and facility management services. The following is a short description of these activities:

- **Cogeneration and district heating:** production, distribution and sale of heat, production and sale of electricity, as well as operational and maintenance activities on cogeneration plants and district heating networks;
- **Heat and other services:** management of heating plants owned by third parties.

The following companies form part of the Heat and Services Sector:

Heat and Services	Consolidated companies of the A2A Group
Cogeneration plants	• A2A Calore & Servizi • Proaris • Varese Risorse
District heating networks	
Sale of heat and other services	

Quantitative data

<i>GWh</i>	12 31 2014	12 31 2013	Changes	% 2014/2013
SOURCES				
Plants in:	981	1,217	(236)	(19.4%)
- Lamarmora	338	463	(125)	(27.0%)
- Famagosta	127	153	(26)	(17.0%)
- Tecnocity	55	76	(21)	(27.6%)
- Other plants	461	525	(64)	(12.2%)
Purchases from:	970	1,179	(209)	(17.7%)
- Third parties	229	290	(61)	(21.0%)
- Other sectors	741	889	(148)	(16.6%)
TOTAL SOURCES (*)	1,951	2,396	(445)	(18.6%)
USES				
Sales to end customers	1,951	2,396	(445)	(18.6%)
TOTAL USES	1,951	2,396	(445)	(18.6%)

(*) Net of losses.

Notes:

- The figures only refer to district heating. Sales relating to heat management are not included.
- Purchases include the quantities of heat purchased from the Environment Sector.

There was a decrease of 18.6% in the sale of heat to end customers at December 31, 2014 compared the previous year mainly due to the high temperatures that characterized the first and last quarter of the year.

In fact, in the areas of reference for the A2A Group, the reporting period recorded average seasonal temperatures about 3°C higher than the average temperatures for the year 2013.

As a consequence the production and purchase of heat also fell by 236 thermal GWh and 209 thermal GWh respectively.

Economic data

<i>Millions of euro</i>	01 01 2014 12 31 2014	01 01 2013 12 31 2013	Changes
Revenues	252	330	(78)
Gross operating income	61	86	(25)
% of revenues	24.2%	26.1%	
Depreciation, amortizations, provisions and write-downs	(40)	(23)	(17)
Net operating income	21	63	(42)
% of revenues	8.3%	19.1%	
Investments	69	43	26

Revenues amounted to 252 million euro in 2014 (330 million euro at December 31, 2013).

The Gross Operating Income equaled 61 million euro, a decrease of 25 million euro compared to the previous year.

The reduction of the margin, relative to both the District Heating Sector and the Heat Management Sector, can essentially be attributed to the unusual climatic conditions recorded in 2014.

This negative effect was only partially offset by the effective action of commercial development and by greater margins achieved from the sale of white certificates awarded for the management of the district heating service in the cities of Milan, Brescia and Bergamo.

Depreciation, Amortization, Provisions and Write-downs amounted to 40 million euro, an increase of 17 million euro over the previous year. This change is attributable, for 3 million euro to higher depreciation and amortization and for 14 million euro to the combined effect of higher provisions for risks on receivables recorded in 2014 and the release, in 2013, of the provision for risks relating to tax disputes.

As a result of these changes Net Operating Income amounted to 21 million euro (63 million euro in 2013).

Capital expenditure for the year amounted to 69 million euro and related to maintenance and development work on district heating networks (39 million euro) and new cogeneration plants (20 million euro), mainly in the Milan, Brescia and Bergamo areas, and the installation of new sub-plants at customers' premises (10 million euro).

Networks Sector

The Networks Sector comprises the activities regulated by sector authorities relating to the management of the electricity and gas networks and the integrated water cycle. These activities are briefly described below:

- **Electricity networks:** the transmission and distribution of electricity;
- **Gas networks:** the transport and distribution of natural gas;
- **Integrated water cycle:** water captation, aqueduct management, water distribution, sewage and purification;
- **Other services:** activities relating to public lighting, traffic regulation systems, the management of votive lights and systems design services.

The following companies form part of the Networks Sector:

Networks	Consolidated companies of the A2A Group
Electricity networks	• A2A Reti Elettriche • A2A Reti Gas • A2A Ciclo Idrico • EPCG • Mincio Trasmissione • Camuna Energia • Retragas • Seasm • Aspem S.p.A. • A2A Servizi alla distribuzione
Gas networks	
Integrated water cycle	

The following is a summary of the key quantitative and economic data of the Networks Sector.

Quantitative data

	12 31 2014	12 31 2013	Changes	% 2014/2013
Electricity distributed (GWh)	10,782	11,098	(316)	(2.8%)
Gas distributed (Mcm)	1,739	2,076	(337)	(16.2%)
Gas transported (Mcm)	332	392	(60)	(15.3%)
Water distributed (Mcm)	60	63	(3)	(4.8%)

Electricity distributed in 2014 amounted to 10,782 GWh, a decrease of 2.8% over the previous year.

The especially mild weather in winter quarters of 2014 led to a decrease in the quantity of gas distributed and transported, which compared with 2013 fell by 16.2% and 15.3% respectively.

Water distributed amounted to 60 million cubic meters, substantially in line compared to the previous year (63 million cubic meters).

The EPCG Group distributed electricity totaling 2,448 GWh on the low and medium voltage network in Montenegro (2,530 GWh at December 31, 2013).

EPCG	12 31 2014	12 31 2013	Changes	% 2014/2013
Electricity distributed (GWh)	2,448	2,530	(82)	(3.2%)

Economic data

Millions of euro	01 01 2014 12 31 2014	01 01 2013 12 31 2013	Changes
Revenues	753	708	45
Gross operating income	298	256	42
% of revenues	39.6%	36.2%	
Depreciation, amortizations, provisions and write-downs	(105)	(110)	5
Net operating income	193	146	47
% of revenues	25.6%	20.6%	
Investments	124	109	15

The Networks Sector had revenues of 753 million euro in the year, of which 78 million euro attributable to the EPCG Group (708 million euro at December 31, 2013, of which 74 million euro attributable to the EPCG Group).

The Gross Operating Income of the Networks Sector amounted to 298 million euro, up by 42 million euro compared to the previous year. The result of 2013, however, included the allocation of mobility charges relating to the corporate restructuring plan for around 12 million euro. Net of these charges, the Gross Operating Income of the Business is up by 30 million euro compared to the previous year. Regarding the various subsectors:

- the electricity distribution subsector increased its margin by 27 million euro mainly due to the application from June of Resolution 258/14/R/eel of the AEEGSI, which led to an increase in the revenues approved for A2A Reti Elettriche S.p.A. for 2012, 2013 and 2014. The electricity distribution subsector of the EPCG Group also made a positive contribution (+10 million euro) in particular due to an increase in distribution tariffs resolved by the Regulation Authority of Montenegro as of August 2014;
- in the gas distribution and integrated water service subsectors, a substantial alignment of the results compared to 2013.

Depreciation, Amortization, Provisions and Write-downs amounted to 105 million euro, substantially in line with the previous year (110 million euro at December 31, 2013).

As a result of the above changes, Net Operating Income amounted to 193 million euro (146 million euro at December 31, 2013).

Capital expenditure for the reporting period amounted to 124 million euro and regarded:

- in the electricity distribution subsector, development and maintenance work on plants and in particular the connection of new users, maintenance work on secondary cabins, the extension and refurbishment of the medium and low voltage network and the maintenance and upgrading of primary plants (42 million euro);
- in the gas distribution subsector, development and maintenance work on plants relating to the connection of new users and the replacement of medium and low pressure piping and gas meters (37 million euro);
- in the integrated water cycle, work carried out on the water transportation and distribution network and the sewerage networks (14 million euro);
- in the public lighting subsector, work carried out to replace lighting systems with LED equipment in the Municipality of Milan (21 million euro).

The capital expenditure incurred by the EPCG Group, amounting to 10 million euro, regarded development and maintenance work carried out on the electricity distribution network (3 million euro) and work carried out to replace traditional meters with remote control devices (7 million euro).

Other Services and Corporate

The following is a brief description of the activities carried out by this sector:

- **Corporate:** direction, coordination and control activities, such as business development, strategic direction, planning and control, financial management and coordination of the Group's activities; central services to support business and operating activities (e.g. administrative and accounting services, legal services, procurement, personnel management, information technology, communication services, etc.) provided by the parent company under specific intercompany service agreements;
- **Other services:** activities relating to video-surveillance, data transmission, telephony and internet access services.

In addition to the activities carried out directly by A2A S.p.A., this area also includes the following companies:

Other Services and Corporate	Consolidated companies of the A2A Group
Other services	• Selene • A2A Logistica
Corporate	• Aspem S.p.A. • EPCG

Economic data

<i>Millions of euro</i>	01 01 2014 12 31 2014	01 01 2013 12 31 2013	Changes
Revenues	236	234	2
Gross operating income	(20)	(24)	4
% of revenues	(8.5%)	(10.3%)	
Depreciation, amortizations, provisions and write-downs	(14)	(26)	12
Net operating income	(34)	(50)	16
% of revenues	(14.4%)	(21.4%)	
Investments	12	11	1

The Other Services and Corporate Sector earned revenues of 236 million euro in the reporting year (234 million euro at December 31, 2013).

The sector closed with a Gross Operating Loss of 20 million euro (a loss of 24 million euro in the previous year).

The result for 2013 was affected by an accrual of 6 million euro made for redundancy costs relating to the business restructuring plan.

Excluding that effect, the sector's margin was essentially in line with that for the previous year.

The Depreciation, Amortization, Provisions and Write-downs equaled 14 million euro (26 million euro at December 31, 2013). The decrease is mainly due to the lower depreciation charge due to the sale of ICT assets by A2A S.p.A. and a number of other Group companies in June of the previous year, as well as the release to income of previously accrued provisions in the first quarter of 2014.

After Depreciation, Amortization, Provisions and Write-downs there was a net operating loss of 34 million euro (a net operating loss of 50 million euro as at December 31, 2013).

Capital expenditure for the year amounted to 12 million euro and mainly related to investments in information systems.





0.6

Risks and uncertainties

Risks and uncertainties

The A2A Group has a risk assessment and reporting process which is based on the Enterprise Risk Management method of the Committee of Sponsoring Organizations of the Treadway Commission (CoSO report) and best risk management practice and is in compliance with the Corporate Governance Code as updated by Consob in 2011 which states: “...Each issuer shall adopt an internal control and risk management system consisting of policies, procedures and organizational structures aimed at identifying, measuring, managing and monitoring the main risks...”.

This process requires a risk model to be set up that takes account of the Group's characteristics, its multi-business vocation and the sector to which it belongs. This model is not a static reference, it is subject to periodic revision consistent with the evolution of the Group and the context in which it operates. The methodology adopted is characterized by the regular identification of the risks to which the Group is exposed. In this context an assessment process is carried out which, through the involvement of all its structures, allows the Group to identify the most important risks and establish the relative controls and mitigation plans. During this phase the involvement of the risk owners is essential through the use of operating methods that enable the risks regarding them, the relative causes and the way they should be managed to be clearly identified.

The methodology adopted is modular and leverages on the fine-tuning of the experience gained and methods of analysis used: on the one hand, it aims to develop the risk assessment further with specific reference to the consolidation of the mitigation process and on the other to develop and integrate risk management activities in business processes. This process of evolution is carried out consistent with the gradual increase in the awareness of management and the business structures about risk management issues, including through the use of specific training support provided by the risk management department.

Set out below is a description of the main risks and uncertainties to which the Group is exposed.

Financial risks

Commodity price risk

Given the features of the sectors in which it operates, the Group is exposed to commodity price risk, namely the market risk linked to changes in the price of energy raw materials (electricity, natural gas, coal and fuel oil) and the exchange rates connected with these.

The commodity risk limits for the Group, namely the maximum level of variability in the result arising from changes in energy commodity prices, are established on an annual basis.

Compliance with these limits is ensured, consistent with the Group's Energy Risk Policy, and where necessary hedging strategies designed to bring risk within the set limits are established.

Market risk is managed by constantly monitoring the total net exposure of the Group's portfolio and addressing the main factors affecting the trend.

The objective of stabilizing the cash flows generated by the asset portfolio and outstanding contracts is pursued through the use of derivative financial instruments, thus contributing to ensuring that there is economic and financial equilibrium in the Group.

Interest rate risk

The A2A Group's interest rate risk mainly derives from the volatility of interest expense arising from floating rate debt.

The policy for managing interest rate risk has the objective of limiting that volatility by selecting a balanced mix of fixed and floating rate loans and by using hedging derivative instruments which limit fluctuations in interest rates.

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.

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.

The Group also had contracted and unused long-term bank financing for a total of 48 million euro and cash and cash equivalents totaling 544 million euro, 411 million euro of which held by the parent company.

In April 2014, an agreement for a 15-year loan of 115 million euro was entered into with the European Investment Bank during the year, entirely drawn down at December 31, 2014; EPCG entered into an agreement with the European Bank for Reconstruction and Development (EBRD) for a further tranche of 30 million euro relating to investments for the installation of “smart meters”, and this had not yet been drawn down at December 31, 2014.

Lastly, with a view to mitigating liquidity risk, the Group follows a policy of diversifying the various deadlines for debt and other sources of financing. To this end, the Euro Medium Term Note Programme was updated to 4 billion euro, as approved by the Board of Directors November 6, 2014.

Default risks and covenants

At December 31, 2014 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 S.p.A. has also issued a bond of 14 billion yen falling due in 2036, in the form of a private placement, and as part of the EMTN Programme has issued a bond of 300 million euro falling due in December 2023.

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 the parent company 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 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- (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.

The loan from Cassa Depositi e Prestiti of 200 million euro expiring in 2025 contains the Credit Rating clause, in the event of sub-investment grade rating (BBB-).

The line of revolving committed credit in Club Deal for 600 million euro expiring November 2019 (currently unused) includes the NFP/EBITDA financial covenant and the 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 early repayment of any amounts drawn.

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 based on which the parent company undertakes not to set up, with exceptions, direct real guarantees on its assets and those of its subsidiaries over and above a certain threshold; (ii) cross default/acceleration clauses which entail immediate reimbursement of the bonds in the event of serious non-performance; (iii) clauses that provide for immediate repayment in the event of declared insolvency on the part of certain direct 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 contains two covenants based on the ratios NFP to shareholders' funds and NFP to gross operating income.

With reference to the subsidiary EPCG, the loans granted by the EBRD (European Bank for Reconstruction and Development) in November 2010, which has been fully drawn down, and in April 2014, not yet drawn down, for a total of 65 million euro, include some financial covenants.

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

Context risks

Legislative and regulatory risk

The A2A Group operates in a highly regulated sector. As a consequence, one of the risk factors of the business is the constant and not always predictable evolution of the legislative and regulatory situation for the electricity and natural gas sectors, as well as for the sectors relating to the management of the water cycle and environmental services.

In order to deal with these risk factors the Group has adopted a policy of monitoring and managing legislative risk by having various levels of control, in order to mitigate the impact of this to the greatest extent possible. This involves collaborative dialogue with the institutions and with the bodies which govern and regulate the sector, active participation in trade associations and the work groups set up at these entities and a detailed review of changes in legislation and the provisions issued by the sector Authority.

It also involves constant dialogue with the business units affected by legislative changes in order to assess the potential effects in full.

The main topics involved in current changes in legislation are as follows:

- the rules governing the terms and conditions of large hydroelectric derivation concessions;
- the regulations concerning the granting of concessions for the gas and electricity distribution service;
- the reform of the integrated water service currently in progress;
- the regulation of local public services of economic importance;
- the evolution of the rules of CIP 6/92 conventions;
- forecasts of economic conditions for the supply of gas for the protected service.

For the above matters reference should be made to the section on “Changes in legislation” of this Report, under the various sectors.

Regarding large hydroelectric concessions, the Lombardy Region, by way of Regional Law of December 30, 2014 no. 35 (published in BURL December 31, 2014), has made some amendments to article 53-bis Regional Law no. 26/2003, extending until December 31, 2017

the power of the Regional Council to allow the temporary continuation of the exercise of concessions expired or due to expire, and defining in more detail the possibility of applying an additional or retroactive fee parameterized to the manager's profit. These regional standards are currently being evaluated.

As far as the procedures concerning the granting of concessions for the gas and electricity distribution service are concerned, it is noted that A2A Reti Gas S.p.A. has filed an appeal before the Regional Administration Court against Ministerial Decree May 22, 2014 indicating guidelines regarding the criteria and means of application for determining the reimbursement value of the plants and subsequent integrations. In fact, it is believed that these guidelines introduce provisions contrary to the provisions of art. 15, paragraph 5 of Legislative Decree no. 164/2000 and art. 5 of Ministerial Decree no. 226/2011, for which they should only define the application methods. The deduction provided for by the guidelines is also challenged regarding the contributions paid by individuals of the value of the reimbursement due to the outgoing concessionaire.

As far as the forecasts of economic conditions for the supply of gas for the protected service are concerned, in addition to the information provided it should also be noted that A2A S.p.A. has filed an appeal against Resolution no. 447/2013/R/gas regarding the excessively subjective nature of the mechanism which this regulates. In addition, developments are still awaited in the dispute over Resolution no. ARG/gas 89/10; by this resolution, the AEEGSI amended the way in which the price of the supply of gas for the protected service is updated by applying a reduction coefficient "k" to the indexed component of the raw material quota (QE) (a variable fee covering procurement costs): the Regional Administrative Court issued a sentence favorable to the petitioners in March 2013, a sentence against which the Authority has filed an appeal with the Council of State.

Operating risks

Business interruption risk

All of the Group's sectors of activity involve managing production sites which are technologically and operationally complex (electric power stations, waste disposal plants, cogeneration plants, distribution networks, etc.), where a breakdown or accidental damage could lead to a lack of availability and in turn to financial losses and possibly harm to the Group's reputation due to the interruption of the services provided.

These risks are linked to a variety of factors which, in the case of certain plants, could what is more be accentuated by changes in the competitive context and in the reference markets. To the extent that the risk of unavailability of the plants may be considered an inherent part of the business and a risk that is impossible to eliminate entirely, the Group sets up preventive risk mitigation strategies at all of its Business Units to reduce the probability of such risks occurring and action strategies aimed at limiting any impact.

Safeguarding the Group's plants and infrastructure involves adopting and continuously updating procedures for scheduled maintenance, of both an ordinary and preventative nature, aimed at identifying and preventing potential critical situations, identified amongst other things on the basis of specific engineering analyses carried out by dedicated technical staff, all in line with best practice. It also involves periodically reviewing the plants and networks as well as providing specific training courses for technical personnel. In addition, the A2A Group makes widespread use of instruments for the control and remote control of technical parameters for the monitoring and timely detection of any anomalies as well as having a back-up of the components needed to guarantee operational continuity, where possible. The integration process between the specialist engineering teams in the A2A Group has led to a strengthening of the skills relating to plant performance analyses.

In addition, the progressive adoption of advanced software and sensors is planned at all of the Group's plants for calculating the actual yield of the plants, aimed at enabling an approach to be taken that is even more predictive compared to the past as far as the planning and performance of maintenance is concerned. The gradual adoption of the above controls is also

envisaged in the case of the acquisition of new production sites, to facilitate their alignment to the Group's standards.

Steps towards improvement, begun in previous years and designed to mitigate the risk of business interruption, continue. This process was characterized by investments regarding the Group's assets through targeted intervention on plants and networks. In order to manage potential sources of risk in a proactive manner the Group identifies and makes investments designed to constantly increase the reliability (preventative maintenance) of its plants, with particular reference to the prevention of situations where service interruptions may lead to potential damage to the Group's image or the development of interconnections between transmission networks, including by constructing intermediate plants of a smaller size, in order to avoid congestion risks and permit satisfactory reliability levels also in situations where there is a high load demand.

Due to the pooling approach to critical spare parts, the monitoring for any top-up spare parts required in the plant stores and the continuous updating of the procedural documentation supporting operations, the process for safely managing thermoelectric plants is well controlled as a whole. In this respect, with a view to constant improvement, a project for the creation of a "virtual" spare parts inventory is in progress, which through a suitable information system will enable the number and location of the spare parts available for all the Group's power stations to be mapped and allow the use of standard maintenance contracts for all of its plants.

To control the risks arising from the present way in which the thermoelectric plants work, arising from trends in the energy markets, a process for revising, uniforming and fully adjusting the maintenance contracts also with reference to those for the Group's fleet of turbogas equipment is currently in progress.

In the Environment Business Unit specific activities are in place and monitoring tools have been installed to prevent any possible risk of interruption to the waste transportation and disposal service. In particular, specific controls have been implemented to detect the presence of unsuitable substances in waste destined for incineration, as well as plants, systems and specific operating procedures for loading and output of materials deposited at storage sites and waste treatment aimed at limiting the risk of development of fire. The Business Unit is additionally introducing steps to optimize the management of certain sites in order to make the disposal process more efficient.

To mitigate any repercussions on the Group's reputation due to a temporary impossibility to transport waste, mutual assistance exists between the Group's plants and there is centralized coordination of planned stoppages for maintenance. Measures designed to ensure the continuity of the district heating service are also currently being assessed for situations in which there is a temporary interruption of the supply of heat to the network by the Group's

waste-to-energy plants, in order to guarantee the provision of a significant proportion of the heat required, and to improve the structural setting of the heat transportation network.

As far as the plants and distribution networks are concerned, there are emergency intervention teams, remote operational controls, advanced technical safety tools and to reduce insurance coverage policies for direct and indirect damage in the event of any particularly critical natural events such as for example earthquakes or severe weather.

A risk issue that is becoming increasingly important concerns the unauthorized access of external personnel to the Group's plants and infrastructure, which could impede the smooth running of operations, with potential impact on the safety of operating personnel, unauthorized third parties, the sites and their surroundings, as well as economic impacts resulting from the need to interrupt production activities. To mitigate these possible events, specific procedures have been implemented that govern the operating procedures for access to the plants and supervision services, also in coordination with the police, for control of sites that are more vulnerable to intrusions or which may be potential targets of acts of sabotage. Further interventions are also being evaluated such as improvement of existing passive fences, strengthening of anti-intrusion alarm system and the installation of control systems for badge access, infra-red cameras and systems.

The Group takes an active part in projects regarding the development of the electricity network from a "smart grid" standpoint, meaning by this a network with which it is possible to exchange information on energy flows and manage demand peaks more efficiently, thus reducing the risk of interruption. In particular, a project is currently in progress which will enable remote control of the network to be improved by increasing the effectiveness of communication systems. A wider project regards the development of telecommunications systems capable of handling exchanges of information between the producer and consumer of electricity, among other things to give the network a greater capacity to manage the increasing presence of plants fired by non-programmable renewable sources.

Operative means of regulating the customer's consumption during specific time bands have been successfully tested in the district heating sector; these are designed to avoid excessive peaks in the use of installed power with the resulting possibility of critical matters arising regarding the optimal working of the networks. In addition, studies are taking place on measures to enhance the district heating network feeding plants which are used the most. These operations are supplemented, as part of the maintenance of the network, by continuous engineering analysis supporting interventions for repairs.

Finally, the Group takes out insurance cover against any direct and indirect damage which may arise from other types of risk. The contractual conditions that characterize these policies were revised to align them to the way in which the plants work and to energy market conditions.

Environmental risk

The risks associated with events that impact the environment or the health of the population living in the areas affected by the Group's activities are the object of increasingly close attention by public regulators and ever more stringent legislation. This type of risk covers all activities of the Group, with particular reference to the disposal of production waste, emissions resulting from the production processes, the management of the collection, storage, treatment and disposal of waste, the supply of basic goods such as drinking water, the management of emptying and maintenance of the reservoirs for the collection of water resources for the production of electricity.

To monitor these potential risk events, the Group has implemented various monitoring systems: procedures for the design and construction of storage sites of waste materials, monitoring systems and the presence of static and dynamic barriers that allow detecting pollution phenomena attributable to the same sites, systems for continuous detection and monitoring of emissions, detection systems for pollutant concentrations and removal of the same, organization of site Environment and Safety structures that support employees, officers and management in the management of the HSE system for specific risks, oversight of regulatory amendments on environmental issues, as well as the ongoing dialogue and transparency in relations with entities, target communities and stakeholders also made explicit through instruments such as the Sustainability Report.

The Group is significantly involved in preventing such risks and has adopted a policy document entitled "Policy for the Quality, Environment and Safety of the A2A Group" which is the tool which now sets out the Group's approach to such questions. This document, which is widely distributed both internally and externally, explains the values which underlie the Group's operations and which the Environment, Health and Safety Department is committed to disseminating and sharing as guidance for the day-to-day work of all concerned. The Environment, Health and Safety Department also supports senior management in establishing company policy in these areas, checking that this is implemented properly in compliance with the rules applicable in all areas and internal processes. The A2A Group is constantly committed to supporting dialogue aimed at a maximum collaboration with local bodies and communities on environmental issues.

The process of updating the Organizational and Management Model as per Legislative Decree no. 231/2001 for the introduction of environmental offenses is in progress, with specific emphasis on implementation at the individual Group companies. In addition, the Environment, Health and Safety Department has been rearranged from both an organizational and procedural standpoint as the first stage in a process of revising and updating the way in which the risk issues in question are managed, and this will involve all of the Group's employees and business processes.

The Group carries out direct control of the way in which the risk issues in question are managed through the Environment, Health and Safety Department structures at the individual sites, which provide the necessary support to employees, officers and management in running the HSE (Health Safety Environment) system.

The operational implementation of the policy is carried out through the use of an Environmental Management System (EMAS) by those operating entities of the Group which are more exposed to both direct and indirect potential environmental impact. This system provides for a program of progressive extension and upgrading to the standards of ISO14001 certification for those of the Group's main activities having a greater impact on the environment, as well as for obtaining EMAS certification for the Group's main plants. In order to arrive at a single model, a revision and updating process is currently taking place which will enable all the Group's operating companies to refer to a single integrated Quality, Environment and Safety management system.

With the aim of achieving constant improvement in control and moving in line with best practice, the Group takes part through industry associations in discussion groups held to draft BREFs (Best Available Techniques Reference Documents) for LCPs (Large Combustion Plants) and waste management.

Organizational control units have been set up which among other things carry out periodic environmental analyses alongside periodic audits to detect and prevent any conduct that does not comply with the environmental procedures established for all of the Group's operating companies. From the perspective of having a constant evolution of the systems controlling environmental risk, the Group has joined the ARPA (Regional Agency for the Protection of the Environment) Lombardy Project, whose purpose is to improve the efficiency of the system for controlling the more significant emissions, also in the light of technical developments in the sector, by connecting all the Emission Monitoring Systems (SMEs) to a single control center. The A2A Group has taken out insurance cover against damage arising from both accidental and gradual pollution in order to cover any residual environmental risk, meaning against events caused by a sudden and unpredictable fact, and against the environmental damage inherent in continuing operations.

Each year the Group publishes a Sustainability Report which reports key data and information on the environmental and social aspects connected with the Group's activities. The Sustainability Report conforms to standard GRI-G3.1 issued by the Global Reporting Initiative and since 2010 has been certified by the auditors.

Information technology risks

The activities of the A2A Group are managed through ICT systems which support the main business processes: operational, administrative and commercial. Potential risk factors include the inadequacy, fragmentation of existing platforms of such systems compared to business needs or the failure to keep these updated, possible “downtime” making the systems unavailable and the inadequate handling of the aspects linked to the integrity and confidentiality of information. These risk factors are mitigated by controls governed by the Information & Communication Technology Function.

The process within the Group of integrating and consolidating its ICT systems, determined on the basis of the changes in corporate structures which have taken place in previous years, has led to a number of important milestones being reached. Following the integration of distribution support systems on a single platform, the program for the convergence of the main systems supporting commercial activities has also been completed.

The process was also completed for updating the main management platform to further increase its level of reliability and integration. The Group will continue to develop its information system structure and improve its efficiency by drawing up a dedicated architectural strategic plan.

To mitigate the potential risks of the interruption of business activities on strategic processes, A2A makes use of technological back-up infrastructure which is able to ensure the continuity of the service in case of breakdowns or unexpected events. The Group has a disaster recovery system that ensures service and data continuity at an alternative ICT centre, and its efficiency is tested periodically. The Group has now completed the system for mutual recovery between the ICT centers in Milan and Brescia as a means of improving protection. The definition of the Business Continuity Plan is also being evaluated, which aims to be the ICT instrument through which the Group prepares to deal with potential incidents that could threaten operations in areas identified as the most critical.

Considering the importance of the activities that are carried out every day on the Italian Power Exchange, particular attention is given to controlling the systems interfacing with the market. These systems have in fact been duplicated and are subject to specific management and maintenance procedures designed to protect their stability. A specific control was developed in 2012, active round the clock, to support trading activities.

Data confidentiality and security are subject to specific controls by the Group through the use of internal policies and by means of tools to segregate access to information, as well as through specific contractual agreements with any third parties who may have to access the information handled. In order to improve the existing control further, work has begun on

checking the alignment between the organizational role model and the segregation of duties technical role model implemented in the systems. Consistent with this work, it is planned to gradually adopt identity management and access control tools designed to ensure increasingly effective control over the processing of data critical for the business. A team has been set up to prevent and monitor any possible hacking into the Group's information systems and specific applications solutions have been acquired to manage and control information security.

As a control of this specific risk issue the Group carries out annual vulnerability assessments, both internally and externally. In conclusion, an organic ICT security plan will be drawn up and implemented and specific policies will be prepared on the use of mobile devices, which are increasingly used today for carrying out business activities.

A centralized support plan is also being evaluated for Group ICT, of systems for monitoring, infrastructure control and industrial processes (such as SCADA systems and networks) that, because of a increasingly driven integration with "IT" (Information Technology) systems, are potentially exposed to security and integrity risks.

Health and safety risk

The Group operates in a heterogeneous business context characterized by a strong technology element and the presence of personnel at its plants and throughout its territory.

Certain Group activities are, by their nature, more exposed to the risk of "typically work-related" accidents linked to the operational services in the territory and the performance of technical services and activities at the plants.

The prevention measures adopted aim for a "zero risk" objective through the Quality, Environment and Safety Policy (which provides for a program to upgrade the personnel safety management system to comply with ISO 14001 and OHSAS 18001 standards), encouraging a constant rise in the level of safety in the workplace. In particular, in this respect, the use of additional models for measuring the Environment, Health and Safety risk at the level of single plant is being started.

A central Prevention and Protection Service has been set up as part of the Quality, Environment and Safety Department in order to harmonize the objectives of safety and protection in Group companies and to monitor that these standards are also being followed by contractors at both the prequalification stage and the execution stage at worksites. In this sense the model for controlling contracts from a health and safety standpoint is currently being developed further.

A gradual enhancement of the organizational control structure is planned, which among other things carries out specific inspections to monitor compliance with legislation as well

as personnel update training. In this respect specific training plans have been established for each business position and responsibility and a start has been made to these training courses.

A project to revise the present organizational model is ongoing based on the establishment of guidelines, methodologies, instruments and controls provided by the Environment, Health and Safety Department and assisted by the support of specific Environment, Health and Safety functions in each company and by the active involvement of the operating structures.

Finally, with the aim of constantly improving control, a process is planned to revise the present model for managing employee health supervision carried out by a team of doctors situated locally who perform regular health personnel assessments. As part of this revision process the Group plans to develop specific analysis and reporting tools regarding the results of the health supervision process.

A plan to refine the system of the analysis and control of accidents and injuries has begun, in order to support the process of constant improvement in safety matters. This project provides for periodic reporting, which by means of increasingly detailed specific indices and information will provide support for identifying the causes of accidents and injuries and taking corrective and mitigating action.

For information purposes, we report the injury data of the Group for the year 2014:

- frequency index – FI = 34.03 (37.77 in 2013);
- severity index – SI = 0.79 (0.88 in 2013).

The indexes, determined on the basis of national and international standards, may be subject to minor revision due to lack of recognition of injuries by INAIL or persistence beyond the year of occurrence, of injuries requiring long prognosis.

Further information on the management of health and safety in the workplace may be found in the A2A Group's annual Sustainability Report, together with performance indicators and additional details.





0.7

Responsible management
for sustainability

Human resources and industrial relations

At December 31, 2014, the Group had 11,971 employees, of whom 2,357 work for the EPCG Group, a decrease of 421, or 3.4%, over December 31, 2013.

The average unit labor costs, excluding EPCG, rose by 1.4% over the figure for 2013, of which 0.4% related to the following extraordinary events:

- as of March 2014, payment of the entire CUAF child benefit contribution rate for employees with INPDAP (National Insurance Institute for Employees of the Public Administration) pension registration;
- payment of the additional INPS (National Institute of Social Insurance) contribution of 0.50% (2/3 of which borne by the company) for companies placed in the service sector and not covered by the contribution for the Cassa Integrazione Guadagni redundancy fund.

Excluding previous extraordinary increases, also in 2014 the effect of the rise resulting from automatic contractual fell (national collective bargaining agreement renewals and seniority increases) through cost efficiency measures, in particular through the targeted use of some lay-off arrangements (such as “Cassa Integrazione Guadagni” and solidarity contracts).

In 2014, countless union agreements were signed that covered a variety of topics and that concerned all Business Units.

The main ones refer to:

- use of staff redundancy schemes and lay-off arrangements:
 - redundancy, pursuant to Law no. 223/1991, for 64 workers of the companies A2A Servizi alla Distribuzione S.p.A., A2A Reti Elettriche S.p.A. and A2A Calore & Servizi S.r.l.;
 - use of the CIGO redundancy scheme for the USP specialized service unit in Sermide for a maximum number of 13 employees; continuation of the framework agreements reached in 2013 for the use of the CIGO redundancy schemes at the Cassano and Sermide thermoelectric plants.

Instead, at the Chivasso and Brindisi plants, solidarity contracts were signed respectively having a term of 24 and 12 months, which will involve up to 69 workers which were applied a reduction of working hours;

- B.U. Generation: cost reduction and reorganization:
 - with the Framework Agreement of May 22, 2014 a number of tools were identified aimed at reducing costs in production and the progressive achievement of a reorganization of the plants consistent with the reduced production assets (particularly the activation of a lay-off procedure under Law no. 223/1991 for up to 120 workers and the realization of a professional and territorial redundancy scheme within the Group). Specifically, by the agreement of September 23, 2014, the aforementioned Framework Agreement was implemented through interventions in terms of professional and territorial redundancy;
- performance bonuses and participation (new bonus for the three-year period 2014/2016):
 - Corporate and energy: the new bonus was signed giving a weight to each of the two indicators (profitability and productivity) of 50%. The achievement of the condition of minimum disbursement of the share of corporate profitability will also constitute access threshold for the share of bonus linked to productivity;
 - Environment: the new bonus was signed giving a weight to each of the two indicators (profitability and productivity), 30% for profitability and 70% for productivity;
- working hours and annual leave:
 - through specific meetings with the trade unions, in application of the Framework Agreement of January 24, 2014, on the management and planning of annual leave, an annual collective leave schedule was defined (10 days) for the year 2015, also identifying an additional two days, compared to the 4 already indicated in the Framework Agreement, for the year 2014.

Finally, two important agreements were signed for a new definition of working hours. Specifically:

 - on May 22, 2014 an agreement was signed with the trade unions for the reformulation during the summer period of working activities for the rostered staff running the Milan power stations of A2A Calore & Servizi S.r.l.;
 - on June 10, 2014, by way of an agreement reached with the trade unions, A2A Reti Gas S.p.A. established new working hours for the “End customer contract management” department providing for a remodulation and increase of the intervention time slots declared to the Electricity, Gas and Water Authority;
- strengthening of surveillance systems for the protection of corporate assets and technological equipment;
- adoption, within the passages of intragroup personnel, of general principles and rules to harmonize contractual institutions also in case of geographical redundancy schemes;
- harmonization of the treatment of workers of the Edipower company branches “Staff-techniques” in the A2A Group;
- within the Networks BUs implementation of the reorganization project (“Networks Project”).

It shall also be noted that the complex discussions continue with the National trade union organizations on the Industrial Relations Protocol and the processes for harmonizing the existing treatment throughout the A2A Group.

Lastly, regarding the renewal of the National Collective Bargaining Agreements (CCNL), we note:

- the signing (January 14, 2014) of the CCNL national collective bargaining agreement for the gas-water sector involving 1,400 employees;
- the start-up of talks for the renewal of the Federambiente and FISE Assoambiente CCNLs, both of which expired on December 31, 2013, which involve around 4,800 employees of the Group.

As far as Group employee training courses are concerned⁽¹⁾, at December 31, 2014 more than 135,000 hours of training were provided with nearly 29,000 attendances.

More specifically, more than half of the hours were dedicated to worker safety, while other significant investments were dedicated to role, managerial and technical training.

Managerial training involved young employees according to the corporate program in force and in line with the 2013 managerial program, executives from Edipower S.p.A..

Specifically for this population, the aim was to support the Management involved in achieving the company's challenging objectives and finding a balance between "efficiency and development" in order to encourage a common vision of togetherness and a uniform managerial culture.

In the second half, we focused on management training for managers and professionals on the basis of our training offer also including language training that involved 271 people for a total of 5,500 hours.

In a perspective of proximity to the needs of the various businesses, "ad hoc" managerial training courses were also provided for specific populations in the Group to support staff in achieving business objectives:

- A2A Energia S.p.A.
 - Innovation League: training course dedicated to heads, aimed at strengthening the identity and cohesion of resources through the improvement of teamwork and team spirit through the realization of a project of company interest: the development of new business ideas. The initiative involved 47 participants, for a total of 1,780 hours of training.
- A2A Calore & Servizi S.r.l.
 - Quality customer relations: actions continued dedicated to managers and key accounts,

(1) Figures for training do not include the EPCG Group.

aimed at improving customer satisfaction, in relation to the quality of the service provided, for a total of 135 hours of training.

- Team Building and Corporate Volunteering: the initiative, which involved 39 people, was created with the goal of creating greater cohesion and strengthening the sense of belonging and was developed in collaboration with a non-profit organization.

A training course was developed for those responsible for the function involved in practical social activities at the Abbazia di Chiaravalle, place of artistic and cultural interest.

The initiative enhanced the importance of team work, generating a value for the host community and the territory, for a total of 544 hours.

In the course of the year the Employer Branding at major universities (Cattolica in Brescia and Politecnico in Milan) with the aim of promoting the rapprochement between the academic world and the world of work.

Regarding development activities in line with previous years, the Group Performance Management process was carried out involving Executives, Managers and Employees.

The managers involved as appraisers received appropriate training over the years, both on the model adopted by the Group and on skill assessment and the feedback meeting.

In the second half, to develop organizational conduct in line with new business challenges, downstream of a process of discussion and listening with the Management, the business skills model was revised. This will simplify the performance evaluation phase for the year 2014.

The activities dedicated to young A2A professionals continued during the second half of 2014 with the objective of accompanying these staff members throughout their career in the Group and increasing their engagement. In 2014, a total of 127 young graduates belonging to the various Group companies were involved in the several initiatives (tutoring, development center and follow-up meetings).

Projects were also realized dedicated to specific population business/targets; specifically the “Skills Workshop” Project was started up in the first quarter of the year, designed to assess professional competence, for the staff of the distribution companies (A2A Reti Elettriche S.p.A., A2A Reti Gas S.p.A., A2A Servizi alla Distribuzione S.p.A.); in the second half the pilot phase was started, which involved a first group of employees in the self-census phase to define training interventions and subsequent development. At the beginning of 2015, the project will be extended to other resources in the perimeter, about 80 different profiles for a total of about 600 employees belonging to the Networks Business Unit.

The aim of this project is to establish skill development paths, starting from the professionals in A2A, in order to foster the professional growth of staff as a means of preserving and

developing the technical know-how and organizational conduct important for the business.

The project was developed by way of a partnership created between the Human Resources and Organization and the heads of the functions involved in the project.

In December 2014, “Futura2a” was launched, an initiative dedicated to young graduates of the Group aged under 35 (about 250), which aims to develop social innovation through government mechanisms and development of innovative ideas for the business and the creation in 2015 of a Community and “live” events.

The Social Policies team continued its work within Corporate Personnel and Resource Development with the aim of designing and developing Group welfare activities to the benefit of employees, in conjunction with the Group’s other departments; this work enables staff to achieve a better work-life balance, and increases the sense of unity and belonging to the Group as well as integration throughout the local area.

In March 2014, the new A2A-Brescia Transport Convention was set up, which can be used by all of the Group’s employees for purchasing season tickets for local public transport, including the new metropolitan railway, at favorable conditions.

In October 2014, the A2A-ATM Convention was renewed for the purchase of season tickets for local public transport at more favorable conditions and the Edipower-ATM Convention was simultaneously integrated in the Group Convention.

The 2014-2017 Convention between A2A and the non-profit cooperative that runs the Brescia Nursery and Infants School was revised with the aim of providing continuity to an initiative which represents business excellence in a family-work reconciliation sphere. In addition, the external communications plan set up to encourage local families to join the initiative continued.

At December 31, 2014, 19 children of the Group employees were enrolled in the structure, of whom 6 enrolled in the infants school.

The partnership with the Sodalitas Foundation, the leading organization of reference in Italy for corporate sustainability and for the development of concrete collaboration projects between the company and the non-profit organization continued as part of Corporate Social Responsibility. In the second half of 2014, the second “Volunteer for a Day” campaign was launched, promoted by Sodalitas and sponsored by the City of Milan, through internal promotion of adhesion by employees to a volunteer day to devote to more than 150 non-profit associations in Milan and in the province of Milan.

Social responsibility and stakeholder relations

In the A2A Group's business model sustainability is a strategic element for seeking to achieve growth that is balanced from an economic, social and environmental standpoint.

The A2A Group published the sixth edition of its Sustainability Report in June 2014, which for the first time included the activities of Edipower S.p.A.. The Sustainability Report confirmed the highest application level (A+) of the Global Reporting Initiative international standard (G3.1) thanks to the completeness and quality of the information included. This edition of the report extended the section discussing the way in which the Group listens to and involves its stakeholders (customers, investors, suppliers, local communities, institution, personnel). A “materiality matrix” is published for the first time which in accordance with GRI reporting guidelines provides a summary of the most important issues for A2A and its stakeholders.

The following are the main events which occurred in the Corporate Social Responsibility sphere of the A2A Group in 2014:

Environment

- A2A Ambiente S.p.A. initiated the procedure required to obtain authorization for its new Ecoergite production plant at the Edipower power station in Brindisi. The project involves the use of the new fuel from waste in co-combustion, replacing 10% of the incoming coal in heat terms, in this way contributing to a further reduction in atmospheric emissions.
- In May, A2A obtained approval for the construction of a new system for reducing the emission of nitrogen oxides (DeNOx) at the Monfalcone thermoelectric plant; in the transitional period up to commissioning of said system, nitrogen oxides emissions however reduced by as much as obtainable if the DeNOx system had already been installed.
- The Italian Ecolabel-Ecoaudit Committee awarded the 2014 EMAS Italia Prize to the Edipower plant in Sermide. This award is reserved for EMAS registered organizations that have best interpreted and applied the inspiring principles behind the assessment tool created by the European Union.
- The Acerra waste-to-energy plant, run by A2A Ambiente S.p.A., received the ABB Energy Efficiency Award for introducing advanced means of regulating the motors that have enabled a consistent reduction in the plant's consumption. This year, the waste-to-energy plant also reached the milestone of EMAS environmental registration.

- A2A S.p.A, in agreement with the Municipalities of Milan and Brescia, has launched a project to install LED fixtures at all light points in the two cities. An innovative choice in the wake of cities like Los Angeles, Copenhagen, Stockholm and Oslo, which will ensure, with the same efficiency and light output, saving an average of about 50% on electricity consumption and an environmental benefit, in terms of emissions avoided, of more than 25,000 tons of CO₂. The works program will be completed by August 2015 in Milan and, by the end of 2016, in Brescia.
- In October, work began in Varese on the construction of the first solar thermal power plant for district heating in southern Europe. It will be realized by Varese Risorse S.p.A. and will produce heat for buildings connected to the district heating network. It is a technology that is now widespread and established in Denmark and in some northern European countries.
- Thanks to the introduction of a new system for reducing the Hexavalent Chromium in some wells of the Brescia aqueduct, managed by A2A Ciclo Idrico S.p.A., drinking water quality improved further during the year. In December 2014, the concentration of Hexavalent Chromium, in 100% of the distributed water, was less than 3 micrograms/liter, far below the level of the best regulatory standards worldwide, as for example that of California which has fixed the maximum limit at 10 micrograms/liter. By 2015, the goal is to reach 2 micrograms/liter, concentration below the detection limit with the analytical methods currently used.

Customers

- A2A Calore & Servizi S.r.l. has published a “District Heating Quality Charter”. This establishes the principles and general criteria for running the district heating service, with the final objective being to ensure customer satisfaction. The contents have been agreed and prepared with the 17 Consumers’ Associations recognized by the Lombardy Regional Committee for the Rights of Consumers and Users (CRCU).
- One year after A2A Energia S.p.A. signed the Self-Regulation Protocol with the Consumers’ Associations setting up the Equivalent Committee, which has the duty of ensuring compliance with the rules contained in the Self-Regulation Protocol, it can be reported that no unfair practices have been discovered in the activities performed by A2A Energia S.p.A. and its operators.
- “Milan is my future”, the communication campaign dedicated to the non-Italian communities resident in the city promoted by Amsa S.p.A. and the National Packaging Association CONAI, with the contribution of the Municipality of Milan, was launched in March 2014. Members of these communities took on the task of distributing 180,000 guides on differentiated collection in 9 different languages. “PULlamo”, the application for smartphones and tablets dedicated to environmental services was also updated with a multi-language edition.
- The fourth and final stage of the extension of the wet waste collection service for domestic

users in Milan began in June, involving the northwestern area of the city. The collection of wet waste gave a strong boost to differentiated collection, which reached 51% in December rising by over 14 percentage in two years. As part of the continuous innovation of services offered to the city, the experimentation started in October of the “door to door” collection of used low energy and neon light bulbs in collaboration with the Ecolamp consortium.

- In April, Aprica S.p.A. launched in Como a campaign to inform citizens about the new methods for the separation and collection of waste, based on the “door to door” system. The results of the first months are very positive, with a percentage of differentiated collection which reached 65% in December.
- The new website of Aprica S.p.A. has been online since December, enriched with detailed content for each of the 75 Municipalities served and available in 8 languages other than Italian.

Employees

- AMSA S.p.A. has implemented the project “*Dire fare pensare: le mie idee per la nostra azienda*” (Say do think: my ideas for our company) to involve internal staff in the formulation of proposals and solutions to improve the organization of work and services to citizens. Over 500 employees actively participated in the working groups, presenting 300 proposals. An action plan was defined to apply the best solutions.
- Even A2A Energia S.p.A. has proposed a program with similar objectives, called “*L’energia delle tue idee*” (The energy of your ideas); about 10% of the workforce participated formulating proposals to be evaluated and developed within the “Quality Circles”.
- In December, A2A launched Futura2a, a project dedicated to young graduates of the Group, with the aim of developing ideas and translating them into innovative projects on transversal company issues; in this logic a digital and real community will be created in 2015 to facilitate the meeting and sharing of ideas.

Shareholders

- The publication of Lettera2azionisti continued during the year with the issue of three editions; it is the in-depth journal about the activities, results and projects of the A2A Group, dedicated to small shareholders and investors. The newsletter is sent free of charge in hard copy or digital, after free registration on the site www.a2a.eu.
- One of the ways in which sustainability is applied to finance is the practice of responsible investment (SRI), which is implemented with the inclusion in specific indexes, called ethical indexes of listed companies that meet the main criteria of environmental, social and economic responsibility. In 2014, A2A was included in the following 5 indexes: ECPI Ethical Index EMU, Axia Sustainable Index, Solactive Climate Change Index, FTSE ECPI Italia SRI Benchmark Index and Standard Ethics Italian Index. Moreover, since May 2013, A2A has been included in the Ethibel Excellence Investments Register. A2A also participates in the annual assessments of the CDP (Carbon Disclosure Project), of the Vigeo and ETICA SGR.

Suppliers

- A2A participated, along with Acea, Ansaldo STS, Edison, Eni, Italcementi, Nestlè and Sofidel, in the project Global Compact Network Italia, TenP – Sustainable Supply Chain Assessment. In November, the initiative led to the creation of a platform, called TenP, in homage to the Global Compact principles (environment, human rights, labor rights, anti-corruption), which allows member companies to collect and share information on the sustainability performance of suppliers. The goal is to promote the dissemination of good environmental and social practices throughout the supply chain.

Community

- In the area of relationship initiatives with the territories, the A2A Group has continued its commitment in the A2A School Project, which involved more than 19,000 students in 2014, who visited the 37 company sites open to the public. The Group's training offer was also enriched with a guided tour of the waste cycle and a practical laboratory of paper recycling, made in Milan at the Casa dell'Energia e dell'Ambiente (House of Energy and the Environment), in collaboration with COMIECO.
- In October, A2A S.p.A. received the "CEEP-CSR Label", a prestigious award assigned to public utility companies that have distinguished themselves in the application of European standards of environmental and social sustainability. From an initial 74 European candidates, through a complex path of evaluation and selection, 24 winners were awarded, 6 of which Italian.
- A2A S.p.A. is one of the founders of WAME & EXPO 2015, the association founded by eight leading European companies in the energy sector and the organizers of Expo 2015 to raise awareness of the 20 million visitors expected at the international event on the topic of access to modern energy; the project highlights how energy can become a fundamental tool to increase access to water and food, contributing to the overall objective of reducing extreme poverty and improving human welfare. Among the initiatives: a website, a competition, conferences and exhibitions, before and during the EXPO.
- During the year, the A2A group's commitment increased in communication on environmental issues in the various territories. Some in-depth dossiers were produced and extensively distributed to the families of the affected areas on matters that concern them: water quality in Brescia, the interventions of environmental improvements at the Monfalcone Plant, the Acerra waste-to-energy plant.

Environmental responsibility

The Group's Environmental Management System is based on the principles set out in the Group's Quality, Environment and Safety Policy and sector Environmental Policies, and has the aim of promoting a progressive and constant improvement in business performance in terms of effectiveness and efficiency in managing the environmental aspects connected with its activities. This system is adopted and implemented in a way that is integrated with the broader Business Management System, which also governs the other strategic matters regarding sustainability including those concerning quality and safety.

A proper implementation of the Environmental Management System is ensured by setting up various types of measures, such as a clear identification of principles, roles and responsibilities; the identification of activities whose management requires particular care; the identification of areas where steps may be taken to seek improvement from an organizational or structural standpoint; the establishment of action strategies; and the means of working and operational control.

Regular internal audits are planned and carried out in order to check the efficiency and effectiveness of the Management Systems and their ability to ensure that improvement objectives are reached and that the adopted principles are being complied with. The adequacy of the systems is confirmed by the audits performed by independent third parties and is attested by the ISO 14001 certifications and the EMAS registration obtained by the Group's leading companies.

At December 31, 2014, 24 plants of the A2A Group hold the EMAS Registration. For another plant the registration process is currently in progress.

In particular, in 2014, the EMAS Registration process was completed for:

- the waste Collection and Transport service operated by Aprica S.p.A. on the territories of Brescia, Bergamo and some Municipalities in the provinces of Brescia, Bergamo and Milan;
- the waste-to-energy plant in Acerra, which had started the certification process of Management Systems in 2011;
- the entire production site in via Lucio Cornelio Silla, of AMSA S.p.A.;
- the Thermoelectric Plant in Gissi, owned by Abruzzoenergia S.p.A.;
- the Ecological Island in Bergamo, owned by A2A Ambiente S.p.A. and managed by Aprica S.p.A..

Moreover, in the same period, the Hydroelectric Complex in Calabria and the site in Corteolona (ex Ecodeco S.p.A.) obtained the renewal of EMAS registration for the next three years.

Following the extension of the scope of Legislative Decree no. 231/01 to environmental offences, the parent company has undertaken a review and revision of the Environmental Management System to align it to the new requirements. At the same time a revision of the way in which the activities connected with the risk that this type of offence may be committed are managed internally is currently in progress. The alignment of the Environmental Management System with the 231 Model is therefore at an advanced stage of consolidation in several of the Group's companies.

Innovation, development and research

The A2A Group carries out research and innovation activities that are consistent with the development programs of its business sectors.

The Networks Sector has considerable involvement given the stimuli deriving from the evolutionary thrust of technological innovation and service content which is consolidated in the expression Smart Grid and its derivatives and evolutions (Smart IP, Smart City and Smart Community, where the adjective “smart”, which identifies innovative digital technology, is an enabling tool for achieving greater “intelligence” in the product-service, adapting it to the requirements of the Regulator and making it more responsive to the expectations of customers who use web and IT services on a daily basis).

In particular, the Smart Domo Grid project is nearing completion, financed by the Ministry for Economic Development, is currently in progress; this sees A2A Reti Elettriche S.p.A. as project leader together with the Milan Polytechnic (Faculty of Energy) and Whirlpool as partners. The aim of the “design” is to create and introduce a Smart Grid solution with demand/response functionality, meaning “to cause the distributor’s electricity network to interact intelligently with EMS (Energy Management Systems) devices controlling domestic equipment (intelligent household appliances, micro-generation equipment, electric cars, etc.) and distributed energy accumulation devices designed to improve the quality of the service and the voltage”. In a neighborhood of Brescia, experimentation is in progress involving twenty families which have been equipped with new appliances, tools and training for use of the control potential of their consumption and spending on energy.

The ECCOFLOW European Project was concluded. This project, co-financed by the European Commission, consisted of the design, installation and field testing of Superconducting Fault Current Limiter (SFCL) devices for application in medium-voltage distribution networks. The aim of the installation in operation in the network of A2A Reti Elettriche S.p.A. was to assess the effectiveness and hence the applicative potentiality of this new class of power device, whose use encourages the development of distributed generation and enables the quality of the voltage to be improved.

Projects are ongoing for Resolution AEEGSI ARG/elt 39/10 as A2A Reti Elettriche S.p.A. obtained approval from the AEEGSI for the realization of two pilot projects: the first regards a primary cabin in Milan (Lambrate) and the second a primary cabin in Brescia (Gavardo) with different characteristics in the underlying network. Both set out to overcome the present limitations of the interface protection of generators connected to the medium-voltage grid, to introduce innovative voltage regulation functionalities and, potentially, to carry out local dispatch, reporting summarized data to Terna of the production put into the medium voltage grid. This will encourage the development of distributed generation and hence the use of renewable sources for the production of electricity.

The WFM and DMS Projects are in progress. The objective in these cases is to improve network operating management processes through computer solutions which integrate asset management systems with the geographic information system, also using GPS technology for pinpointing plants and operating teams available throughout the area, equipped with field devices, in order to achieve a more effective and efficient management of the interventions made, and the supervisory and remote control system of the electricity network, the central point for regulating Smart Grids.

The INTEGRIS project was completed in 2013 and the IDE4L Grid (Ideal Grid for All) is in progress. This project, co-financed by the EU as part of the FP7 research and innovation program, which capitalizes on the experience gained in the previous INTEGRIS project, sets as its objective the development and demonstration of a complete system for automating the management of the complete distributed energy resource (DER) active network, both in terms of real time (RT) management and medium-long term planning. The project concentrates on functionalities that are important for planning and running networks such as for example:

- the research and automatic isolation of faulty sections for improved service quality;
- the management of network congestion and optimal guidance for priority investments;
- the integration of distributed output from renewable sources and its optimal management.

The Smart Living project is in the start-up phase. The project came first in the assessment listing and therefore obtained the funding authorization by MUIR (Ministry of Education, Universities and Research).

The S.C.U.O.L.A. project is in progress. The project also obtained the funding authorization by the Lombardy Region.

Both of these proposals, in the Smart City and Smart Grid field, regard the design and realization, in detailed situations for the composition of consumption and renewable generation profiles, of innovative energy efficiency solutions, user involvement and service management, with the first of the two projects being extended to environments of operator

safety and the support to the weak. In both projects, A2A is the project leader of partnerships which see the participation of large, small and medium businesses, universities and research bodies related to the area in which A2A mainly operates.

In addition, testing continues in the field of Electrical Mobility through the e-moving project which has enabled public recharging columns to be set up in Milan and Brescia and the verification of operation of electric vehicles of multiple makes. Moreover, A2A also sponsored the first digital islands and supported the installation of all these infrastructures in the city of Milan. These solutions are in favor of car sharing electric mobility and also host additional services (video surveillance, WIFI, info points, led lighting).

The necessary changes have been completed to technically enable the interoperability between operators or allow customers to be able to recharge their cars at any public column regardless of the contract entered into with the sales company. In particular, interoperability was enabled with the company Repower and the necessary agreements are being defined with ENEL.

Even in the environmental sector the following projects are ongoing: Amsa S.p.A. participates in the innovative e-waste project for the collection of WEEE materials and the extraction of precious metals and rare earth elements that obtained the funding authorization by the Lombardy Region. The project is in progress.

An agreement was signed with the University of Brescia, which lays the foundation to be able to define and carry out studies and projects for the analysis and evaluation of effects on the territory of any harmful substances and potential correlations with pathologies.

All business sectors are on the lookout for, and involved in, the search for new solutions, both for optimizing processes and improving service quality and extending the offer. This involvement takes practical form in projects, which in some cases are funded by co-financing schemes, that are also triggered by the constant development and extension of relations with research bodies (RSE, ENEA, etc.) and universities and by participation in initiatives and conventions designed to gather needs and new ideas for grasping opportunities.





0.8

Other information

Other information

Audit of the financial statements and disclosures pursuant to article 149-duodecies of the Consob Issuers' Regulations

The annual financial statements of A2A S.p.A. have been subject to a full audit by PricewaterhouseCoopers S.p.A. on the basis of their appointment for financial years 2007 to 2015 by shareholders in general meeting.

The following table provides a summary of the fees paid for audit work performed within the Group during 2014, analyzed between the leading auditor PwC and other auditors.

Description - Thousands of euro	Leading Auditor PwC	Other auditors
A2A S.p.A.		
Audit of annual financial statements	179.3	
Audit of consolidated financial statements	41.4	
Periodic tests of accounting	21.4	
Limited review of half-yearly report	60.6	
Audit of the separate annual accounts for the AEEGSI	19.2	
Other testing and attestation engagements	-	
Total	321.8	-
Subsidiaries		
Audit of annual financial statements	882.8	
Audit of consolidated financial statements	-	
Periodic tests of accounting	221.5	
Audit of the information sent to shareholders for the consolidation, of which:		
- at year end (full audit)	125.2	
- at June 30 (limited review)	234.6	
Audit of the separate annual accounts for the AEEGSI	124.3	
Other testing and attestation engagements	-	
Total	1,588.2	-
Associates and Joint Ventures ⁽¹⁾		
Audit of the information sent to shareholders for the consolidation	29.2	
Total	29.2	-
TOTAL A2A GROUP	1,939.2	-

(1) Fee costs incurred directly by A2A S.p.A..

In addition to the above audit work, companies belonging to the PwC network also performed other engagements in 2014 for fees amounting in total to 123 thousand euro, which mainly related to activities as the Company's legal auditor as specified by current legislation.

Treasury shares

At December 31, 2014 A2A S.p.A. held 26,917,609 treasury shares, being 0.859% of its share capital consisting of 3,132,905,277 shares. At December 31, 2014 the Company did not hold any treasury shares through subsidiaries, financial companies or intermediaries.

Each share has a par value of 0.52 euro.

Secondary locations

The Company has no secondary locations.

Related parties and tax consolidation

Details of related party transactions are provided in note 36 to the consolidated financial statements and note 34 to the separate financial statements as required by article 2428 of the Italian civil code.

Consob Market Regulation (no. 16191/2007)

Article 2.6.2 of the Italian Stock Exchange Rules on the conditions as per articles 36 and 39 of the Consob Market Regulation (no. 16191/2007).

As far as the subsidiary EPCG is concerned, in order to comply with article 39 of the Market Regulation issued by Consob on the "Conditions for listing of shares of parent companies of companies instituted and regulated by the laws of non-European Union Member States" as per article 36 of that Regulation, A2A S.p.A. has adapted to the provisions on the adequacy of the administration and accounting systems, with respect to the size of operations, and the information flow to management and the central auditor necessary to control the consolidated financial statements of the parent company.

There have been no acquisitions during the year of companies registered in non-European Union countries which considered on their own are material for the purpose of the legislation in question.

* * *

The information on corporate governance and ownership structures required by article 123-bis of Legislative Decree no. 58/1998, as amended, is contained in a separate document “Report on Corporate Governance and Ownership Structures for the year ended December 31, 2014” which forms an integral part of the financial statements documentation.

In compliance with the requirements of the “Regulation on provisions relating to related party transactions” adopted by Consob with Resolution no. 17221 of March 12, 2010 and subsequently amended by Resolution no. 17389 of June 23, 2010, by way of a resolution of November 11, 2010 the Management Board approved, following the favorable opinion of the Internal Control Committee, the prescribed procedure for identifying the rules and controls designed to ensure the transparency and substantial and procedural correctness of the related party transactions carried out by A2A S.p.A. directly or through its subsidiaries. This procedure, which may be found on the website www.a2a.eu, has been applied since January 1, 2011.

The Company has decided to avail itself of the possibility provided by article 70, paragraph 8 and article 71, paragraph 1-bis of the Issuers’ Regulations and therefore to derogate from the requirement to make an information document available to the public in the event of significant mergers, spin-offs, capital increases by the contribution of assets in kind, purchases and disposals.

* * *

To approve the financial statements as required by article 12.1 of the bylaws of A2A S.p.A., the shareholders’ meeting is called within 180 days after the close of the fiscal year. The use of this term, compared to the ordinary term of 120 days after the close of the fiscal year, permitted by article 2364, paragraph 2 of the Civil Code, is justified by the fact that the company is required to prepare the consolidated financial statements.