2013

Report **on operations**

www.a2a.eu

a2a

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This is a translation of the Italian original “Relazione sulla gestione 2013” 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

Corporate boards

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Pippo Ranci Ortigosa

DEPUTY CHAIRMAN
Fausto Di Mezza

DIRECTORS
Marco Baga
Alessandro Berdini
Marina Brogi
Michaela Castelli
Mario Cocchi
Marco Manzoli
Enrico Giorgio Mattinzoli
Marco Miccinesi
Andrea Mina
Stefano Pareglio
Massimo Perona
Norberto Rosini
Angelo Teodoro Zanotti

MANAGEMENT BOARD

CHAIRMAN
Graziano Tarantini

DEPUTY CHAIRMAN
Francesco Silva

DIRECTORS
Giambattista Brivio
Stefano Cao
Bruno Caparini
Maria Elena Cappello
Renato Ravanelli
Paolo Rossetti

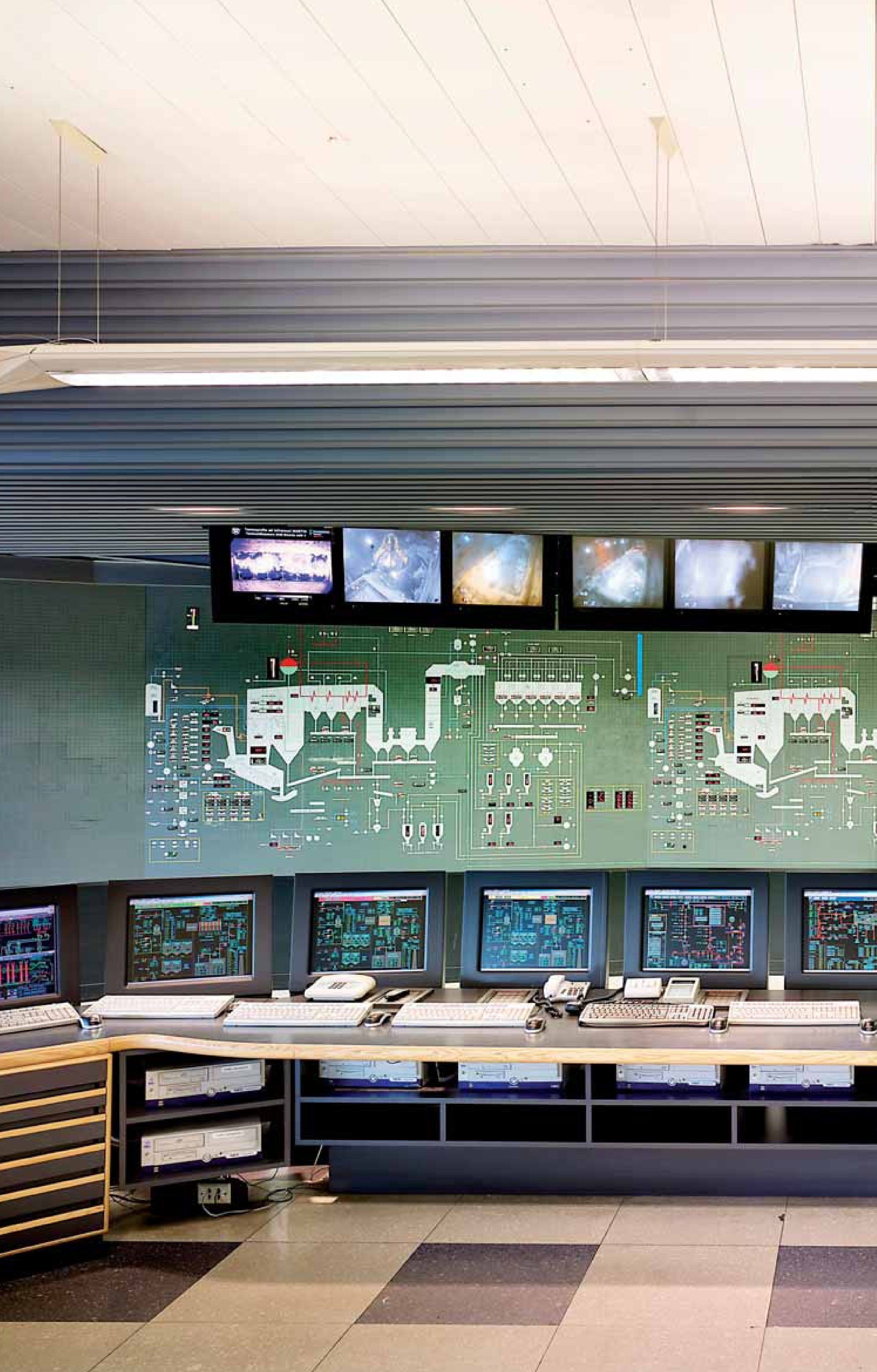
GENERAL MANAGERS

CORPORATE AND MARKET AREA
Renato Ravanelli

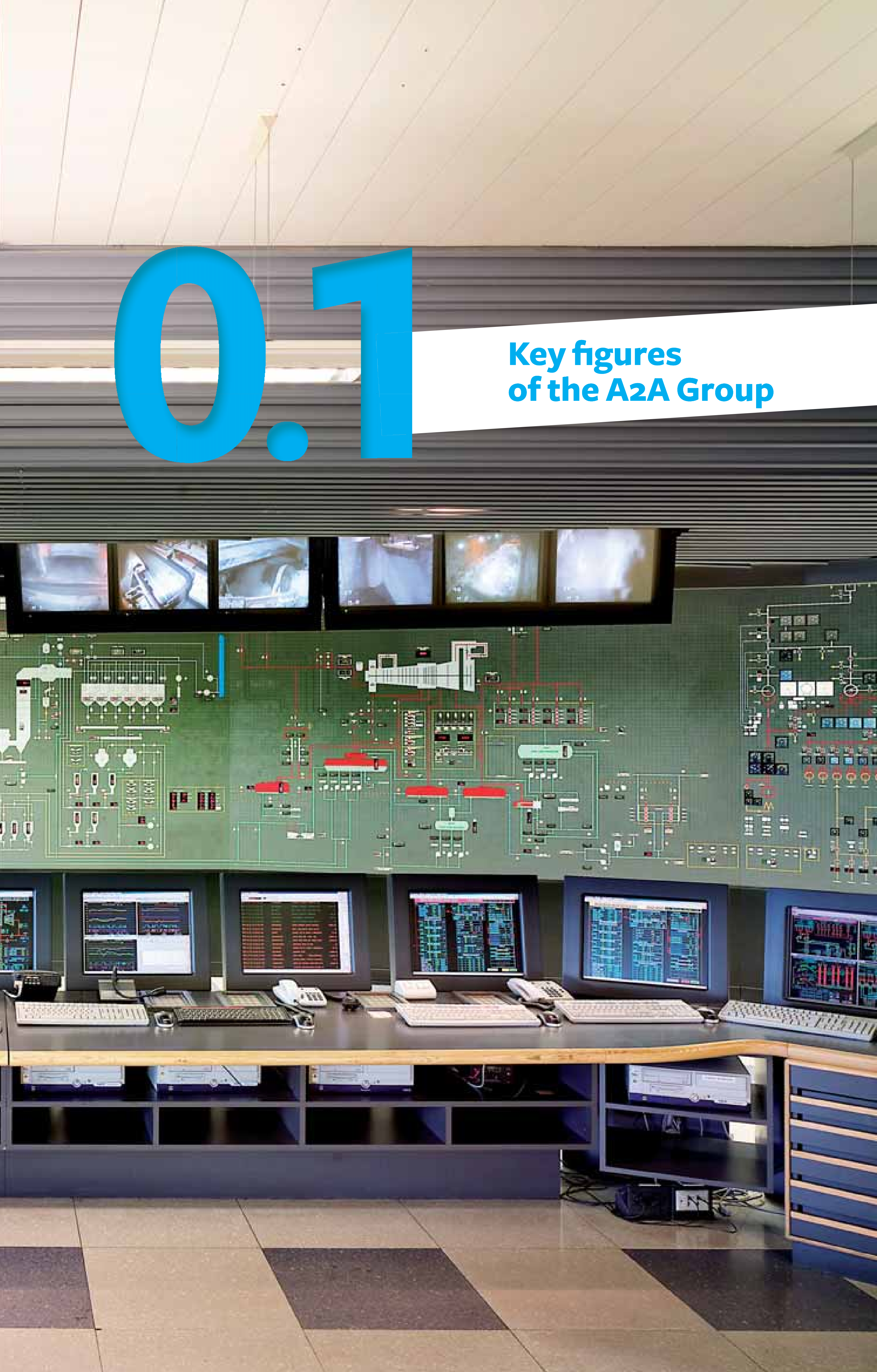
TECHNICAL-OPERATIONS AREA
Paolo Rossetti

INDEPENDENT AUDITORS

PRICEWATERHOUSECOOPERS S.P.A.



0.1 Key figures of the A2A Group



Areas of activity

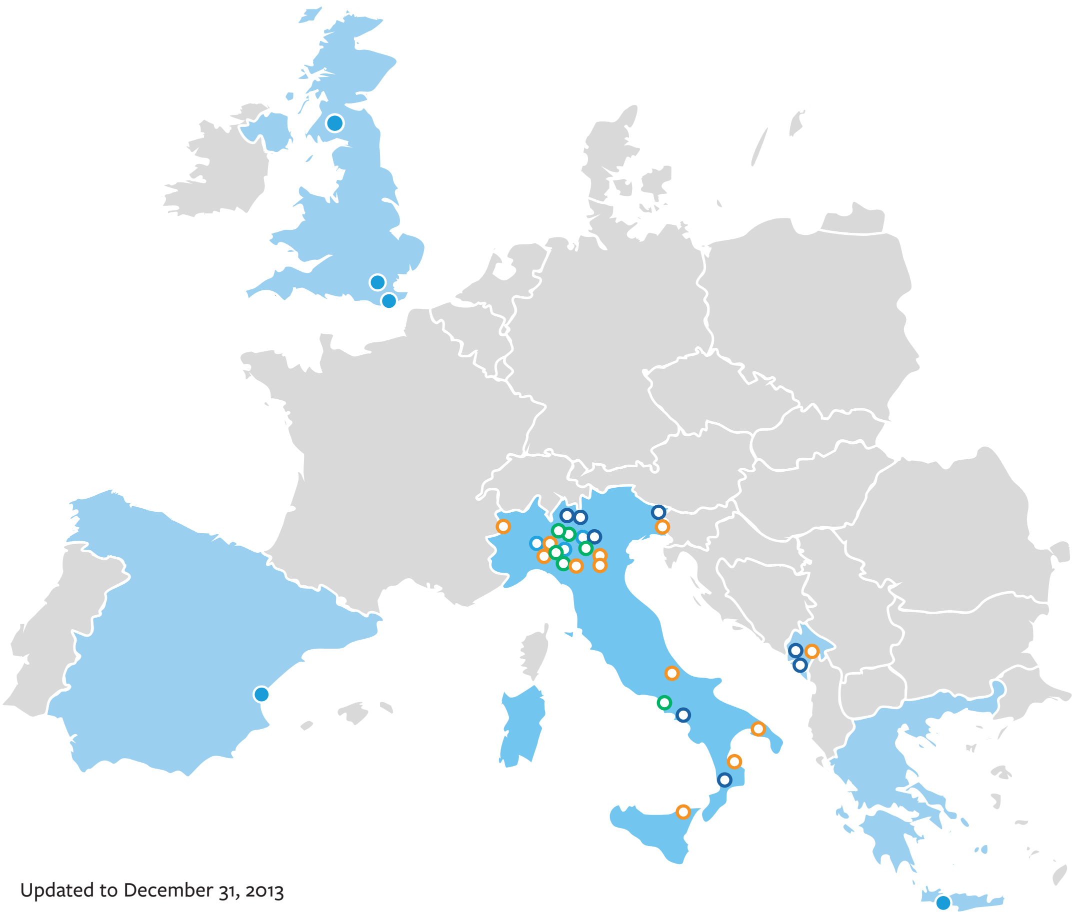
The A2A Group operates in the production, sale and distribution of gas and electricity, district heating, environmental services and the integrated water cycle. These activities in turn form part of the following sectors:

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 by the Management Board in order to manage and plan the Group's business.

Geographical areas of activity



Updated to December 31, 2013

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

Group structure

A2A S.p.A.

- **70.95%** Edipower
- **100.00%** Abruzzoenergia
- **50.00%** Ergosud
- **43.70%** EPCG
- **39.49%** Rudnik Uglja ad Pljevlja
- **100.00%** A2A Trading
  - **70.00%** A2A Alfa
    - **50.00%** Premiumgas
- **100.00%** A2A Energia
  - **100.00%** Aspem Energia
- **33.33%** Lumenergia
- **50.00%** Metamer
- **100.00%** A2A Ambiente
  - **100.00%** Amsa
- **100.00%** Aprica
- **100.00%** A2A Calore & Servizi
- **60.00%** Proaris
- **100.00%** A2A Reti Elettriche
- **100.00%** A2A Ciclo Idrico
- **90.00%** Aspem (2)
- **100.00%** A2A Reti Gas
  - **100.00%** A2A Servizi alla distribuzione
- **91.60%** Retragas
- **74.50%** Camuna Energia
- **49.15%** ASVT (1)
- **100.00%** Selene
- **100.00%** A2A Logistica
- **21.94%** ACSM-AGAM
- **7.91%** Dolomiti Energia

Areas of activity

- Energy
- Environment
- Heat & 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 main shareholdings of the A2A Group. For full details of shareholdings reference should be made to Attachments 3, 4 and 5.

Financial highlights at December 31, 2013 (**)

Revenues	5,604 million euro
Gross operating income	1,133 million euro
Group net result of the year	62 million euro

Income statement figures

Millions of euro

	01 01 2013 12 31 2013	01 01 2012 12 31 2012 (a)
Revenues	**5,604**	**6,480**
Operating expenses	(3,807)	(4,810)
Labour costs	(664)	(602)
Gross operating income	**1,133**	**1,068**
Depreciation, amortization, provisions and write-downs	(876)	(567)
Net operating income	**257**	**501**
Result from non-recurring transactions	75	45
Financial balance	(206)	(180)
Result before taxes	**126**	**366**
Income taxes	(51)	(128)
Net result from discontinued operations	-	33
Minorities	(13)	(11)
Group net result of the year	**62**	**260**
Gross operating income/Revenues	**20.2%**	**16.5%**

(a) According to the new adopted Income Statement structure the comparative figures for 2012 have been reclassified.

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

Balance sheet figures
Millions of euro

	12 31 2013	12 31 2012
Net capital employed	7,222	8,069
Total equity attributable to the Group and minorities	3,348	3,697
Consolidated net financial position	(3,874)	(4,372)
Consolidated net financial position / Equity attributable to the Group and minorities	1.16	1.18
Consolidated net financial position / Average market capitalization	1.95	2.78

Financial data
Millions of euro

	01 01 2013 12 31 2013	01 01 2012 12 31 2012
Net cash from operating activities	779	961
Net cash used in investing activities	(231)	(250)
Free cash flow	548	711

Dividend ____ 0.033 euro per share

Average market capitalization in 2013 ____ 1,990 million euro

Key figures of A2A S.p.A.

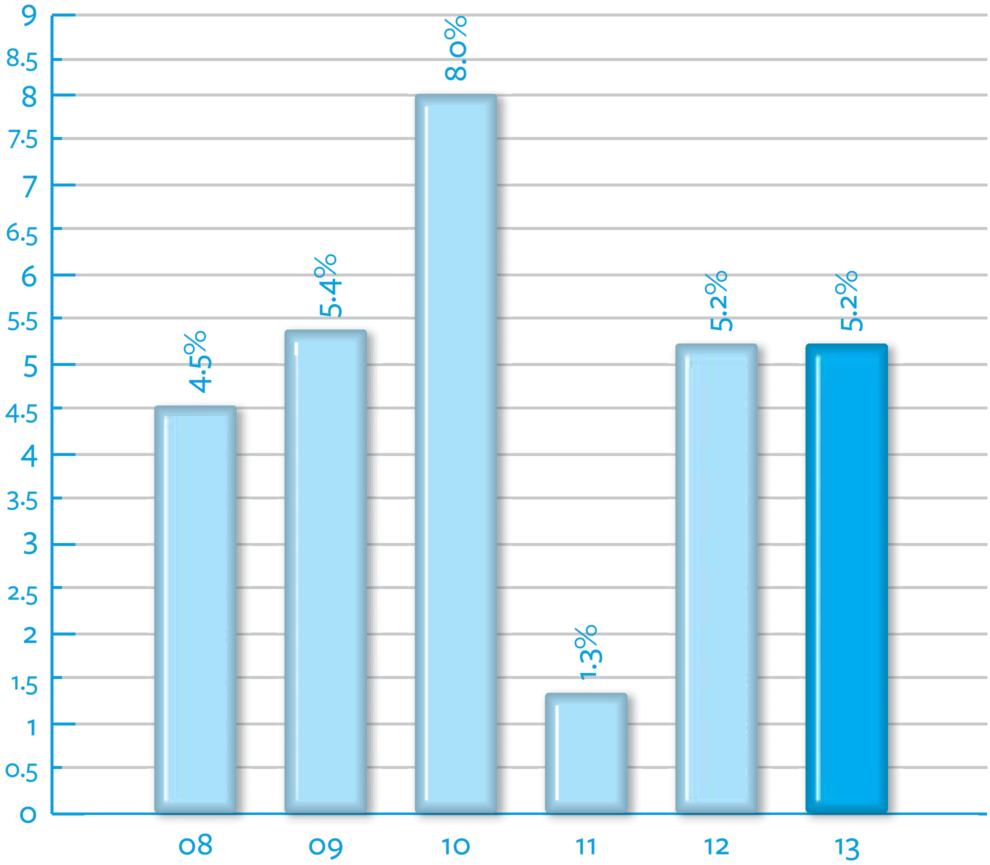
	12 31 2013	12 31 2012
Share capital (euro)	1,629,110,744	1,629,110,744
Number of ordinary shares (par value 0.52 euro)	3,132,905,277	3,132,905,277
Number of treasury shares (par value 0.52 euro)	26,917,609	26,917,609

Key indicators

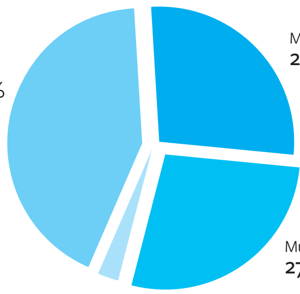
	12 31 2013	12 31 2012
Average 6-month Euribor	0.336%	0.828%
Average price of Brent crude (US$/bbl)	108.74	111.66
Average exchange rate euro/US$ (*)	1.33	1.29
Average price of Brent crude (euro/bbl)	81.87	86.80
Average price of coal (euro/tonne)	61.53	71.94

(*) Source: Italian Foreign Exchange Office

Dividend/average share price for the year (Dividend yield)



Shareholdings (*)



(*) Holdings exceeding 2% (updated at December 31, 2013)
Source: CONSOB

A2A S.p.A. on the Stock Exchange

A2A in figures (Italian Stock Exchange)

Market capitalisation at December 31, 2013 (millions of euro):	2,665
Average capitalisation in 2013 (millions of euro):	1,990
Average volumes in 2013:	21,331,560
Average price in 2013 (*)	0.635
Maximum price in 2013 (*)	0.911
Minimum price in 2013 (*)	0.390
Number of shares	3,132,905,277

(*) Euro per share
Source: Bloomberg

A2A stock is also traded on the following platforms: Chi-X, Turquoise, BATS, BOAT OTC, LSE Europe OTC

On June 27, 2013 A2A S.p.A. distributed a dividend of 0.026 euro per share.

Stock data

	2013	2012
Earnings per share (EPS)	0.020	0.083
Cash-flow per share (CFPS)	0.249	0.307
Dividend per share (DPS)	0.033	0.026
Price/Earnings per share (P/EPS)	31.75x	6.06x
Price/Cash-flow (P/CFPS)	2.55x	1.64x
Dividend Yield (DPS/P)	5.2%	5.2%
Number of shares (millions)	3,133	3,133

Multiples are calculated on the average price for the year

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	Negative

Source: Rating agencies

A2A forms part of the following indices

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

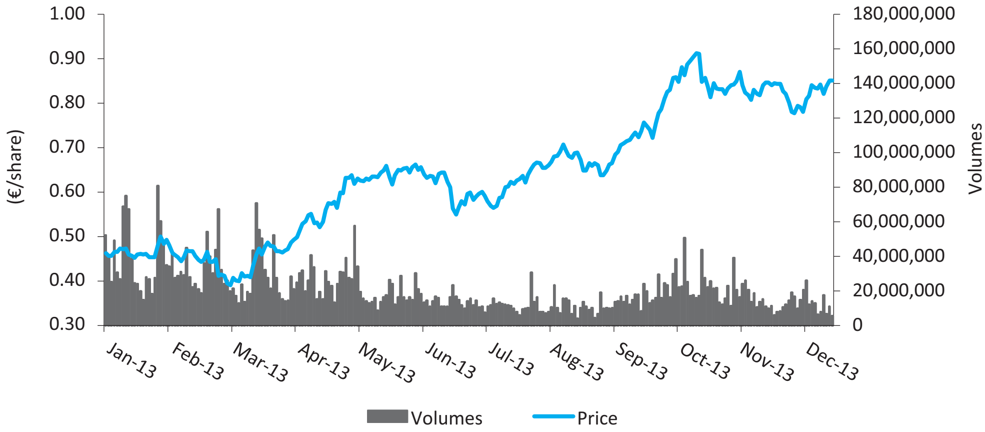
Ethical Indices

ECPI Ethical Index EMU
Axia Substainable Index
Solactive Climate Change Index
FTSE ECPI Italia SRI Benchmark

Source: Bloomberg

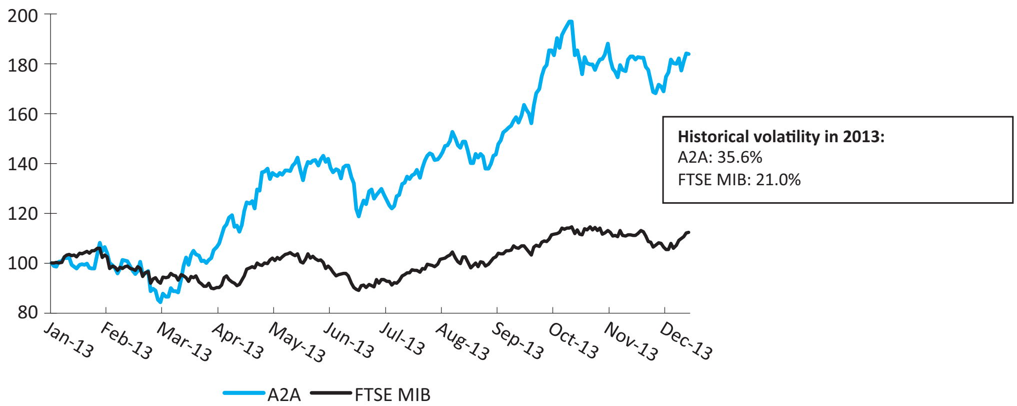
A2A is also included in the Ethibel Excellence Investment Register.

A2A in 2013



A2A vs FTSE MIB

(Price January 1, 2013 = 100)



Source: Bloomberg

0.2 Consolidated results and report on operations

Summary of results, assets and liabilities and the financial position

Results

The results for the year ended December 31, 2013 are not comparable with those for the corresponding period of 2012 for the following reasons:

- in 2012 Edipower S.p.A. was only consolidated on a line-by-line basis from June, while in the months prior to that it was consolidated on an equity basis and then only for the Group's share of 20%;
- the results for 2013 include a contribution of 77% arising from the production of the thermoelectric and hydroelectric plants of Edipower S.p.A. up until October 2013. From November 2013, however, the production of the Turbigo thermoelectric plant and the Tusciano hydroelectric complex is not included as a result of the non-proportional demerger from Edipower S.p.A. into Iren Energia S.p.A., while the other plants of Edipower S.p.A. made a 100% contribution.

Further details of this matter may be found in the section "Changes in scope of consolidation".

Millions of euro	01 01 2013 12 31 2013	01 01 2012 12 31 2012 (*)	Changes
Revenues	**5,604**	**6,480**	**(876)**
of which:			
- Revenues from the sale of goods and services	*5,389*	*6,281*	*(892)*
- Other operating income	*215*	*199*	*16*
Operating expenses	(3,807)	(4,810)	1,003
Labour costs	(664)	(602)	(62)
Gross operating income	**1,133**	**1,068**	**65**
Depreciation, amortization and write-downs	(736)	(491)	(245)
Provisions	(140)	(76)	(64)
Net operating income	**257**	**501**	**(244)**
Results from non-recurring transactions	**75**	**45**	**30**
Net financial charges	(183)	(193)	10
Affiliates	(23)	13	(36)
Result before taxes	**126**	**366**	**(240)**
Income taxes	(51)	(128)	77
Result after taxes from operating activities	**75**	**238**	**(163)**
Net result from discontinued operations	-	33	(33)
Minorities	(13)	(11)	(2)
Group net result of the year	**62**	**260**	**(198)**

(*) According to the new adopted Income Statement structure the comparative figures for 2012 have been reclassified.

The Group earned revenues of 5,604 million euro in the period, a decrease over the previous year (6,480 million euro) due mainly to the decision to reduce gas brokerage activities on the wholesale markets.

Key quantitative data for the year ended December 31, 2013 contributing to the formation of these revenues, with comparative figures, are as follows:

	12 31 2013	12 31 2012
Electricity sold to wholesale and retail customers (GWh)	24,519	23,664
Electricity sold on the Power Exchange (GWh)	12,905	13,069
Electricity sold on foreign markets (GWh)	12,699	11,983
Electricity sold - EPCG (GWh)	4,135	4,284
Gas sold (Mcm)	2,435	3,845
Heat sold (GWht)	2,382	2,217
Electricity distributed (GWh)	11,098	11,361
Electricity distributed - EPCG (GWh)	2,530	2,596
Gas distributed (Mcm)	2,076	2,010
Water distributed (Mcm)	63	69
Water purified (Mcm)	35	41
Waste disposed of (Ktonne)	2,517	2,457

Production details	12 31 2013	12 31 2012
Thermoelectric production (GWh)	7,432	9,362
Thermoelectric production - EPCG (GWh)	1,311	1,245
Hydroelectric production (GWh)	5,023	4,028
Hydroelectric production - EPCG (GWh)	2,498	1,470
Heat production (GWht)	2,126	2,005
Electricity produced by cogeneration (GWh)	300	310
Electricity sold coming from waste to energy and biogas plants (GWh)	1,103	1,143

“Gross operating income” of 1,133 million euro rose by 65 million euro over 2012.

The following table sets out the changes in gross operating income by business sector:

Millions of euro	**12 31 2013**	**12 31 2012**
Energy Sector	533	541
Environment Sector	282	219
Heat and Services Sector	86	73
Networks Sector	256	242
Other Services and Corporate Sector	(24)	(7)
Total EBITDA	**1,133**	**1,068**

Gross operating income in the Energy Sector amounted to 533 million euro, a decrease of 8 million euro over the previous year.
The 2013 result however includes a provision made for a redundancy scheme of approximately 7 million euro. Excluding this effect, the sector's margin is essentially in line with that of 2012. The year in question benefitted from the excellent performance of the subsidiary EPCG (+62 million euro), which was offset by the lower margins earned on the environmental allowances market. In this sense 2012 benefitted from the mechanism for the free of charge CO2 allocations envisaged in the previous phase (II) of the EU ETS, and from the increased sales of Green Certificates closing the long position taken out during 2011. Despite a significant deterioration of market conditions in the electricity industry, the integrated management of the generation portfolio and electricity and gas commercialization allowed the Group to maintain margins in line with the previous year.

Gross operating income in the Environment Sector amounted to 282 million euro, an increase over the figure of 219 million euro for the previous year. This result includes income of 27 million euro relating to the previous year which had been prudently accrued in the fourth quarter of 2012 to provide against uncertainties in the regulatory framework. If this item is excluded, the sector's gross operating income totals 255 million euro, a rise of 9 million euro over 2012. In this respect the lower revenues arising from the expiry of the CIP 6 conventions for the waste to energy plants at Corteolona (Pavia) and Brescia and the completion of certain foreign contracts were more than offset by the increased margins earned from the expansion of collection and street sweeping services and from industrial waste disposal activities.

Gross operating income in the Heat and Services Sector totaled 86 million euro, a rise of 13 million euro over 2012. Contributing to this positive performance were the district heating sector - which above all benefitted from the effects of commercial development - and the business of managing heating plants owned by third parties. These positive effects were partially offset by decreased revenues from the sale of electricity.

Gross operating income in the Networks Sector closed at 256 million euro (242 million euro in the year ended December 31, 2012). Excluding the provision made for the redundancy scheme in connection with the business restructuring plan, which had a negative effect of 12 million euro on the result for the year, the sector's gross operating income rose by 26 million euro over 2012.
This change is due to the positive contribution made by all the areas in the sector.
In particular, gross operating income in the electricity distribution segment rose by 17 million euro due to lower operating expenses and non-recurring items which had a negative effect in the previous year.
The improvement in the results of the gas distribution segment (+3 million euro over the previous year) is due to the increase in revenues admitted to distribution activities for 2013.
The water segment posted gross operating income of 11 million euro, a rise of 5 million euro over 2012. This performance was mainly due to lower operating expenses and an increase in tariffs approved by the regulatory authority, effects which were partially offset by the lower volume of water distributed.

The Other Services and Corporate Sector closed with a loss of 24 million euro (a loss of 7 million euro in the year ended December 31, 2012). Compared to the previous year, the result was affected by costs of 6 million euro provided for job losses under the redundancy scheme, the benefit over 2012 of non-recurring items of 7 million euro and amendments to the economic levels of intercompany agreements between A2A S.p.A. and certain Group companies which purchased ICT assets.

"Depreciation, amortization, provisions and write-downs" amounted in total to 876 million euro (567 million euro for the year ended December 31, 2012). The increase in this item is mainly due to impairment losses of 237 million euro recognized on certain thermoelectric plants as a consequence of the results obtained from the impairment testing performed by an independent external appraiser appointed by the Group. These write-downs were made to adjust the carrying amount of the assets to the lower earnings prospects deriving from a market in structural production overcapacity.
Excluding this extraordinary item, the balance on this caption amounted to 639 million euro, an increase over the previous year which benefitted from the release of previous accruals and the consolidation of Edipower for only 7 months.

As a result of these changes **"Net operating income"** amounted to 257 million euro (501 million euro for the year ended December 31, 2012).

The **"Result from non-recurring transactions"** amounting to 75 million euro includes the income arising on the extraordinary operation involving the non-proportional partial demerger of a group of generation assets from Edipower S.p.A. into Iren Energia S.p.A.

(which as the result of this operation is no longer a shareholder of Edipower S.p.A.) and the sale of five small run-of-river hydroelectric plants (totaling 8 MW).
The comparative figure of 45 million euro for the previous year consisted mainly of the income arising on the sale of the shareholdings in e-Utile S.p.A. and Metroweb S.p.A..

"Net financial charges" amounted to 183 million euro (193 million euro in the previous year). Compared with 2012, debt service charges in the year in question, which includes the effect of the consolidation of Edipower S.p.A. for the whole period, rose by 47 million euro, while gains of 79 million euro arose from the measurement of derivatives at fair value. The result for the year ended December 31, 2012 included income of 18 million euro arising from the recognition of negative goodwill on the first-time consolidation of Edipower S.p.A..

"Affiliates" has a negative balance of 23 million euro (a positive balance of 13 million euro in 2012). This item includes a write-down of 30 million euro in the shareholding held by A2A S.p.A. in Ergosud S.p.A. (50%) made to adjust its carrying amount to the result from impairment testing.
The previous year benefited from the results (positive for 12 million euro) of the investee Edipower S.p.A. prior to the acquisition of control.

There was a nil balance on the item **"Net result from discontinued operations"** in 2013 while income of 33 million euro in 2012 consisted of the net gain recognized on the sale of the Coriance Group.

After deducting the result attributable to minorities, the **"Group net result of the year"** amounted to 62 million euro (260 million euro for the year ended December 31, 2012).

Balance sheet and financial position

Consolidated **"Capital employed"** amounted to 7,222 million euro at December 31, 2013 and was funded by equity of 3,348 million euro and net debt of 3,874 million euro.

"Working capital" amounted to 741 million euro, a decrease of 82 million euro over December 31, 2012.

"Net fixed capital", which includes "Assets/liabilities held for sale", amounted to 6,481 million euro, a decrease of 765 million euro over December 31, 2012 as the result of the non-proportional partial demerger of a group of generation assets by Edipower S.p.A. into Iren Energia S.p.A., effective during the year.

The **"Net financial position"** of 3,874 million euro improved by 498 million euro over December 31, 2012 due to the generation of cash from operating activities which was partially offset by cash of 284 million euro used in investing activities and the distribution of dividends of 81 million euro by the parent company.

Millions of euro	12 31 2013	12 31 2012	Changes
CAPITAL EMPLOYED			
Net fixed capital	**6,481**	**6,969**	**(488)**
- Tangible assets	5,930	6,370	(440)
- Intangible assets	1,306	1,393	(87)
- Shareholdings and other non-current financial assets (*)	196	219	(23)
- Other non-current assets/liabilities (*)	(379)	(346)	(33)
- Deferred tax assets/liabilities	372	269	103
- Provisions for risks, charges and liabilities for landfills	(605)	(611)	6
- Employee benefits	(339)	(325)	(14)
of which with counter-entry to equity	*(379)*	*(340)*	
Working capital	**741**	**823**	**(82)**
- Inventories	284	340	(56)
- Trade receivables and other current assets (*)	2,272	2,217	55
- Trade payables and other current liabilities (*)	(1,872)	(1,816)	(56)
- Current tax assets/tax liabilities	57	82	(25)
of which with counter-entry to equity	*(8)*	*(9)*	
Assets/liabilities held for sale (*)	**-**	**277**	**(277)**
of which with counter-entry to equity	*-*	*-*	
TOTAL CAPITAL EMPLOYED	**7,222**	**8,069**	**(847)**
SOURCES OF FUNDS			
Equity	**3,348**	**3,697**	**(349)**
Total financial position beyond one year	3,942	4,305	(363)
Total financial position within one year	(68)	67	(135)
Total net financial position	**3,874**	**4,372**	**(498)**
of which with counter-entry to equity	*31*	*23*	
TOTAL SOURCES	**7,222**	**8,069**	**(847)**

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

Millions of euro	01 01 2013 12 31 2013	01 01 2012 12 31 2012
Net financial position at the beginning of the year	**(4,372)**	**(4,021)**
Net financial position of Edipower S.p.A.	**-**	**(959)**
Effect of Iren demerger	**45**	**-**
Net result of the year (including minorities) (**)	(18)	192
Depreciation and amortization	486	489
Write-downs/disposals of tangible and intangible assets	260	10
Affiliates	23	(13)
Net taxes paid	(122)	(251)
Change in assets and liabilities (*)	150	534
Net cash from operating activities	**779**	**961**
Net cash (used in) investing activities	**(231)**	**(250)**
Free cash flow	**548**	**711**
Dividends paid by the parent	(81)	(40)
Dividends paid by subsidiaries	(6)	(8)
Cash flow from the distribution of dividends	**(87)**	**(48)**
Changes in financial assets/liabilities with counter-entry to equity	(8)	(55)
NET FINANCIAL POSITION AT THE END OF THE YEAR	**(3,874)**	**(4,372)**

(*) Excluding balances with counter-entry to equity.
(**) The result for the year is stated excluding gains on the sale of shareholdings.

Significant events during the year

Meeting between A2A representatives and the National Trade Union Secretariats

The business and financial development lines included in the 2013-15 Business Plan approved by the Management Board and Supervisory Board of A2A S.p.A. on November 8, 2012 were illustrated during the meeting that took place in February 2013 between A2A S.p.A. representatives and the National Trade Union Secretariats. In addition, a series of measures designed to contain labour costs, including the use of staff lay-off and redundancy arrangements, were described.

On April 19, 2013, A2A S.p.A. (also on behalf of Group companies) and the National Trade Union Secretariats signed a framework agreement on the use of the Cassa Integrazione Guadagni Ordinaria (CIGO) and redundancy schemes.
In summary, this agreement contains the following:

Cassa Integrazione Guadagni Ordinaria (*CIGO*)

The Group plans to use the CIGO scheme between April 2013 and April 2015 for the plants at Cassano, Sermide, Chivasso and Turbigo.

The scheme is expected to be utilized for a period of approximately forty weeks over the two years.
Only the staff strictly needed for looking after the plants and for security will be kept in service during the periods when the CIGO scheme is in force.
In addition, A2A S.p.A. will use a rotational arrangement, where this is possible and to the extent compatible with workers' availability, to reduce the effect of the lay-off and redundancy schemes to a minimum.
Employees will be paid the portion of their wages and salaries for which the cost is borne by the national social security agency INPS, and A2A will take this up to 85% of their fixed, continuous remuneration.

Integration of A2A S.p.A. with Edipower S.p.A. and Networks Project

Approximately 260 excess employees will leave the Group by means of various redundancy procedures.

These procedures will relate solely to workers who by the end of the redundancy scheme meet the requirements for receiving a pension and workers who, although not identified as being in excess, formally express their wish to be made redundant under the redundancy scheme, to the extent that technical, organization and production requirements are met.

In addition to an indemnity in lieu of notice, workers will also receive the following amounts as leaving incentives:

- two months' wages plus a supplement equal to 88% of their fixed and continuous remuneration for the whole period they are included in the redundancy scheme;
- employees who elected to join the mobilità scheme by September 15, 2013 will receive another five months' wages;
- workers under 62 years of age who elect for early retirement will be entitled to an additional indemnity of two months' wages for each year of early retirement below 62 years of age;
- workers already meeting the conditions to receive a pension on the other hand will only receive a leaving incentive equivalent to four months' wages.

Mestre location

Regarding the Mestre location, an agreement was signed with the trades unions on July 5, 2013 aiming to preserve the employment aspects of the area, suspending the decision to close the site. Under this agreement working hours are reduced by an average of 45% through the use of solidarity contracts, with the resulting recourse to the use of the voluntary redundancy scheme for a limited number of workers who by following this approach will reach their pension requirements.

Harmonization of contractual arrangements and rationalization of the national collective bargaining agreements (CCNL) in use

Specific negotiations began at a Group level in June 2013 with the aim of harmonizing the economic and legislative aspects currently in place in the individual companies, including Edipower S.p.A..

In addition, the principle of "one single CCNL" for each individual company was generally acknowledged.

In this case too specific talks will be initiated so that each company can identify the most suitable CCNL.

A2A S.p.A.: new 5-year revolving credit line agreement signed with a syndicate of domestic and international banks

On April 22, 2013, A2A S.p.A. signed an agreement for a new 5-year revolving credit line of 600 million euro to replace the revolving credit lines expiring over the subsequent 24 months and unused at the date of signing the new agreement.

The Supervisory Board of A2A S.p.A. approves the 2012 financial statements

On April 29, 2013, the Supervisory Board approved the separate financial statements and the A2A Group's consolidated annual report for the year ended December 31, 2012 prepared by the Management Board.
The Supervisory Board also approved the Management Board's proposal to submit to the shareholders' meeting the distribution of a dividend of 0.026 euro per ordinary share to be paid as from June 27, 2013 (ex-dividend date June 24, 2013).
Subsequent to this, on June 13, 2013 the shareholders' meeting of A2A S.p.A. approved the proposal for the distribution of a dividend of 0.026 euro per ordinary share to be paid as from June 27, 2013 (ex-dividend date June 24, 2013 - coupon no. 16) and having record date June 26, 2013.

Standard & Poor's confirms the long-term credit rating of A2A S.p.A. as BBB with a negative outlook. Unchanged short-term credit rating of A-2

In May, Standard & Poor's confirmed the long-term credit rating of A2A S.p.A. as BBB with a negative outlook and its short-term rating as A-2.
The confirmation of the rating rewards A2A's debt reduction plan and the effectiveness of its financial strategy which is aimed at obtaining funds in advance for repaying its debts falling due.
The rating additionally reflect a strong and stable business profile, characterized by a high level of diversification and integration and supported by a significant presence in regulated businesses.

A2A Energia S.p.A.: the Joint Committee set up with the Consumers' Associations begins work

As envisaged in the Self-Regulation Protocol signed on March 1, 2013 by A2A Energia S.p.A. - gas and electricity sales company of the A2A Group - and the Consumers' Associations, the work of the Joint Committee officially got under way on May 22, 2013.
The task of the Committee, consisting of three members designated by the Consumers' Associations and three by A2A Energia S.p.A. (plus one substitute member), is to supervise compliance with the rules set out in the Self-Regulation Protocol and to ensure that the company is following proper marketing procedures.
The Associations which contributed to drawing up the agreement and signed it were as follows: ACU, Adiconsum, Adoc, Adusbef, Altroconsumo, Assoutenti, Casa del Consumatore, Cittadinanzattiva, Codacons, Codici, Confconsumatori, Coniacut, Federconsumatori, Lega Consumatori, Movimento Consumatori, Movimento Difesa del Cittadino and Unione Nazionale Consumatori.
At the Committee's first meeting members agreed on the modus operandi of the meetings and their frequency. The following priorities have been identified and are already included on the agenda of the initial meetings:

- the formation and checking of the quality of the work and of compliance by trading partners with the contents of the Self-Regulation Protocol;
- an analysis of the different circumstances which might give rise to disputes.

The direction which has been taken for quite some time by A2A Energia S.p.A. to prevent unfair trading practices and protect customers therefore continues. In addition to the Joint Committee, the Self-Regulation Protocol also provides for the extension of the cooling off period to which the end customer is entitled, requires A2A Energia S.p.A. to send a confirmation letter to notify customers that a new supply contract has been activated and envisages specific training and possible penalties for the trading partners of A2A Energia S.p.A..
If conduct is identified which fails to comply with the requirements of the Protocol, in addition to compensation being paid directly to the end customer the Protocol also requires a fund to be set up to be used to provide information on unfair trading practices and to prevent these from occurring.

Establishment of A2A Ambiente S.p.A.

The establishment of A2A Ambiente S.p.A., the largest Italian company in the environment sector by turnover, forms part of the corporate reorganization and rationalization which was carried out in the A2A Group's environment sector in 2013.

The A2A Group's environmental hub was previously based on four companies: Amsa S.p.A., Aprica S.p.A., Ecodeco S.r.l. and Partenope Ambiente S.p.A..

The establishment of A2A Ambiente S.p.A. and its corporate development took place in two phases.

The first phase, plant reorganization, was completed on July 1, 2013, and consisted of the spin-off of the waste treatment and disposal plants from Amsa S.p.A. and Aprica S.p.A. to A2A Ambiente S.p.A. (formerly Ecodeco S.r.l.).

Post spin-off Amsa S.p.A. and Aprica S.p.A. have continued to operate in their local areas and with their business names, carrying out their core business of urban hygiene and maintaining an unchanged relationship with their municipality customers. Amsa S.p.A. and Aprica S.p.A. deliver waste to A2A Ambiente S.p.A., which is then responsible for its treatment and energy enhancement, thereby obtaining electricity and thermal energy for utilization in district heating for urban use.

The second phase involved making a series of changes to the corporate structure and chain of control of the companies in the environment sector. On November 27, 2013 the parent, A2A S.p.A., contributed its shareholdings in Amsa S.p.A. and Aprica S.p.A. to A2A Ambiente S.r.l., which became a joint stock company (S.p.A.) effective from November 11, 2013.

Subsequently in December 2013 Partenope Ambiente S.p.A., the company managing the Acerra waste to energy plant and the waste shredding, sifting and packaging plant at Caivano, was merged into A2A Ambiente S.p.A., effective from January 1, 2013.

The contribution of the "Collection" business by A2A Ambiente S.p.A. to Amsa S.p.A. in December 2013 completed the process designed to optimize the structure of the environment sector.

A2A Ambiente S.p.A. will now be able to grow further in a market that is undergoing considerable evolution. In fact with approximately 50% of its waste disposed of in landfills, there is a very large gap in terms of plants between Italy and the main European countries, while abroad the company will be able to leverage its know-how both in the markets where it already has a presence (United Kingdom, Spain, Greece) and in new geographical areas.

Bonds of 500 million euro are issued on the European market and an offer is made for the repurchase of the bonds redeemable in 2014 and 2016

On July 3, 2013, A2A S.p.A. issued bonds of 500 million euro with a seven and a half year term on the European market as part of the Euro Medium Term Notes Program of 2 billion euro approved by the Management Board on September 19, 2012. The issue was addressed exclusively to institutional investors.

The newly-issued bonds are governed by English law and have been traded on the Luxembourg stock exchange since July 10, 2013.
Consistent with the Group's financial strategy, which is aimed at extending the average debt term and optimizing the timing of the due dates, A2A S.p.A. at the same time made an offer for the partial buy-back of bonds redeemable in 2014 and 2016, amounting to 500 and 1,000 million euro respectively. On July 9, 2013 A2A S.p.A. announced the final results and the pricing of the partial buy-back offer addressed to the holders of the bonds falling due in 2014 and 2016, from whom respective buy-backs of 201 million euro and 238 million euro were made.
As stated in the Tender Offer Memorandum, the repurchase prices for the bonds falling due in 2014 and 2016 were 103.8% and 107% respectively.

A2A S.p.A. sells five small run-of-river hydroelectric plants

On July 5, 2013 A2A S.p.A. completed the sale of its wholly owned subsidiary Chi.Na.Co S.r.l. to the Swiss Group BKW, to which it had previously contributed five small run-of-river hydroelectric plants, for installed power of approximately 8 MW.
This transaction is based on a price of 38 million euro which could increase by a further 1.6 million euro if certain conditions occur by the end of next year. In 2012 the plants produced 37 GWh of electricity and had revenues of approximately 4 million euro and an EBITDA of 3.1 million euro.
A2A S.p.A., which was supported in the sales tender process by Banca IMI, concluded that the best offer had been made by BKW not only from an economic standpoint but also in terms of the continuity of the industrial management of the sold plants, taking into account the local context in which this is carried out. BKW is a leading operator in the sector with over 3,000 employees and has had a direct presence in Italy for more than 13 years.
By means of this sale A2A S.p.A. is continuing the steps it has been taking to rationalize its industrial portfolio and reduce its debt, in line with its 2013-2015 Business Plan.

Upgrading plan for the Brindisi thermoelectric plant

As required by the Integrated Environmental Authorization (AIA) decree, effective from September 13, 2012, on September 30, 2013 Edipower S.p.A. filed the project and environmental impact study for changes to be made to the thermoelectric plant with the competent authorities.

In accordance with the requirements of the current AIA decree, this Upgrading Plan allows the plant to continue with its electricity production.
As announced in a series of meetings held in Brindisi over the past few months, Edipower's plan arises from the need to find a solution to the loss of margins earned by the plant caused by the change in the national electricity market scenario, which as currently structured has led to a reduction in plant operations and economic instability (the plant has been at a standstill since December 26, 2012).
The plan sets the objective of enabling the plant to become competitive on the market again by halving installed capacity (taking it from 640 MW to around 300 MW), with atmospheric emissions being reduced by 50% and a renewable fuel being used as an alternative to coal, the result of an international patent owned by A2A and classified under European standards. Under the plan the new fuel may be produced by a factory located close to the plant after A2A Ambiente S.p.A. which holds the patent and is an investee of A2A S.p.A, the majority shareholder of Edipower S.p.A., has obtained the necessary authorizations (following a procedure separate from that of Edipower S.p.A.).
It will therefore be possible to ensure that the working costs of the plant are reduced and that atmospheric emissions are halved, with positive repercussions on the environment, the economy and direct and indirect local employment.
Edipower S.p.A.'s project for the Brindisi plant additionally envisages a series of investments for the environmentalization of the plant.

The plan will undergo an environmental impact assessment and a procedure to make changes in substance to the present Integrated Environmental Authorization. The Ministry for the Environment and the Protection of the Land and Sea and the Ministry for the Arts and Tourism will be required to express their opinion on the plan's environmental compatibility.

The non-proportional partial demerger of Edipower S.p.A.

On October 24, 2013 A2A S.p.A. and Iren S.p.A. signed the deed for the non-proportional partial merger of Edipower S.p.A.. This operation, effective from November 1, 2013, was approved by the extraordinary shareholders' meetings of Edipower S.p.A. and Iren Energia S.p.A. on June 28, 2013 in execution of the agreements signed by A2A S.p.A. and Iren S.p.A. on the purchase of Edipower S.p.A. in May 2012.

As the effect of the demerger, a group of net assets was assigned to Iren Energia S.p.A. consisting of the Turbigo thermoelectric plant and the Tusciano hydroelectric complex, the staff working in those plants, the assets and liabilities attributable to the plants and debt of 44.8 million euro. Iren Energia S.p.A. is consequently no longer a shareholder of Edipower S.p.A.. The operation led to a capital gain of 60 million euro.

As a result of the demerger the Iren Group is no longer a shareholder of Edipower S.p.A..

Following the demerger the share capital of Edipower S.p.A. is held as follows: A2A S.p.A. 71%, Dolomiti Energia S.p.A. 8.5%, SEL S.p.A. 8.5%, Mediobanca 5.1%, Fondazione CRT 4.3% and BPM 2.6%.

This operation means that A2A S.p.A. is now able to fully dispatch the installed capacity of the plants of Edipower S.p.A., thereby optimizing the way in which the Group's generation portfolio is managed.

A2A S.p.A.: revision to the EMTN Programme and bond issues

As part of the A2A Group's medium-term financial strategy to lengthen the average life of its debt, on November 7, 2013 the Management Board of A2A S.p.A. approved the renewal of the Euro Medium Term Notes Programme adopted on September 19, 2012, increasing the maximum amount for the bonds which may be issued.

The Board then delegated powers to the Chairman, Graziano Tarantini, and the General Manager, Renato Ravanelli, to be exercised by December 31, 2014, to arrange for the issue of non-convertible bonds up to a maximum of 1,250 million euro.

Subsequent to this, in December 2013 A2A S.p.A. went ahead with two bond issues, described in the following.

The private placement of a bond of 300 million euro

On December 2, 2013, A2A S.p.A. made a private placement of a ten-year bond of 300 million euro. This bond, having a minimum denomination of 100 thousand euro, maturing on December 4, 2023 and bearing annual interest of 4%, was issued at 99.539%. The funds obtained were used to repay debt falling due.

This bond, having subscription date December 4, 2013, is governed by English law and is quoted on the Luxembourg stock exchange.

Bonds issued on the European market for a total of 500 million euro

On December 9, 2013, A2A S.p.A. issued a bond for a total of 500 million euro maturing on January 13, 2022. The issue was addressed solely to institutional investors.

Orders amounting to four times the offer were received. This bond, which has a minimum denomination of 100 thousand euro, bears annual interest at 3.625% and was issued at 99.561%.

This bond, having subscription date December 13, 2013, is governed by English law and is quoted on the Luxembourg stock exchange.

A2A S.p.A.: appointment of the manager in charge of preparing the corporate accounting documents as per Law no. 262/05

On December 18, 2013 the Management Board, with the favorable opinion of the Supervisory Board, resolved to appoint the Chief Financial Officer, Patrizia Savi, as the manager in charge of preparing the corporate accounting documents as per Law no. 262/05. The appointment is effective from January 1, 2014.

Significant events after December 31, 2013

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

The European Investment Bank (EIB) and A2A have entered an agreement for a 15-year loan of 115 million euro for carrying out investments relating to the integrated waste cycle and energy production.

Ending 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 relating to the value of the electricity distribution business in the Municipalities of Milan and Rozzano came to an end. This business was acquired in 2002 as part of the liberalization legislation 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 signed by the parties requires ENEL to repay 89.5 million euro to A2A Reti Elettriche S.p.A..

Outlook for operations

A continuing weakness on the energy markets will be the distinctive feature of 2014, which will continue to be characterized by a falling demand, especially in the first half of the year.

Management will focus on defending earnings levels - including by constantly improving operating efficiency - and on achieving a further drop in the net financial position. Industrial growth will concentrate in particular on the Environment and Heat Sectors.

Proposal for the allocation of net profit for the year ended December 31, 2013 and the distribution of a dividend

The annual financial statements of A2A S.p.A. for the year ended December 31, 2013 show a net profit of 5,419,854.00 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 5,419,854.00 euro as follows:

- 270,993.00 euro to the legal reserve;
- 5,148,861.00 euro as an ordinary dividend payable to shareholders to ensure a remuneration of 0.033 euro for each outstanding ordinary share by taking 97,348,732.00 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 0.033 euro will total 102,497,593.00 euro.

The ordinary dividend will be paid from June 26, 2014, with coupon detachment on June 23, 2014 and record date June 25, 2014.

The Management Board

0.3 Changes in legislation

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 (then implemented by the Electricity, Gas and Water Authority) for the GRTN (now the GSE - the Energy Services Manager) 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

The Bersani decree also set the requirement, with effect from 2001, for 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 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 were subsequently dictated, including:

- regulation by the Electricity, Gas and Water Authority of local exchange services for plants fuelled by renewables 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 of up to 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 of 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 run-of-river hydroelectric 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, 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 of 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 which 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 held. More specifically, article 37, paragraph 4 (cf. Law no. 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, on a draft of which the Antitrust Authority expressed its opinion in October 2013. 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 which 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 article 12, paragraph 2 of Legislative Decree no. 79 of March 16, 1999). The new concession shall start at the end of the fifth year following the original expiry date and in any case not 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 is brought 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). The Italian government will shortly respond by providing information and clarifications with regard to both communications.

(1) Reference in this respect should be made to the comment in note 31 to the income statement.

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 to a subsequent resolution, not yet adopted as of today. A2A S.p.A. and other operators have filed an appeal against this resolution with the High Court of Public Waters (TSAP) 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 A2A S.p.A. has raised a question of constitutionality on the above verdict, on which the TSAP has not yet expressed its opinion. In addition, in August 2013, the Regional Council of Lombardy approved, pursuant to the same regulations, the temporary continuation by A2A S.p.A. until July 28, 2014 of the use of the hydroelectric concessions at Premadio and Braulio which expired on July 29, 2013. A2A 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 inconstitutionality as per the above-mentioned paragraphs 4 and 5, failing to abide by the fundamental principle set forth in national law (article 12, paragraph 8-bis of Legislative Decree no. 79/99) whereby until the new entity awarded the concession takes over the existing holder should continue under unaltered conditions, while the Region of Lombardy would like to eliminate a partial exemption from the fee from which the Premadio I concession benefits.

In September 2013 A2A S.p.A. completed a transaction with the Adda and Spoel BIM (Bacini Imbriferi Montani - Mountain Catch Basin) consortia which enabled disputes on amounts due by the user to be brought to an end.

In conclusion, a decree of November 22, 2013 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.

Remuneration of plants essential for the safety of the electricity system

Regarding the plants admitted to the reintegration framework (San Filippo del Mela 150 kV and San Filippo del Mela 220 kV), by way of Resolution no. 242/13/R/eel the AEEGSI ordered Terna S.p.A. to pay Edipower S.p.A. a first advance for 2012 required by paragraph 65.30 of Resolution no. 111/06 relating to the fee for the reintegration of the generation costs recognized for that year. In order to further contain the operator's financial exposure arising from managing the plants admitted to the reintegration framework for that year, pending the results of checking the fixed costs and the items making up the contribution margin, by way of Resolution no. 577/2013/R/eel the Authority has ordered Terna S.p.A. to recognize the operators a further advance on the amount of the requested fee.

By way of Resolution no. 360/2013/R/eel, the Authority has also ordered that Terna S.p.A. should recognize Edipower S.p.A. the amount due for 2011.

Terna has also 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 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).

Remuneration of production capacity availability – transitional

By way of Resolution no. 262/2013/R/eel, the Authority amended and added to the provisions of Resolution no. 48/04 for the remuneration in the transitional period of the availability of production capacity, establishing the means by which the total annual amount for the coverage of the specific fee for the remuneration of the service for 2012 must be calculated by Terna S.p.A. and amending, for the same period, the time bands as per table 1 of Resolution no. 5/04 by which the above fee is structured.

The Regional Administrative Court (TAR) has upheld the appeal filed by certain operators, including A2A Trading S.r.l., to have Resolution AEEGSI ARG/elt 166/10 annulled in the section changing the means by which the additional fee for the remuneration of production capacity, prescribed by the transitional regulations, is calculated. As a result, the recalculations of the amounts due to the operators admitted to the capacity remuneration mechanism for 2010 and 2011, to be carried out by Terna S.p.A., are accordingly pending; these calculations will be performed on the basis of the reference formula as amended following the ruling of the administrative court.

Paragraph 153 of article 1 of the 2014 Finance Law, which came into force on January 1, 2014, requires the conditions and means of setting up a (new) production capacity remuneration system (for the transitional period) to be established by the Ministry for Economic Development on the proposal of the Electricity, Gas and Water Authority within 90 days of the effective date of the provision; this system should be capable of providing suitable flexibility services to the extent strictly necessary for ensuring the safety of the electricity system and the coverage of the requirements made by network managers, without any increases in electricity prices or tariffs for the end customer. This system must be regulated consistent with the measures prescribed by Legislative Decree no. 379 of December 19, 2003 regards the current transitional mechanism which will remain in place until replaced by the planned new measure.

Remuneration of flexibility services

The above-mentioned paragraph 153 of article 1 of the 2014 Finance Law additionally repeals paragraph 7-bis of article 34 of Decree Law no. 83 of June 22, 2012, converted, with amendments, into Law no. 134 of August 7, 2012, which disposed in favor of the regulation, by the Electricity, Gas and Water Authority, of the means of selecting, subject to an analysis of the requirements of the electricity system performed at a local level by the network manager, and remunerating the flexibility services assured by the qualified production plants, on the basis of the various offers formulated by those plants.

Remuneration of production capacity availability – fully operational

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. following consultation with the market operators, pursuant to the provisions of Resolution ARG/elt no. 98/11. As a result, therefore, the decree to be issued by the Ministry for Economic Development is pending for the purposes of giving final approval to the proposal and establishing the date on which the system for remunerating fully operational capacity will become effective.

Green Certificates

By way of Resolution no. 17/2013/R/efr, the Electricity, Gas and Water Authority set the average annual sales price for electricity for 2012, 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 77.00 €/MWh.

As a result, as the GSE has informed operators that:

- the reference price for green certificates for 2013, pursuant to article 2, paragraph 148 of Law no. 244 of December 24, 2007 is 103.00 €/MWh, excluding VAT, calculated as the difference between 180.00 €/MWh and the average annual sales price of electricity sold in 2012 as per article 13, paragraph 3 of Legislative Decree no.387/03;
- the withdrawal price of green certificates issued for production from renewable sources in 2012 is 80.34 €/MWh, excluding VAT;
- the withdrawal price of green certificates issued for production from cogeneration plants associated with district heating in 2012 is 84.34 €/MWh, excluding VAT.

Emissions Trading

By way of Resolution no. 333/2013/R/efr and Resolution no. 334/2013/R/efr, the Authority granted recognition of the amounts due for 2012 to the operators of plants recognized as "new entrants" which have not previously received CO_2 emission allowances free of charge.

The balances relating to the Group regard the following companies:

- A2A Calore & Servizi S.r.l. for the plants at Sesto San Giovanni and Canavese, which receive allocations of 10,341 and 56,285 emission allowances respectively, valued at 7.44 euro/tonne, for a total of 76,937.04 euro and 418,760.40 euro to be received;
- Varese Risorse S.p.A. for the heating-cooling plant with cogeneration, which receives allocations totaling 14,634 emission allowances, valued at 7.44 euro/tonne, for a total of 108,876.96 euro to be received;
- Ergosud S.p.A. for the Scandale plant, which receives allocations totaling 1,231,344 emission allowances, valued at 7.44 euro/tonne, for a total of 9,161,199.36 euro to be received;
- Aprica S.p.A. for the Bergamo district heating plant, which receives allocations totaling 878 emission allowances, valued at 6.25 euro/tonne, for a total of 5,487.50 euro to be received.

Economic conditions for the protected categories service

By way of Resolution no. 583/2012/R/eel, effective January 1, 2013 (with retroactive validity extended to 2012 by means of a compensation mechanism), the Authority revised the component remunerating the selling costs incurred by protected category electricity vendors (RCV).

Regulation of the electricity sector in Montenegro

Production

An increase in the use of renewable energy by the country is one of the energy policy objectives of the Montenegro government.

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% 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% will be 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 will be updated annually on the basis of investment plans approved by the Agency, while depreciation will be charged over the useful lives included in the documents to be sent to the Agency on making the request for approval of the tariffs. Operating costs will be 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 second year of the new regulatory period, which began on August 1, 2013 and will end on July 31, 2014, are in force.

Recent changes in legislation in the natural gas sector

Upstream gas market

Criteria for the allocation of gas storage

In compliance with article 14 of Decree Law no. 1/12 (the "Liberalizations Decree" as converted into Law no. 124/2012) as amended by article 38 of Decree Law no. 83/2012 (the "Growth Decree"), in order to reduce natural gas procurement costs for businesses, the Ministry for Economic Development issued the "Regasified LNG Storage Decree", by which it allocated the capacity of 500 million cm becoming available following the recalculation of the volume of strategic storage, amongst regasification and industrial companies. On the other hand with a second decree (the "Modulation Storage Decree") the ministry established the modulation storage space capacity to be allocated as a priority to civil customers, of which around one third to be assigned by auction and the remaining two thirds on the basis of the previous pro-rata means of allocation. The decree also establishes the storage capacity to be allocated to all applicants exclusively by means of an auction.

As a result, therefore, the Authority provided the following:

- in Resolution no. 75/2013/Rgas it provided details of the procedures for allocation under a regulated framework (pro-rata allocation);
- in Resolution no. 92/2013/R/gas it provided the criteria for the procedures for carrying out a competitive auction, simplified as a consequence of the imminent start of the injection phase.

Since as a result of the procedures called by Stogit S.p.A. for allocating the capacities available for storage almost all of the resources were not allocated, by way of Resolution no. 310/2013/R/gas and Resolution no. 313/2013/R/gas the Authority established specific means for allocating the volumes remaining available to the company (400 million cm), setting up an infra-annual storage service that is more flexible in time for providing the injection and disbursal services and eliminating the penalties for the failure comply with the profiles during the injection phase.

The different means of allocations established in an emergency by the Authority have led to a clear discrimination between the users who took part in the first auctions, who were assured of the resource at market prices, and those who instead benefited from the change in rules determined by the Authority, characterized by total allocation fees close to nil. This discrimination has still not been resolved, as the guarantee for the coverage of these costs provided by Resolution no. 124/2013/R/gas was ignored by Resolution no. 196/2013/R/gas causing serious detriment to operators.

Gas exchange

Following the approval by way of the Ministerial Decree of March 6, 2013 of the discipline for regulating the natural gas forward market (MT-GAS) established by the GME, the starting date for this market was set as September 2, 2013 by way of the Decree of August 9, 2013.

The configuration of the gas market is therefore currently as follows:

- Spot Gas market (MP-GAS), which started up 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).

Balancing

By way of Resolution no. 144/2013/R/gas the Authority completed its fact-finding enquiry into events that occurred during the start-up phase of the balancing market (December 1, 2011 to October 23, 2012). By way of Resolution no. 145/2013/R/gas the Authority consequently started up a procedure aimed at determining the portion of the costs to be recognized to Snam Rete Gas for the uncollected receivables relating to the economic items emerging during that observation period, at the same time suspending supply to the company of the resources obtained through the CVbl fee, by way of Resolution no. 258/2013/R/gas, being amounts whose collectability has not yet been ascertained by the regulator.

By way of Resolution no. 143/2013/R/gas and Resolution no. 361/2013/R/gas the Authority has introduced additional measures aimed at strengthening the system of guarantees and minimizing the exposure of the system, establishing the timing and means for terminating the transport contract due to the failure to provide guarantees and for settling the relative lots of gas of the defaulting balancing users.

By way of Resolution no. 446/2013/R/gas the Authority subsequently intervened in the regulation of the balancing market concerning the way in which the new market session G-

1 (locational) should work, introduced through Resolution no. 538/2012/R/gas. By way of Resolution no. 552/2013/R/gas the Authority then intervened urgently with respect to certain events which occurred as part of the session, as a result of the severely cold weather conditions on November 26 and 27, 2013.

By way of Resolution no. 619/2013/R/gas the Authority introduced innovative measures for establishing provisional transport balances and the expected withdrawals, prescribing transitional provisions to be implemented with urgency while waiting for the RdB to upgrade its computer system.

Upholding the request for precautionary measures filed by Snam Rete Gas due to the short period of implementation time granted, the Lombardy Regional Administrative Court suspended the transitional framework until January 23, 2014. As a consequence, until the decision has been made on the deferral request by the court, the existing procedures will continue as regards the provisional allocation and the monitoring of the exposure of users (EPSUk) in application of the provisions of Resolution no. 143/2013/R/gas.

By way of Resolution no. 534/2013/R/gas the Authority, among other things, established the means and timing of redetermining the balancing sessions for adjusting the balances already carried out from January 2013. The provision prescribes that the physical and economic items relating to all the monthly balancing sessions in 2013 should be redetermined, noting that such redetermination may also, in addition to the settlement of what is due with reference to the transport service, lead to a revision of the amounts paid for exceeding the capacities granted at the outlet points for the withdrawal areas of the transport network.

Downstream gas market

Economic conditions for the protected service

By way of Resolution no. 124/2013/R/gas, the Authority implemented the first phase of the reform of the means of calculating the economic conditions for the supply of gas (for the period from April 1 to September 30, 2013), providing for a revision of the weights of the indices P_{top} (80%) and P_{mkt} (20%) and a reduction of the QS component covering storage service costs from 0.329691 €/GJ to 0.185896 €/GJ.

By way of Resolution no. 196/2013/R/gas, the Authority subsequently approved the second phase of the reform, with a structural revision of the means of updating the component covering procurement costs and an adjustment to the retail sales marketing component, starting from October 1, 2013, while the mechanism for encouraging the renegotiation of long-term natural gas supply contracts was established by way of Resolution no. 447/2013/R/gas. Sellers admitted to the mechanism will acquire the right to the recognition of an amount which will be quantified in October 2016 and will be recognized with reference to the volumes supplied to protected customers in thermal years 2010-2011 and 2011-2012 (A_{PR}). The unit value of A_{PR} has initially been quantified as 0.856801 €/GJ and will be updated by the Electricity, Gas and Water Authority (AEEGSI) on an annual basis when necessary.

Following application the Group companies A2A Energia S.p.A. and Aspem Energia S.r.l. have been admitted to the mechanism.

With respect to the perimeter of the protected service, article 4, paragraph 1 of the "Decreto del fare" requires the protected service for gas to be reserved for "only domestic customers as per a) and b) of Resolution no. 64/09 and subsequent amendments", removing the entitlement of non-domestic customers to benefit from the economic conditions established and updated by the AEEGSI. The operational means for communicating and applying free market prices to customers not entitled to the protected service are established in Resolution no. 280/13/R/gas.

Environment Sector

Recent changes in legislation in the environment sector

Regulation of local public services and expiry of concessions

Legislation regulating local public services of economic importance was affected by the results of question 1 of the abrogative referendum of June 12 and 13, 2011. To fill the legislative gap created by the outcome of the referendum, the legislator intervened with a series of regulations contained in Decree Law no. 138/11 (the summer Budget Law which became effective on August 13, 2011), as converted by Law no. 148/2011 (effective from September 17, 2011). As a consequence of the appeal filed by a number of regional administrations against these provisions, the measures were also affected by Sentence no. 199 of July 17, 2012 which declared them to be constitutionally unlawful in part.

As a result of this sentence, while the legislation regarding the management of local network public services on the basis of optimal and homogeneous territorial ambits and rewarding mechanisms for the assignation of the management of the services by public tender remains in force (as per article 3-bis of Law no. 148/2011), the provision relating to the early termination of the concessions with non-compliant assignment (as per article 4 of Law no. 148/2011) is no longer applicable.

In this respect, the legislator intervened once again on the matter by way of article 34, paragraphs 20-26 of Decree Law no. 179 of October 18, 2012 on “Further urgent measures for the country’s growth” (“Growth Decree 2.0”), converted by Law no. 121 of December 17, 2012. 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 under 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).

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 the possibility of disposing of special urban waste with PCI > 13,000 kj/kg in a landfill.

On March 20, 2013 the Decree of the Ministry for the Environment and the Protection of the Land and Sea was published, which established that the system for tracking special and hazardous waste (Sistri) should be effective from October 1, 2013 for producers of hazardous waste having more than ten employees and for entities and businesses which handle hazardous waste, and from March 3, 2014 for all other businesses.

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:

- incentive component (recognized only for the first eight years): based on an estimate of the additional costs for each individual technology;
- 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, without prejudice to the existing situation, by way of the Finance Law for 2007 access to the incentive was restricted to plants fuelled by renewable sources. Law no. 310 of December 30, 2008 moreover returned to the subject, admitting the recognition of the incentive to plants fuelled by similar sources admitted to access such for reasons connected with a declared (by the Prime Minister) situation of a waste emergency.

As the result of the expiry of the Snam/Confindustria agreement “Long-term agreement for the supply of gas for the production of electricity for sale to third parties”, the reference for updating the withdrawal price as far as the component covering avoided costs was concerned, 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 on the subject with provisions no. 249/06 and ARG/elt no. 158/04 (the subject of litigation which continued for such a long period that at the end of 2013 this led the Authority to making a proposal to operators for the review of the means of calculating the component relating to the Avoided Fuel Cost applied 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.

In this respect it is recalled that:

- article 2, paragraph 141 of Law no. 244/07 states that “pursuant to article 3, paragraph 7 of Law no. 481 of November 14, 1995, starting from January 1, 2007 the average price of methane for the purpose of updating the avoided fuel cost as per title II, point 7b) of provision no. 6 of the Interministerial Price Committee of April 29, 1992, published in the Official Journal no. 109 of May 12, 1992 as amended, shall be calculated by the Authority, taking into account the actual cost structure on the natural gas market”;
- article 30, paragraph 15 of Law no. 99/09 states that “in compliance with the requirements of article 2, paragraph 141 of Law no. 244 of December 24, 2007, starting from 2009, by way of a decree of the Ministry for Economic Development, on the proposal of the Electricity, Gas and Water Authority, the value of the avoided fuel cost as per provision 6/92 of the Interministerial Price Committee of April 29, 1992, published in the Official Journal no. 109 of May 12, 1992, to be recognized on account until the annual settlement value is set, shall be updated on a quarterly basis. These revisions shall be carried out on the basis of the quarterly periods for the recording of the products in the basket of reference of the component as per the convention on the value of natural gas as per point 3 of Resolution no. 154/08 of October 21, 2008 of the Electricity, Gas and Water Authority in order to take into account changes in oil product prices, also taking into account the evolution of the conversion efficiency and without prejudicing the criteria for calculating the avoided fuel cost as per Resolution no. 249/06 of November 15, 2006 of such Authority”.

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 has set the value of the CEC for 2013 to be recognized on account until the annual settlement value is determined - for the gas CEC - on the basis of the basket as per Law no. 99/2009, with a decreasing weight of oil products over the course of the year (80%, 70%, 60% and 60% for the four respective quarters), and for the complement to arrive at 100% with reference to 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 will 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/I/eel, the Authority advised the Ministry for Economic Development of its orientation on the calculation of the CEC for 2013 (Attachment A) and subsequent years (Attachment B), implementing the provisions in this respect recently contained in the “Decreto Del Fare”, as converted by Law no. 98 of August 2013.

The CEC is calculated as the product of the agreed price of the fuel as per the convention (being the sum of the three components relating to raw materials, transport and commercialization) and the plant’s specific consumption.

For 2013, the AEEGSI proposed that the CEC should only be calculated on settlement (for the four quarters and for the year, on the basis of the quarterly values - the arithmetic average).

As required by the “Decreto del Fare”, as converted into law, the AEEGSI proposes that the component as per the convention relating to the raw material gas (CECGas) should be calculated, for the various quarters of the year, on the basis of the variable weights on a quarterly basis stated in the regulation for the various plants (TU and non-TU), with reference to oil product prices and the cost of provisioning natural gas on the wholesale markets.

For the oil product prices, the AEEGSI proposes the following reference:

- to the TIVG in the version in force at September 30, 2013 for the period between January 1 and September 30, 2013;
- to the PTOP index using the latest formulation available pursuant to points 3 and 4 of Attachment A to Resolution no. 447/2013/R/gas, for the final quarter.

For the price of gas as a raw material, the AEEGSI proposes that reference be made to Resolution no. 196/2013/R/gas, exclusively through the element PFOR,t, stating that the other elements making up the CMEM,t should not be used because they would overlap with those which go to make up the calculation of the components as per the convention covering the transport and commercialization costs of the raw material.

As regards these latter components (the components as per the convention covering the wholesale transport and commercialization), the AEEGSI proposes that reference be made to the method already used in previous years and implemented by the Ministerial Decree of November 20, 2012.

By way of Resolution no. 553/2013/R/eel, the AEEGSI requantified the CEC 2008 settlement amount implementing the rulings of the administrative courts concerning the previous calculations made by the regulator for that year, stating that for the pre-selected initiatives as part article 3, paragraph 7 of Law no. 481/95, the amount of the CEC settlement for 2008 should be 7.70 €/kWh (vs. the previous 7.47).

Recognition of Emissions Trading costs to the owners of plants under the CIP 6/92 convention - 2012

By way of Resolution no. 481/2013/R/eel, the Authority recognizes the costs deriving from the application of the Emissions Trading System for 2012 to the owners of plants falling under the CIP 6/92 convention, ordering the Equalization Fund to recognize such costs in the account for new plants from renewable sources and similar, as per article 49 of the TIT.

For the Brescia waste to energy plant, A2A Ambiente S.p.A. was recognized an amount of 54,760.85 euro for 18,563 allowance quotas admitted for recognition and valued at PFLEX.

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 premise 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.

Networks sector

Recent changes in legislation in the distribution sector

Transportation of natural gas

By way of Resolution no. 361/2013/R/gas, the Authority added to the regulations applicable to the default service on gas transport networks, prescribing among other things that also regional companies are required to supply this service in relation to the delivery points of their network at which the relative user is no longer present. This resolution also requires that before initiating the tender process for selecting the provisional supplier for performing such function on the network run by the biggest transport company, regional transport companies may ask that their own delivery points also be included as part of those where the supplier identified in this way is required to provide the service. Retragas S.r.l. has filed an appeal against this provision with the Lombardy Regional Administrative Court.

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 are 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 structure, but with the addition of an equalization mechanism for the variable part.

Distribution of natural gas

Allocation and performance of the distribution service

As a result of Law no. 99/2009, the "Development Law", the Ministry for Economic Development completed the reform of the means of allocating the natural gas distribution service by establishing 177 "Minimum Territorial Ambits" (the Ministerial Decree of January 19, 2011 and the Ministerial Decree of October 18, 2011), for which tenders will be called for the allocation of the service, and a regulation on the basis of which tenders will be called and awarded.

Recently, by way of the "Doing decree", peremptory deadlines have been set for identifying the body in charge of the tender and for advertising the tender, introducing simplified criteria for selecting this body. If the deadlines are not met, means are established for issuing penalties to the non-compliant entities and substitution powers are defined, firstly for the Region and secondly for the Ministry for Economic Development. Finally, the decree extended the deadlines set for the first two groupings of ambits by four months.

Default service

The regional administrative court's ruling is still pending in the appeal against Resolution ARG/gas no. 99/11, with which the AEEGSI introduced the "default service".

In this respect while waiting for this appeal it is recalled that by way of the monocratic decrees of January 28, 2013, the Council of State annulled the effects of the suspension of the measure prudently granted to the appellants by the Court, thus making the regulations on the Distribution Default Service effective again from February 1, 2013. By way of Resolution no. 25/2013/R/gas, the Authority then adopted urgent provisions, aimed at ensuring the immediate application of the regulation of the service.

Subsequently, by way of Resolution no. 241/2013/R/gas, the Authority additionally revised the regulations concerning the provision of the service for which the operators were made responsible. In particular, on the basis of this new structure, services for a timely cut-off at the delivery point and the proper allocation of the withdrawals have been left under the responsibility of the distribution company (which will be liable to significant penalties if the relative provisions are breached), while on the other hand services connected with the economic settlement for the lots of gas have been allocated to sales operators. Certain operators have lodged an appeal with the regional administrative court for this provision too.

Distribution and metering tariffs – III regulatory period (2009-2013)

Due to the judicial proceedings which have involved Resolution ARG/gas no. 159/08, and considering the present delicate phase, when the sector is undergoing a reorganization, by way of Resolution no. 436/2012/R/gas the Authority extended the validity of the current tariff regulation until the end of 2013, in order to leave time for suitable consultation for the IV regulatory period. A number of operators have challenged this provision regarding the means by which certain parameters that are important for the calculation of the remuneration rate for employed capital are updated.

The tariff system currently in force provides for a reference tariff calculated in order to ensure the following: the remuneration of net invested capital (WACC set at 7.7% for distribution activities and 8% for metering activities), in turn calculated on the basis of revalued historic cost and, only in part, on a parametric basis; the coverage of depreciation, calculated on the basis of useful lives valid for regulatory purposes; and the coverage of operating costs, calculated on a parametric basis and updated through a price-cap method using an X-factor depending on the size of the company (2.4% for the distribution service and 2.8% for measuring and sales services with respect to large-scale operators).

The mandatory and reference tariffs for the distribution and metering of natural gas valid for 2013 were approved by the Authority by way of Resolution no. 553/2012/R/gas.

By way of Resolution no. 328/2013/R/gas, the Authority recalculated the reference tariffs and the tariff options for gas distribution and measurement services for the years from 2009 to 2013.

As the result of checks carried out to update the tariffs until 2012, the Authority has carried out the following:

- for A2A Reti Gas S.p.A. it has recalculated the tariffs for the years from 2010 to 2012 for the district of Brescia alone;
- due to an oversight for Azienda Servizi Valtrompia S.p.A. it has recalculated the tariffs for the years 2011 and 2012 for all districts.

On the other hand the tariffs for 2013 have been recalculated (for all operators) following the setting of the variation rate linked to changes in the recognized costs arising from unpredictable and exceptional events, changes in legislation and changes in the obligations relating to the universal service (the “Y-Factor”, applied by the Authority for the first time), to cover the incremental costs arising in 2012 connected with the IMU (property tax) charge (0.1% of the costs recognized in the year with reference to the distribution network management activities and 0.2% for selling and measurement activities).

Distribution and metering tariff and regulating gas quality – IV regulatory period

By way of Resolution no. 573/2013/R/gas and Resolution no.574/2013/R/gas, the Authority approved tariff regulation and the regulation of the quality of the services for the distribution and metering of gas for the IV regulatory period which will have a six year term (2014-2019). The main changes as far as the tariffs are concerned, which come into effect on January 1, 2014, are to be found in the capital remuneration rate for 2014-2015, which is to be 6.9% for the distribution service and 7.2% for the metering service, the X-Factor, which has been set as 1.7% for large-scale operators, the transfer of the incentives for certain classes of assets from the tariff regulation to the quality regulation and the possibility to choose between the two alternative frameworks for the treatment of grants.

Regulation providing incentives for the safety of the service

By way of Resolution no. 229/2013/R/gas the Authority awarded A2A Reti Gas S.p.A. for the safety recoveries obtained in 2011 and the company received a total of 363,444.53 euro.

By way of Resolution no. 569/2013/S/gas, the Authority revised the calculation of the amount payable by A2A Reti Gas S.p.A. (formerly AEM Distribuzione Gas e Calore S.p.A.) as an administrative fine to 734,000 euro as the result of Sentence no. 3007 of the Council of State of May 20, 2011.

Electricity distribution

Distribution and metering service tariff framework

By way of Resolution ARG/elt no. 199/11, the Electricity, Gas and Water Authority 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 return on invested capital (set at 7.6% per annum), in the value of the X-factor (set at 7.1% per annum) and also 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 rate set for 2012-2013 is 7.6% for investments made up to December 31, 2011 and 8.6% for investments made subsequent to that date);
- the calculation of depreciation on the basis of the useful lives valid for regulatory purposes.

By way of Resolution no. 122/2013/R/eel the Authority established the reference tariffs for 2012 and 2013, requiring that the Head of the Infrastructure Department should carry out the further detailed work requested by A2A Reti Elettriche S.p.A. in order to check the suitability of the method proposed to ensure there is no change in the revenues ratified by Resolution no. ARG/elt 199/11.

Finally, 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) compared to the present 7.6%. In addition, the same resolution amends the treatment of grants for the purpose of calculating invested capital valid for regulatory purposes and of recognized operating costs, and for 2013 alone an equalization mechanism is set up for revenues from lump sum grants.

Selling cost equalization

By way of Resolution no. 349/2013/R/eel and Resolution no. 392/2013/R/eel, the AEEGSI approved the results of the equalization of the selling costs incurred by distributors for low voltage customers for 2010 and 2011, and for A2A Reti Elettriche S.p.A. established the relative amounts to be recognized to the system as follows:

- for the first year 2,141,466.60 euro;
- for the second year 2,952,411.55 euro.

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.

As part of the revision procedure a project began in the first quarter of 2013 whose aim is to quantify low voltage network losses, as a preliminary to setting up a new calculation method for the equalization of losses on the distribution networks to become applicable during the current year.

Due to the retroactivity of the changes to the mechanism in force in 2012, A2A Reti Elettriche S.p.A. has filed an appeal for the cancellation of the provision.

By way of Resolution no. 608/2013/R/eel, the Authority extended to 2013 the provisional mechanism of equalization between distribution companies regarding the loss of electricity on the networks, amending the criteria for paying the amounts due to the individual distributor and providing for the recognition of only 25% of the amount due to distributors with losses lower than the standard level, while a reduction of 50% is envisaged in the amount to be paid to the Electricity Sector Equalization Fund for other operators.

Metering service equalization

By way of Resolution no. 497/2013/R/eel, the Authority set the amounts for the equalization of revenues from low voltage metering services for 2010, implementing the requirements of article 40 of the 2008-2011 TIT.

As a result, A2A Reti Elettriche S.p.A. paid an amount of 597,353.13 euro to the CCSE.

Awards and penalties - recovery of electricity continuity

By way of Resolution no. 478/2013/R/eel the Authority approved the awards and penalties for 2012 relating to the territorial ambits for which the trend levels of the continuity service have been set.

On the basis of the continuity data communicated pursuant to the TIQE:

- A2A Reti Elettriche S.p.A. received an award of 1,000,895.39 euro for 2012 and an award of 243,800 euro regarding the regulation incentivizing a reduction in the number of medium voltage users with cut-offs exceeding specific levels.

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

Energy saving and efficiency

Energy saving targets

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

By way of Resolution no. 348/2013/R/efr, the Authority instructed CCSE to make the payment of the total annual tariff contribution due to each distributor. More specifically the Authority certified the following:

- for A2A Reti Elettriche S.p.A. a contribution of 10,584,422 euro;
- for A2A Reti Gas S.p.A. a contribution of 11,695,418 euro.

Tariff contribution

The unit tariff contribution recognized for each obligatory year (t+1) after 2008 is established by the Authority by November 30 of the previous year (t).

However as of today the Authority has not yet established the contribution given for achieving the energy saving objectives for 2013.

Integrated water service

Duration of existing allocations

Following the referendum which took place on June 12 and 13, 2011, the Decrees of the President of the Republic stating that the legislative provisions referred to in the referendum had been repealed were published in the Official Journal no. 167 of July 20, 2011, including article 23-bis of Decree Law no. 112/02008 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, services allocated to in-house providing public companies which meet the requirements set by community jurisprudence (control over the operator 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. 585/2012/R/idr the Electricity, Gas and Water Authority approved the Transitional Tariff Method (MTT) for 2012 and 2013 for operators subject to the normalized method. For 2012 an equalization method will be used.

The MTT is based on ex post regulation criteria: the accounting data for year n-2 are the reference for the tariff calculation. Interest expense and tax charges are also recognized on assets under construction, with a regulatory time lag of two years. Investments made from 2012 are entitled to an increase of 1% in the interest expense recognized.

The new method supersedes the “remuneration of capital” and recognizes the “cost of the financial resource”, in accordance with the full cost recovery principle. With respect to the financial resource, the authority has established that such costs must not be recognized against documentation, which encourages inefficient or opportunist conduct, but rather against standard references (interest expense and tax charges).

By way of Resolution no. 88/2013/R/idr the Authority has additionally adopted provisions for the transitional period with reference to ex CIPE operators

At its meeting on April 24, 2013, the Board of Directors of the Ambit Office acknowledged the transitional tariff of the Integrated Water Service, pursuant to Resolution no. 585/2012/R/idr of November 28, 2012, arising from the application of the new calculation method (MTT). The operator is required to apply this new tariff scheme, which is applicable for usage relating to 2013, from May 1, 2013.

By way of Resolution no. 273/13/R/idr the AEEGSI determined the means of returning to end users the SII tariff component relating to the remuneration of capital, repealed through a public referendum, with reference to the period from July 21, 2011 - December 31, 2011. In particular, within 3 months of the publication of the provision, the Ambit Bodies, or the entities responsible for drawing up the tariffs, must send to the Authority for the checks for which it is responsible the calculation of the amount relating to the remuneration of capital for the period from July 21, 2011 - December 31, 2011 which is to be returned to domestic users, identified using the criteria stated in article 2 of the provision, attaching an accompanying report and the calculation files. If the Ambit Bodies or the competent entities do not send the information by the means established the Authority will exercise its powers as a substitute in compliance with current legislation. Tax charges, financial charges and accruals for bad and doubtful debts must be deducted from the remuneration of capital calculated pursuant to article 3.3 of the MTN, reproportioned on the basis of the amounts billed for the period from July 21, 2011 to December 31, 2011, where these are not already included in other components of the tariff. The amount resulting after this deduction must be revalued by applying the inflation rates for 2012 and 2013 provided by the MTT, and divided by the number of domestic users, expressed by the number of fixed charges applied as appropriate. The Authority is to check the consistency of the calculation proposed by the Ambit Bodies or by the competent entities, reporting any findings within 60 days of receipt. At the end of this term and in the absence of the notification of any findings by the Authority, the manager must return to the users the amounts calculated by the Ambit Bodies or competent entities in the first available billing, explicitly stating the amount refunded.

In compliance with the provisions of Resolution no. 273/13, on September 25, 2013 the Ambit Office of the Province of Brescia sent to the Authority, for the checks for which it is responsible, the calculation of the amount relating to the remuneration of capital for the period from July 21, 2011 - December 31, 2011 which is to be returned to domestic users, identified in accordance with the criteria in article 2 of the provision. The total amount to be refunded amounts to 837,000 euro, which corresponds to 2.62 euro for each fixed quota.

By way of Resolution no. 459/2013/R/idr, the Authority added to the contents of Resolution no. 585/2012/R/idr (formerly the normalized method) and Resolution no. 88/2013/R/idr (formerly the CIPE) and the relative attachments on the provisional tariff method for the calculation of the tariffs in 2012 and 2013, as well as the guidelines for updating the economic and financial plan as per Resolution no. 73/2013/R/idr.

Finally by way of Resolution no. 643/2013/R/idr, the Authority determined the water tariff method for 2014 and 2015 and established the means and timing of the approval of the tariffs for companies not yet affected by tariff approvals for 2012 and 2013, which include the companies of the A2A Group.

0.4 Scenario and market

Macroeconomic scenario

Growth in world economic activity and international trade continued at a moderate rate in the final part of 2013, although with one or two differences at a regional level. Performance is gradually consolidating in the main advanced economies, supported by expansive monetary policies; at the same time, though, growth in the emerging economies has lost part of the drive it was previously showing, although it is still robust overall.

In 2013, fiscal consolidation in the United States (agreements on the fiscal cliff) and in the peripheral countries of the eurozone acted as a brake on growth. This restraint, though, which arises from public budget correction policies, ought to disappear in 2014.

The International Monetary Fund is forecasting global growth of 3.6% for 2014, an acceleration over the rise of 2.9% in 2013. This increase is first and foremost linked to the recovery taking place in the advanced economies, where the growth rate is expected to be around 2.0% compared to 1.2% last year. The emerging economies are forecast to expand at a rate of 5.1%, a slight increase over the figure of 4.5% for 2013. This rise in global growth should be reflected in a significant increase in world trade: the International Monetary Fund is forecasting that volumes in the exchange of international trade of goods and services will grow at a rate of 4.9% compared to 2.9% in 2013. Taken as a whole, the prospects for the world economy in 2014 appear less uncertain than they did a year ago; this ought to be reflected in a further improvement in the climate of confidence and a greater tendency towards investment, which could act as the engine for growth in 2014.

The latest figures available for GDP and unemployment in the United States are confirmation of a sustained recovery. According to the most recent estimates of the International Monetary Fund and leading international banks (Nomura, Barclays, JP Morgan and Morgan Stanley), there was growth of 1.9% in 2013 while expectations have remained stable at 2.6% for 2014 and 3% for 2015. Following a large correction in the first part of the year, growth estimates for China have stabilized at around 7% for 2013; forecasts for the next two years have improved over the past few months (7.4% in 2014 and 7.25% in 2015).

In the eurozone GDP rose by a modest 0.1% in the third quarter of 2013 due to a slowdown in world demand (source: Eurostat). On the other hand there was a moderate pick-up in the fourth quarter of 2013 with growth of 0.3%, which took the annual figure to -0.5%. Economic activity is forecast to grow in the first half of 2014 (+0.2% in the first quarter of the year and +0.3% in the second quarter), supported by a pick-up in private investment (public investment will continue to stagnate) and by a partial slowing down of the negative thrust arriving from fiscal policy, with the resulting benefits on household consumption.

The continued contraction of Italy's GDP, which has been taking place since the summer of 2011, came to a halt in the third quarter of 2013 and there was an improvement in the final quarter of the year driven by the slight recovery in industrial production. In the end Italy's GDP fell by 1.9%, an improvement over the drop of 2.4% seen in 2012 (source: ISTAT).

According to the forecasts of the Bank of Italy, the projections for Italy's economy for the next two years confirm the indications seeing a turning point at the end of 2013. After falling by 1.8% in 2013, GDP is expected to rise by 0.7% in 2014 and by 1.0% in 2015.

Despite the pick-up in the economy, unemployment in Italy will remain high for the next two years; in fact is predicted that the impact of growth on demand will initially lead to an increase in the average working hours of people who already have a job but not to an increase in the number of jobs itself in the short term. The OECD is forecasting that Italy's unemployment rate will rise from the present 12.1% to 12.4% in 2014, to return to 12.1% in 2015.

The growth in the world's economy in 2014 is expected to be more synchronic and more geographically distributed than in the previous two years, keeping inflationary pressure moderate at a global level. As a consequence, the International Monetary Fund is forecasting an average inflation rate of 1.8% in the advanced economies, a modest increase compared to the rate of 1.4% in 2013, and of 5.7% in the emerging economies, representing a slight decrease over the rate of 6.2% of the previous year.

According to Eurostat estimates the annual inflation rate in the eurozone was 0.8% in December compared to 0.9% in November. The annual rate for the rise in retail prices in the eurozone was 1.4% for 2013 as a whole, a sharp drop compared to the 2.5% posted in 2012. The slowdown in inflationary thrusts also regarded non-foodstuffs and energy products, although to a more limited extent; in fact the "core" inflation rate (meaning inflation excluding food and energy prices) fell from the figure of 1.5% in 2012 to 1.1% in 2013.

In Italy the average annual inflation rate for 2013, as measured by the NIC index, was 1.2%, a sharp drop compared to the figure of 3.0% in 2012 (source: ISTAT). Changes in retail prices in 2013 mainly reflected the weakness of pressure from the cost side, in particular energy inputs, and that from an intense, extended contraction of retail spending by households. According to ISTAT projections the inflation rate in Italy in 2014 will be 1.0%.

In 2013 the exchange rate between the single currency and the US dollar was 1.33 dollars, 3% higher than the 2012 figure of 1.29 dollars. In the situation of low volatility which characterized 2013, the euro settled at around 1.33 dollars in the opening months, falling back to around 1.30 dollars in the spring and summer months. A trend seeing the moderate appreciation of the single currency began in the second half of the year with an exchange rate of 1.37 dollars being seen in December.

An exchange rate higher than the average levels of 2013 is forecast for 2014, with a €/$ rate of 1.37 (source: Bank of Italy and ISTAT).

In terms of interest rates, in November the ECB's governing council took the decision to reduce the reference rate, taking this down to a historical low of 0.25%, stating that it will continue with an accommodating approach to monetary policy, for as long as is necessary, given that the underlying pressure on prices in the eurozone is expected to remain low in the medium to long term. Moderation in the inflationary process will also permit expansionary monetary policies in the United States, and the Fed's official rate (0.25%) is expected to remain at its present level for the whole of 2014.

Market expectations affecting the forward structure of interest rates reflect the reduction in official rates made by the European Central Bank last November and the announcement, confirmed in December and January, that these will stay at levels equal to or lower than current rates for an extended period of time. According to the market the three-month interest rate (Euribor) is expected to stay at around 0.3% in 2014 and be only marginally higher in 2015. Conditions on the financial markets are also expected to stay calm, with the spread between Italian and German ten-year treasury bonds stable at around 200 basis points.

Energy market trends

The oil market remained essentially stable during 2013, with more limited and less volatile fluctuations compared to previous years and a slight fall in the price of Brent in the spring months from 112.3 $/bbl in January to 103.3 $/bbl in May, which then rose back up again to 111.2 $/bbl in September and settled in a range between 107-111 $/bbl in the final quarter. The price averaged 108.7 $/bbl for the year, a decrease of 2.6% over the previous year.

The high level of oil prices reflects the combined effect of an intensifying of geopolitical tension, a fall in OPEC production and an increase in the demand coming from oil refineries. On the supply side the tension in Libya, Egypt and Syria drove prices up as the result of fears of potential interruptions in supply. These fears form part of a background of a fall in production in Libya, Iraq and Nigeria which has not been offset by an increase in production in Saudi Arabia and has led to a decrease in OPEC's overall supply; the announcement at the end of November that an agreement had been reached on Iran's nuclear program does not appear to have had any significant effect on prices. On the demand side, the increased request by refineries for crude at a world level (driven mainly by non-OPEC countries) contributed to further pressure on oil price increases.

The coal market was affected by the uncertainties in the macroeconomic situation, experiencing a significant downwards trend which involved every month during the year and only eased during the final quarter, with an average price of 81.7 $/ton for 2013, a fall of 11.6% over the previous year.

Electricity

As far as the national electricity market is concerned there was a net requirement of 317,144 GWh (source: Terna) for electricity in Italy in 2013, a fall of 3.4% over the previous year, confirming the contraction trend that characterized the year with demand in 2013 falling for 12 consecutive months on an annual basis. The biggest drops took place in June and August (-6.6% and -5.7% respectively), heightened in both cases by temperatures which were lower than 2012 and by the smaller number of working days. This decrease took place in all areas of the country but the negative economic situation made itself particularly felt in Sardinia and the north, with the exception of Lombardy.

The reduced domestic demand led to a decrease of 3.6% in net production, which totaled 277,380 GWh, and a fall on the imports side, which caused a net drop with other countries of 2.2% over 2012. Domestic production for the period, including pumping, covered 86.8% of demand, in line with 2012, while net imports satisfied the remaining 13.2%.

The trend which by now has become consolidated continued in the various production sectors: production from renewable sources, in particular solar and wind, posted double-digit increases of approximately 19% and 12% respectively over the previous year, while thermoelectric production fell by 12% (approximately 25,000 GWh), due amongst other things to the exceptional hydraulicity in 2013, which led to an increase of over 21% in hydroelectric production compared to the previous year. Among the various renewable energy sources, geo-thermal remained essentially constant, posting an increase of the order of 1%.

As far as the net import/export balance in 2013 is concerned, the net quantity imported fell by 2.2%, affected by the limits on transmission capacity with countries outside Italy imposed by Terna for the periods of low demand.

The significant contraction in electricity demand in 2013 coincided with an equally significant fall in prices on the power exchange. The baseload PUN (Single National Price) for the year settled at an average level of 63.0 €/MWh, a decrease of 16.6% over the 2012 price of 75.5 €/MWh). An analysis of price by time bands shows that in F1 band the price hit a record low of 69.5 €/MWh, representing a drop of 15.2 €/MWh (-18 %) over 2012; in the F3 band there was a decrease of 9.9 €/MWh (-16%) with the reference price falling to 53.1 €/MWh. The ratio between the price in the hours of the highest load (peak price) and the overall average price (baseload price) reached a historical minimum of 1.12. Trends also reversed at an area level: the northern area became the most expensive (Sicily apart); on the other hand Sardinia closed the historical gap with the mainland areas to settle at a figure of 61.5 €/MWh.

The spark spread in 2013 was lower than the previous year. This effect was experienced throughout the year, with the most marked contraction seen in the summer months.

Natural Gas

In 2013 the demand for natural gas, driven by the negative performance of thermoelectric production, suffered a further decisive fall after the significant decreases seen in 2012 and

2011. In particular the country's gas requirement fell by 6.4% to close at 69.5 billion cubic meters, dropping to levels that were lower by around 15 billion cubic meters than those of the years preceding the 2009 economic crisis. On the supply side, both domestic production (-8.8%) and imports (-9.0%) fell. Natural gas stocks also dropped (with year end stocks falling by 7.5%). Imports represented 89.2% of requirements (gross of changes in stocks) while domestic production satisfied the remainder (source: Snam Rete Gas).

Thermoelectric usage fell by approximately 16% over 2012, a drop that was far worse than that posted by thermoelectric production taken as a whole. This trend shows once again that gas plants are penalized more than coal plants, due to the more advantageous costs of the raw material.

Usage in the industrial sector decreased by 0.7%, with a performance essentially better than the expected change in Italy's GDP for the period in question, closing with figures that are still a long way from pre-crisis levels. On the other hand consumption held up in the services and residential uses segment over 2012 (-0.3%).

Prices on the Italian Virtual Trading Point (PSV) market went against the trend compared to changes taking place at the main European gas hubs, which are all consolidating the multi-year phase of growth, and after three years of constant rises settled at around 28 €/MWh, representing a decrease of around 3%. This led to a narrowing of the price spread with other European reference points.

0.5 Analysis of main sectors of activity

Results sector by sector

Millions of euro	Energy		Environment	
	01 01 13 12 31 13	**01 01 12 12 31 12**	**01 01 13 12 31 13**	**01 01 12 12 31 12**
Revenues	**4,368**	**5,306**	**850**	**810**
- of which inter-sector	*160*	*185*	*88*	*59*
Gross operating income	**533**	**541**	**282**	**219**
% of revenues	*12.2%*	*10.2%*	*33.2%*	*27.0%*
Depreciation, amortization, provisions and write-downs	**(622)**	**(320)**	**(95)**	**(75)**
Net operating income	**(89)**	**221**	**187**	**144**
% of revenues	*(2.0%)*	*4.2%*	*22.0%*	*17.8%*
Result from non-recurring transactions				
Financial balance				
Result before taxes				
Income taxes				
Result after taxes from operating activities				
Net result from discontinued operations				
Minorities				
Group net result of the year				
Gross investments (1)	**76**	**2,216** (a)	**45** (c)	**48**

(1) See the items "Investments" in the schedules on tangible and intangible assets presented in Notes 1 and 2 to the balance sheet.
(*) The comparative figures for 2012 have been reclassified on the basis of the new income statement format.
(a) Includes an effect of 2,113 million euro arising from the first-time consolidation of Edipower.
(b) Includes the acquisition of theTecnovalore business for 7 million euro.
(c) Includes additional paid-in capital of 4 million euro.

Millions of euro	Energy		Environment	
	12 31 13	**12 31 12**	**12 31 13**	**12 31 12**
Tangible assets	3,486	3,960	446	460
Intangible assets	82	63	35	36
Trade receivables and current financial assets	1,569	1,578	288	272
Trade payables and current financial liabilities	1,247	1,265	229	209

	Heat and Services		Networks		Other Services and Corporate		Eliminations		Total group	
	01 01 13 12 31 13	01 01 12 12 31 12	01 01 13 12 31 13	01 01 12 12 31 12	01 01 13 12 31 13	01 01 12 12 31 12	01 01 13 12 31 13	01 01 12 12 31 12	01 01 13 12 31 13	01 01 12 12 31 12 (*)
	330	**326**	**708**	**685**	**234**	**250**	**(886)**	**(897)**	**5,604**	**6,480**
	38	*42*	*380*	*381*	*220*	*230*	*(886)*	*(897)*		
	86	**73**	**256**	**242**	**(24)**	**(7)**			**1,133**	**1,068**
	26.1%	*22.4%*	*36.2%*	*35.3%*	*(10.3%)*	*(2.8%)*			*20.2%*	*16.5%*
	(23)	**(34)**	**(110)**	**(107)**	**(26)**	**(31)**	**-**	**-**	**(876)**	**(567)**
	63	**39**	**146**	**135**	**(50)**	**(38)**			**257**	**501**
	19.1%	*12.0%*	*20.6%*	*19.7%*	*(21.4%)*	*(15.2%)*			*4.6%*	*7.7%*
									75	**45**
									(206)	**(180)**
									126	**366**
									(51)	**(128)**
									75	**238**
									-	**33**
									(13)	**(11)**
									62	**260**
	43	**56** (b)	**109**	**123**	**11**	**30**	**-**	**-**	**284**	**2,473**

	Heat and Services		Networks		Other Services and Corporate		Eliminations		Total group	
	12 31 13	12 31 12	12 31 13	12 31 12	12 31 13	12 31 12	12 31 13	12 31 12	12 31 13	12 31 12
	527	492	1,334	1,343	240	221	(103)	(106)	**5,930**	**6,370**
	37	38	1,286	1,364	54	83	(188)	(191)	**1,306**	**1,393**
	134	148	351	401	195	113	(541)	(578)	**1,996**	**1,934**
	107	114	225	275	445	702	(532)	(580)	**1,721**	**1,985**

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 10.3 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	• Plurigas in liquidation
Energy Management	• A2A Energia	• Aspem Energia
Sale of electricity and gas	• A2A Trading	• EPCG
	• Edipower	

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

The quantitative and economic figures for the year ended December 31, 2013 are not comparable with those for 2012 for the following reasons:

- in 2012 Edipower S.p.A. was only consolidated on a line-by-line basis from June, while in the months prior to that it was consolidated on an equity basis and then only for the Group's share of 20%;
- the results for 2013 include a contribution of 77% arising from the production of the thermoelectric and hydroelectric plants of Edipower S.p.A. up until October 2013. From November 2013, however, the production of the Turbigo thermoelectric plant and the Tusciano hydroelectric complex are not included as a result of the non-proportional demerger from Edipower S.p.A. into Iren Energia S.p.A., while the other plants of Edipower S.p.A. made a 100% contribution.

Quantitative data - electricity sector

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

GWh	12 31 2013	12 31 2012	Change	% 2013/2012
SOURCES				
Net production	**12,458**	**13,392**	**(934)**	**(7.0%)**
-thermoelectric production	7,432	9,362	(1,930)	(20.6%)
-hydroelectric production	5,023	4,028	995	24.7%
-photovoltaic production	3	2	1	n.a.
Purchases	**37,665**	**35,324**	**2,341**	**6.6%**
-single buyer	2,671	2,954	(283)	(9.6%)
-exchange	9,322	10,599	(1,277)	(12.0%)
-foreign markets	14,296	12,650	1,646	13.0%
-other purchases	11,376	9,121	2,255	24.7%
TOTAL SOURCES	**50,123**	**48,716**	**1,407**	**2.9%**
USES				
Protected market sales	2,671	2,954	(283)	(9.6%)
Sales to eligible customers and wholesalers	21,848	20,710	1,138	5.5%
Sales on the exchange	12,905	13,069	(164)	(1.3%)
Sales on foreign markets	12,699	11,983	716	6.0%
TOTAL USES	**50,123**	**48,716**	**1,407**	**2.9%**

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 2013 amounted to 12,458 GWh, to which should be added purchases of 37,665 GWh for a total availability of 50,123 GWh.

Production fell by 7.0% over the previous year.

In particular thermoelectric production of 7,432 GWh decreased over 2012 (-20.6%), due above all to the lower load factor of the combined cycle plants, while hydroelectric production (5,032 GWh) increased by 24.7% as the result of the extraordinary precipitation occurring mainly in the first half of the year.

As a result of the reduction in production, to deal with the increase in uses purchases of electricity increased by 6.6% over the previous year, from 35,324 GWh to 37,665 GWh.

Sales of electricity on end markets and foreign markets rose by 5.5% and 6.0% respectively, while there was a fall in sales on the protected market (-9.6%) and on the IPEX markets (-1.3%).

Taken as a whole, electricity sales made by the energy sector reached 50,123 GWh (48,716 GWh in 2012).

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

GWh	**12 31 2013**	**12 31 2012**	**Change**	**% 2013/2012**
SOURCES				
Production	**3,809**	**2,715**	**1,094**	**40.3%**
- thermoelectric production	1,311	1,245	66	5.3%
- hydroelectric production	2,498	1,470	1,028	69.9%
Imports and other sources	**326**	**1,569**	**(1,243)**	**(79.2%)**
- imports	195	957	(762)	(79.6%)
- other sources	30	38	(8)	(21.1%)
EPS (Serbian Electricity Company)	101	574	(473)	(82.4%)
TOTAL SOURCES	**4,135**	**4,284**	**(149)**	**(3.5%)**
USES				
Domestic market consumption	3,129	3,769	(640)	(17.0%)
Network losses	142	154	(12)	(7.8%)
Other uses	82	55	27	49.1%
Exports	622	208	414	n.a.
EPS (Serbian Electricity Company)	160	98	62	63.3%
TOTAL USES	**4,135**	**4,284**	**(149)**	**(3.5%)**

The total availability of the EPCG Group in 2013 was 4,135 GW (4,284 GW in the previous year).

The EPCG Group produced a total of 3,809 GWh (+40.3% over 2012), of which 1,311 GWh from thermoelectric sources and 2,498 GWh from hydroelectric sources.

Sales to end customers amounted to 3,129 GWh, a decrease of 640 GWh due to a reduction in the supplies made to a large energy consumer, which enabled the Group to sell its excess production on foreign markets (+414 GWh over 2012).

Quantitative data - gas sector

Millions of cm	12 31 2013	12 31 2012	Change	% 2013/2012
SOURCES				
Procurement	3,424	5,105	(1,681)	(32.9%)
Withdrawals from stock	33	163	(130)	(79.8%)
Internal consumption /GNC	(10)	(18)	8	(44.4%)
TOTAL SOURCES	**3,447**	**5,250**	**(1,803)**	**(34.3%)**
USES				
End uses	1,428	1,607	(179)	(11.1%)
Thermoelectric uses	848	1,220	(372)	(30.5%)
Heat uses	134	139	(5)	(3.6%)
Wholesalers	1,037	2,284	(1,247)	(54.6%)
TOTAL USES	**3,447**	**5,250**	**(1,803)**	**(34.3%)**

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

The volume of gas brokered in 2013 amounted to 3,447 million cubic meters, a decrease of 34.3% over the previous year (5,250 million cubic meters).

This drop was mostly due to reduced sales on the wholesale gas market.

Compared to the same period of the previous year there was also a decrease in thermoelectric uses (despite the change in consolidation scope due to the acquisition of Edipower S.p.A.) and sales to end customers (-11.1%). Sales of gas to the Group's Heat Sector, on the other hand, were essentially in line with 2012 (-3.6%).

Economic data

Millions of euro	01 01 2013 12 31 2013	01 01 2012 12 31 2012	Change
Revenues	4,368	5,306	(938)
Gross operating income	533	541	(8)
% of revenues	12.2%	10.2%	
Depreciation, amortization, provisions and write-downs	(622)	(320)	(302)
Net operating income	(89)	221	(310)
% of revenues	(2.0%)	4.2%	
Investments	76	103	(27)

Revenues in the Energy Sector totaled 4,368 million euro in 2013 (5,306 million euro in the year ended December 31, 2012).

The decrease of 938 million euro in revenues is mostly due to a significant contraction in brokerage activity on the wholesale methane gas markets.

Gross operating income, which amounted to 533 million euro, decreased by 8 million euro over the previous year.

The 2013 result however includes a provision made for a redundancy scheme of approximately 7 million euro. Excluding this effect, the sector's margin is essentially in line with that of 2012. The year in question benefitted from the excellent performance of the subsidiary EPCG (+62 million euro), which was offset by the lower margins earned on the environmental allowances market. In this sense 2012 benefitted from the mechanism for the free of charge CO2 allocations envisaged in the previous phase (II) of the EU ETS and from the increased sales of Green Certificates as a result of the sale of the long position taken out during 2011. Despite a significant deterioration of market conditions in the electricity industry, the integrated management of the generation portfolio and electricity and gas commercialization allowed the Group to maintain margins in line with the previous year.

Depreciation, amortization, provisions and write-downs totaled 622 million euro (320 million euro in the year ended December 31, 2012). The increase of 302 million euro in this item is mainly due to the recognition of impairment losses of 237 million euro during the year and the consolidation of Edipower S.p.A. for the whole of the period in 2013 (the figures for 2012 only include depreciation, amortization, provisions and write-downs from June onwards).

As a result of the above changes, there was a net operating loss of 89 million euro (a profit of 221 million euro in 2012).

Capital expenditure for the year totaled 76 million euro, of which 9 million euro relating to the EPCG Group.

This mainly consisted of extraordinary maintenance at the combined cycle thermoelectric plants for 16 million euro, at the coal thermoelectric plant at Monfalcone for 7 million euro and at the hydroelectric plants for 9 million euro.

Extraordinary maintenance work of a lesser extent regarded the plants at Brindisi and San Filippo for 2 million euro. In addition, modernization and improvement work was carried out at the hydroelectric plants for 26 million euro and investments totaling 4 million euro were made in information systems.

The EPCG Group made investments which mainly related to the thermoelectric plant at Pljevlja (4.4 million euro) and the hydroelectric plants at Perucica (0.8 million euro) and Piva (3.6 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 the waste in order to make it suitable for the recovery of materials, waste to 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	• A2A 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 2013	12 31 2012	Change	% 2013/2012
Waste collected (Kton)*	896	910	(14)	(1.5%)
Wasted disposed of (Kton)	2,517	2,457	60	2.4%
Electricity sold (GWh)	1,103	1,143	(40)	(3.5%)
Heat sold (GWht)**	1,122	1,024	98	9.6%

(*) Waste collected in the Municipalities of Milan, Brescia, Bergamo and Varese
(**) Quantities at the plant entrance

There was a decrease of 1.5% in the quantity of waste collected in 2013 compared to the previous year, due mainly to the continuation of the difficult economic situation. The quantity of waste disposed of was however higher than that for same period of 2012 (+2.4%) as the result of new disposal contracts acquired in the Milan and Pavia areas.

The production of heat by the waste to energy plants exceeded that of the previous year (+98 thermal GWh) due to the increased quantities required by the district heating sector. The quantity of electricity sold accordingly fell by 3.5% from 1,143 GWh to 1,103 GWh.

Economic data

Millions of euro	01 01 2013 12 31 2013	01 01 2012 12 31 2012	Change
Revenues	850	810	40
Gross operating income	282	219	63
% of revenues	33.2%	27.0%	
Depreciation, amortization, provisions and write-downs	(95)	(75)	(20)
Net operating income	187	144	43
% of revenues	22.0%	17.8%	
Investments	41	48	(7)

The Environment Sector posted revenues of 850 million euro in the year (810 million euro in the year ended December 31, 2012).

Gross operating income amounted to 282 million euro compared to 219 million euro in the previous year. This result includes an item of income of 27 million euro relating to the previous year which had been prudently accrued in the fourth quarter of 2012 to provide against uncertainties in the regulatory framework. If this item is excluded, the sector's gross operating income amounts to 255 million euro, a rise of 9 million euro over 2012. In this respect the lower revenues arising from the expiry of the CIP 6 conventions for the waste to energy plants at Corteolona (Pavia) and Brescia and the completion of certain foreign contracts were more than offset by the increased margins earned from the expansion of collection and street sweeping services and from industrial waste disposal activities.

Depreciation, amortization, provisions and write-downs amounted to 95 million euro, an increase of 20 million euro over the previous year. This difference is mainly due to increased provisions for risks made during the year.

As a consequence of the above changes net operating income amounted to 187 million euro (144 million euro for the year ended December 31, 2012).

Capital expenditure in the period totaled 41 million euro and mainly related to collection vehicles and containers (19 million euro), maintenance and development work on treatment plants and landfills (11 million euro) and on waste to energy plants (8 million euro) and various maintenance work (2 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

GWht	12 31 2013	12 31 2012	Change	% 2013/2012
SOURCES				
Plants at:	**1,203**	**1,128**	**75**	**6.6%**
– Lamarmora	463	480	(17)	(3.5%)
– Famagosta	153	140	13	9.3%
– Tecnocity	76	61	15	24.6%
– Other plants	511	447	64	14.3%
Purchased from:	**1,179**	**1,089**	**90**	**8.3%**
– Third parties	290	254	36	14.2%
– Other sectors	889	835	54	6.5%
TOTAL SOURCES (*)	**2,382**	**2,217**	**165**	**7.4%**
USES				
Sales to end customers	2,382	2,217	165	7.4%
TOTAL USES	**2,382**	**2,217**	**165**	**7.4%**

(*) 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 rise of 7.4% in the sale of heat to end customers over 2012 mainly due to the connection of new volumes. As a result, the production and purchase of heat rose by 75 thermal GWh and 90 thermal GWh respectively.

Economic data

Millions of euro	01 01 2013 12 31 2013	01 01 2012 12 31 2012	Change
Revenues	330	326	4
Gross operating income	86	73	13
% of revenues	26.1%	22.4%	
Depreciation, amortization, provisions and write-downs	(23)	(34)	11
Net operating income	63	39	24
% of revenues	19.1%	12.0%	
Investments	43	49	(6)

Revenues amounted to 330 million euro in 2013 (326 million euro in the year ended December 31, 2012).

Gross operating income totaled 86 million euro, a rise of 13 million euro over 2012. Contributing to this positive performance were the district heating sector - which above all benefitted from the effects of commercial development - and the business of managing heating plants owned by third parties. These positive effects were partially offset by decreased revenues from the sale of electricity.

Depreciation, amortization, provisions and write-downs amounted to 23 million euro, a decrease of 11 million euro over the year ended December 31, 2012, due mainly to the release of a previously accrued risk provision following the favorable outcome of a dispute.

As a result of these changes net operating income amounted to 63 million euro (39 million euro in 2012).

Capital expenditure for the year amounted to 43 million euro and related to maintenance and development work on district heating networks (34 million euro) and cogeneration plants (9 million euro), mainly in the Milan, Brescia and Bergamo areas.

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	• Camuna Energia
Gas networks	• A2A Reti Gas	• Retragas
Integrated water cycle	• A2A Ciclo Idrico	• Seasm
	• EPCG	• Aspem S.p.A.
	• Mincio Trasmissione	• A2A Servizi alla distribuzione

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

Quantitative data

	12 31 2013	12 31 2012	Change	% 2013/2012
Electricity distributed (GWh)	11,098	11,361	(263)	(2.3%)
Gas distributed (Mcm)	2,076	2,010	66	3.3%
Gas transported (Mcm)	392	400	(8)	(2.0%)
Water distributed (Mcm)	63	69	(6)	(8.7%)

Electricity distributed in 2013 amounted to 11,098 GWh, a decrease of 2.3% over the year ended December 31, 2012.

The quantity of gas distributed however rose by 3.3% over the previous year mainly as the result of the lower temperatures recorded during 2013.

The quantity of gas transported totaled 392 million cubic meters (400 million cubic meters in the year ended December 31, 2012).

Water distributed amounted to 63 million cubic meters (69 million cubic meters in the year ended December 31, 2012).

The EPCG Group distributed electricity totaling 2,530 GWh on the low and medium voltage network in Montenegro (2,596 GWh in the previous year).

EPCG	12 31 2013	12 31 2012	Change	% 2013/2012
Electricity distributed (GWh)	2,530	2,596	(66)	(2.5%)

Economic data

Millions of euro	01 01 2013 12 31 2013	01 01 2012 12 31 2012	Change
Revenues	708	685	23
Gross operating income	256	242	14
% of revenues	36.2%	35.3%	
Depreciation, amortization, provisions and write-downs	(110)	(107)	(3)
Net operating income	146	135	11
% of revenues	20.6%	19.7%	
Investments	109	123	(14)

The Networks Sector had revenues of 708 million euro in the year ended December 31, 2013, of which 74 million euro attributable to the EPCG Group (685 million euro in the year ended December 31, 2012, of which 74 million euro attributable to the EPCG Group).

Gross operating income closed at 256 million euro (242 million euro in the year ended December 31, 2012). Excluding the provision made for the redundancy scheme in connection with the business restructuring plan which had a negative effect of 12 million euro on the result for the year, the sector's gross operating income rose by 26 million euro over 2012.

This change is due to the positive contribution made by all the areas in the sector.

In particular, the gross operating income of the electricity distribution segment rose by 17 million euro due to lower operating expenses and non-recurring items which had a negative effect in the previous year.

The improvement in the results of the gas distribution segment (+3 million euro over the previous year) is due to the increase in revenues admitted to distribution activities for 2013.

The water segment posted gross operating income of 11 million euro, a rise of 5 million euro over 2012. This performance was mainly due to lower operating expenses and the increase in tariffs approved by the regulatory authority, effects which were partially offset by the lower volume of water distributed.

Depreciation, amortization, provisions and write-downs totaled 110 million euro, essentially in line with 2012.

As a result of the above changes, net operating income amounted to 146 million euro (135 million euro in the year ended December 31, 2012).

Capital expenditure in Italy in the year amounted to 84 million euro and regarded:

- in the electricity distribution segment, 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 (41 million euro);
- in the gas distribution segment, 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 (6 million euro).

The capital expenditure incurred by the EPCG Group, amounting to 25 million euro, regarded development and maintenance work carried out on the electricity distribution network (7 million euro) and meter replacement (18 million euro).

Other services and corporate

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

- **Corporate [2]:** 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 the 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

(2) This includes the General Manager's Office (Corporate and Market Area), the General Manager's staff (Technical-Operations Area) and the staff of the Office of the Chairman of the Management Board and of the Chairman of the Supervisory Board.

Economic data

Millions of euro	01 01 2013 12 31 2013	01 01 2012 12 31 2012	Change
Revenues	234	250	(16)
Gross operating income	(24)	(7)	(17)
% of revenues	(10.3%)	(2.8%)	
Depreciation, amortization, provisions and write-downs	(26)	(31)	5
Net operating income	(50)	(38)	(12)
% of revenues	(21.4%)	(15.2%)	
Investments	11	30	(19)

The Other Services and Corporate Sector earned revenues of 234 million euro (250 million euro in the year ended December 31, 2012).

The sector closed with a loss of 24 million euro (a loss of 7 million euro in the year ended December 31, 2012). Compared to the previous year, the result was affected by costs of 6 million euro provided for job losses under the redundancy scheme, the benefit over 2012 of non-recurring items of 7 million euro and amendments to the economic levels of intercompany agreements between A2A S.p.A. and certain Group companies which acquired ICT assets.

Depreciation, amortization, provisions and write-downs amounted to 26 million euro (31 million euro in 2012). The decrease is mainly due to the lower depreciation charge arising from the sale of the ICT assets to certain subsidiaries.

After depreciation, amortization, provisions and write-downs there was a net operating loss of 50 million euro (a net operating loss of 38 million euro in the year ended December 31, 2012). If the effect of the above-mentioned extraordinary items is excluded, the operating result shows an improvement, due also to lower operating expenses arising from the start-up of the operating efficiency project.

Capital expenditure for the period amounted to 11 million euro and mainly related to investments in information systems (8 million euro) and telecommunication networks (1 million euro).

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, operative since 2010, 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 additionally 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.

In 2013, the Group continued with its long-term development plan, which leveraging on a modular approach and on the fine-tuning of the experience gained and methods of analysis used, is on the one hand designed to develop the assessment methodology 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 concerning 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.

On an annual basis, when it approves the budget the Management Board of A2A S.p.A. establishes the commodity risk limits for the Group, meaning the maximum level of variability in the result permitted that may arise from changes in energy commodity prices.

Consistent with the Group's Energy Risk Policy, the Risk Committee ensures compliance with these limits and where necessary defines the hedging strategies designed to bring risk within the limits set.

Market risk is managed centrally by means of a netting process applied to the entire exposure of the Group's portfolio, which is constantly monitored.

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 first and foremost by selecting a balanced mix of fixed and floating rate loans and then additionally 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 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.

Taking into consideration the context in which it does business, which is characterized by greater volatility and potential situations of uncertainty on the financial markets, the Group places specific emphasis on the 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.

- In this context the Group also has a policy of diversifying the due dates of its debt and other funding sources and on November 7, 2013 the Management Board approved a revision to the Euro Medium Term Notes Programme, taking the ceiling to 3 billion euro.

In June 2013 a loan agreement for 95 million euro was signed with Cassa Depositi e Prestiti, due in 2023, which was fully drawn down in the final quarter of the year.

In addition in April 2013 A2A S.p.A. entered an agreement with a group of Italian and international banks for a Club Deal revolving credit line for a total of 600 million euro, having a duration of 5 years and arranged mainly for backup purposes.

At December 31, 2013 the Group had unused revolving lines of committed credit in the amount of 1,465 million, contracted and unused medium and long-term financing of 36 million euro and cash and cash equivalents totaling 376 million, 187 million of which held by the parent company. The revolving credit line granted to Edipower S.p.A. in May 2012, amounting to 50 million euro, was extinguished on the repayment of the loan on December 31, 2013.

Default risks and covenants

At December 31, 2013 the parent company had issued bonds to the public for a total nominal value of 2,811 million euro as follows: 299 million euro maturing in May 2014; 762 million euro maturing in November 2016; 750 million euro maturing in November 2019; 500 million euro maturing in January 2021; and 500 million euro maturing in January 2022. As noted earlier, on July 11, 2013 A2A repurchased portions of the bonds maturing in May 2014 and November 2016 for 201 and 238 million euro respectively. In addition, in December 2013 A2A issued a bond in the form of a private placement for 300 million euro, which matures 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 A2A as part of the EMTN Programme (amounting in total to 2,050 million euro including the private placement of 300 million euro maturing in 2023) contain a change of control put clause in favor of investors for 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 loan agreements entered into with the European Investment Bank contain a credit rating clause guarding against a rating of below BBB- or equivalent level. The loan agreements with the European Investment Bank (specifically for loans with original balances of 200 million euro expiring in 2025-2026, 95 million euro expiring in 2026, and 70 million euro, 50 million euro of which drawn down, expiring in 2027-2028) grant the bank the right, on providing notice to the company containing an explanation of the reasons, to invoke early repayment of the loan in the event of a change in control of the parent company.

The agreement entered by the parent with UniCredit for a floating rate loan of 85 million euro expiring in June 2018, intermediated by the EIB, 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 a breach of contract in this regard, 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.

There is also a credit rating clause in the agreements for the two loans from Cassa Depositi e Prestiti having original balances of 200 million euro and 95 million euro and expiring in 2025 and 2023 respectively, the latter entered into in June 2013 and fully drawn down in the final quarter of the year, protecting against the company's rating falling below investment grade (BBB-).

In addition, the private bond issue in yen with a maturity of 2036 and the related cross-currency swap derivative include a put right clause in favor of the investor (and in favor of the financial counterparty in the derivative) in the event that the rating should fall below BBB- (sub investment grade).

As mentioned above, the A2A Group has received various lines of revolving committed credit from a number of financial institutions for a total of 1,465 million euro (fully contractualized by A2A S.p.A.) which are not subject to covenants, with the exception of the revolving line of credit (currently unused) granted to A2A S.p.A. in April 2013 in the amount of 600 million euro, having a duration of 5 years, whose terms include the requirement to respect an NFP/EBITDA covenant. The agreement for the credit line also includes a change of control clause which in the event of a change of control of the Company causing a material adverse effect allows the banks of the syndicate to request the facility to be extinguished and any amounts drawn down to be repaid.

The following can be found in the agreements for the bond loans, the loans mentioned above and the lines of revolving committed credit: (i) negative pledge clauses based on which the parent company undertakes not to set up, with exceptions, real guarantees on its assets and those of its direct 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.

The loan to the subsidiary Abruzzoenergia S.p.A. is backed by a secured guarantee (mortgage) for a maximum of 264 million euro and the related agreement contains two covenants, NFP/Shareholders' funds and NFP/Gross operating income. Failure to meet one of these alone for two consecutive years requires the parties to meet and agree the means of remedying the situation. Both covenants were met at December 31, 2013.

Regarding the subsidiary EPCG, the agreement for a 35 million euro loan granted by the European Bank for Reconstruction and Development (EBRD), drawn down in the amount of 31 million at December 31, 2013, includes a number of financial covenants that were met at December 31, 2013.

As things currently stand no companies in the A2A Group have defaulted.

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;
- the evolution of the rules for the Green Certificates market;
- 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. However as far the forecasts of economic conditions for the supply of gas for the protected service are concerned, in addition to the information provided it is also noted that A2A S.p.A. has filed an appeal against Resolution no. 447/2013/R/gas before the Regional Administration Court regarding the excessively subjective nature of the mechanism. In addition, developments are still awaited in the dispute over Resolution no. ARG/gas89/10; with 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 energy quota (QE) (a variable fee covering procurement costs): the Regional Administrative Court issued a sentence favorable to the petitioners in March, 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 in all of its sectors to reduce the probability of such risks occurring and action strategies aimed at limiting any impact.

Safeguarding the Group's assets 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 and the technicians from Edipower S.p.A. 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, designed to mitigate the risk of business interruption, continued during 2013. 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, in order to avoid congestion risks and permit satisfactory reliability levels, also in situations where there is a high load demand.

With a view to preventing any breakdowns, as an example the plant modifications carried out at one of the Group's plants following an episode of temporary down time caused by a design fault were extended to all of the turbogas groups, including those arriving from Edipower S.p.A..

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 market, a process for revising and fully updating the maintenance contracts for the whole of the Group's fleet of turbogas equipment is currently in progress.

In respect of the Environment Sector, 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 set up to identify the presence of unsuitable substances in the waste to be taken to waste to energy plants.

To mitigate any repercussions on the Group's reputation due to the 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 waste to energy plants, in order to guarantee the provision of a significant proportion of the heat required.

As far as the distribution networks are concerned, advanced remote operational controls, technical safety tools and contingency plans if any especially critical natural events should occur, such as for example earthquakes or especially bad weather, are in place. 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 to be improved by increasing the effectiveness of the 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.

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 are currently being revised to align them to the way in which the plants work and 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 (for example the disposal of production waste, emissions from production processes, waste collection and disposal management) are the object of increasingly close attention by public regulators and ever more stringent legislation.

The Group is significantly involved in preventing such risks and has adopted a policy document, updated in 2013, 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 process of updating the Organizational and Management Model as per Legislative Decree no. 231/2001 for the introduction of environmental offenses continued in 2013, and the model is currently being implemented in 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 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 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.

In 2013 the Group continued the process of integrating and consolidating its ICT systems, determined on the basis of the changes in corporate structures which have taken place in previous years, and this led to a number of important milestones being reached during the year. Following the integration of distribution support systems on a single platform, which was completed in 2012, the program for the convergence of the main systems supporting commercial activities has to a large extent been completed, and this continues as part of an overall integration of all the companies in the Group.

The process continued 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.

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.

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.

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.

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.

In 2013 a project to revise the present organizational model was initiated which will be based on defining 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.

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, 2013 the Group had 12,392 employees, of whom 2,447 work for the EPCG Group, a decrease of 171, or 1.3%, over December 31, 2012.

These changes include the effects of certain extraordinary operations carried out during the year and in particular:

- as the result of the non-proportional partial demerger of the business consisting of the two electricity generating plants at Turbigo and Tusciano by Edipower S.p.A. into Iren Energia S.p.A., from November 1, 2013 the 133 employees working there left the perimeter of the A2A Group;
- during 2013 Amsa S.p.A. was awarded the environmental services contract in Rho, San Donato and Buccinasco acquiring a total of 110 employees, while Aprica S.p.A. was awarded the environmental services management contract in Como acquiring 102 employees.

As a result, excluding the effect of these two events, the workforce fell by 250 employees, or 2.0%, over that at December 31, 2012.

The main activities which took place in 2013 in the industrial relations sphere are described in the following.

A Framework Agreement was signed envisaging the use of the Cassa Integrazione Guadagni Ordinaria (CIGO) scheme and redundancy schemes. It is expected that the CIGO scheme, which regards certain thermoelectric plants, will be used from April 2013 to April 2015 with employee rotation. Employees will receive an additional amount in their wages as income support.

As far as the redundancy scheme is concerned, 130 people in the "staff" areas eligible for retirement will leave the company by December 31, 2014 following the integration of Edipower S.p.A. into the Group. There will be "no opposition" to laying people off under this scheme during the initial application phase. In addition to the redundancy indemnity payable by law, workers laid off under this scheme will also receive an additional amount in their wages as income support.

The Agreement also requires that negotiations should begin on harmonizing the economic and legislative schemes applicable in the individual Group companies, including Edipower S.p.A..

Talks with the trade unions on the employment contracts applicable in the A2A Ambiente Group (formerly the Ecodeco Group) ended with the signing of an agreement for the rationalization of certain items concerning the legislative and economic treatment of employees under the Chemical and Pharmaceutical Industry national collective bargaining agreement (C.C.N.L.).

Specific agreements were signed concerning A2A Trading S.r.l. (Milan offices) for the implementation of a telephonic recording system, and A2A Reti Elettriche S.p.A., in the latter case on application of the requirements of attachment A, article 14.3 of Electricity, Gas and Water Authority Resolution Gas ARG/elt no. 198/11.

Work continued on the enhancement of the video-surveillance system used for protecting the Group's assets and technological equipment, with the signing of specific memoranda pursuant to article 4 of Law no. 300 of May 20, 1970; these relate to the Milan premises of A2A Reti Elettriche S.p.A. and A2A Reti Gas S.p.A..

The trade union procedure as per article 47 of Law no. 428/1990 was concluded; this process led to the creation of A2A Ambiente S.r.l. as the biggest and most important Italian entity in the waste treatment and disposal sector.

In respect of the "networks area" reorganization project, a Framework Agreement was signed which is valid for A2A Reti Gas S.p.A., A2A Reti Elettriche S.p.A. and A2A Servizi alla Distribuzione S.p.A.. Under this agreement a total of 150 people eligible for retirement will leave the company between 2013 and 2017 through the use of separate redundancy scheme procedures. In this case too there will be "no opposition" to laying people off under this scheme. An economic package designed to supplement the amounts payable by law will be applicable for the workers involved in the redundancy scheme procedure.

Salient features of the Agreement consist of the recognition of professional growth through specific training courses, the professional enhancement of young people through the gradual stabilization of employment contracts other than those of a permanent nature, the possibility of considering the use of in-sourcing for specific activities and, for certain skills, the possibility of managing a targeted turnover.

Following long, detailed talks with the national and local trade union organizations an agreement was reached on the recourse to the Solidarity Agreement on the "Technological Hub" of A2A S.p.A. located in Mestre (VE).

An agreement was reached with the Milan trade union organizations on the integration of Edipower S.p.A. into the A2A Group. At the same time the procedure laid down by article 47 of Law no. 428/90 was carried out with respect to the three business units of the "Central Staff" department of Edipower S.p.A. which were transferred with effect from January 1, 2014 to A2A S.p.A. and A2A Trading S.r.l..

A specific training agreement has been signed with the trade union representatives of the companies in the "Energy" area, with the joint opinion that work experience and training play a key role in encouraging the continuous development and innovation of the Group.

Under this agreement, with a predetermined timetable, the parties will hold informational meetings on the subject of training and technical work experience, where reviews will be carried out of the training courses that have been held, the logic behind future training courses will be set out and the opinions and recommendations of worker representatives will be noted.

The procedure laid down by article 47 of Law no. 428/90 was carried out with respect to the merger of Partenope Ambiente S.p.A. into A2A Ambiente S.p.A. as part of the completion of the reorganization of the environment companies.

On the matter of productivity bonuses, specific agreements were signed that extended the trade union agreements which expired in 2012 by one year, with the aim of renegotiating the new agreements for all the business sectors in the light of business objectives for the period from 2014 to 2016.

A significant agreement has been reached with the trade union organizations which permits recourse to the defensive Solidarity Agreement pursuant to Law no. 863/198 as amended for the Brindisi power station. This initiative, which is awaiting the prescribed authorizations to be obtained for the competitive relaunch of the site, will on the one hand preserve the wealth of skills and professionalism represented by the production unit's staff with the prospect of future use, and on the other avoid the need for the Group to incur an unsupportable cost during the period the plant is closed down.

Talks continue with the national trade union organizations on the Industrial Relations Protocol and the processes for harmonizing the existing treatment throughout the Group.

A social policy team has been active within Corporate Personnel and Resource Development since January 2013 having the aim of designing and developing welfare activities to the benefit of A2A Group employees.

From October to December 2013, Social Policies, in conjunction with the Sodalitas Foundation and with the patronage of the Municipality of Milan, promoted the adherence of the Group to the "Volunteers for a Day" campaign, publicising this within the Group by indicating the way in which people could participate on the intranet and notice boards.

The Group's employees were able to dedicate a day of their free time to voluntary service, choosing from the over 150 voluntary organizations throughout the area of Milan and its province.

In September 2013 an experimental infants school was set up at the Brescia nursery school which is dedicated to children of between 3 and 6 years of age, with priority given to the children of A2A Group employees, having the aim of ensuring that families can achieve continuity in the educational experience which began in the nursery.

At December 31, 2013, 19 children of A2A Group employees were enrolled in the structure, of whom 3 enrolled in the infants school.

As far as Group employee training courses are concerned(1), a total of approximately 220,000 hours of training were provided in 2013 with 42,000 attendances. More specifically, approximately 137,000 hours were dedicated to worker safety, approximately 35,000 to technical subjects and approximately 9,000 to environmental subjects. The figures have risen considerably as the result of the entry of Edipower S.p.A. into the A2A Group (overall training totaling approximately 96,000 hours was given with approximately 14,500 attendances).

Managerial training was carried out in 2013 on the basis of the 2012 program, with approximately 9,200 hours being provided. A total of 21% of these training hours were given in October and November 2013 as part of a managerial training path aimed at all executives with the objective of supporting senior management, who are involved in achieving challenging business objectives and finding a balance between "efficiency and growth", in creating a common vision. These involved 120 people for a total of 1,920 hours.

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

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 fifth edition of its Sustainability Report in 2013. From its very beginnings in January 2008, the A2A Group has used this tool as a means of communicating and consolidating the results and objectives it has set and achieved in the three areas of sustainability: economic, environmental and social responsibility.

The information provided has grown over the years in terms of completeness and quality, and following a gradual approach has taken the 2012 Sustainability Report to the highest application level (A+) of the Global Reporting Initiative international standard.

A quality also confirmed by the Group's stakeholders, who by means of an online questionnaire judged the document as being more than sufficient in terms of clarity and use (with scores of respectively 6.7 and 7.8 on a scale of 1 to 10).

In 2013 a process began for drawing up a map of "material" issues in the economic, environmental and social sphere, meaning those issues which are important for both the Group and its stakeholders. This will enable A2A to concentrate its strategies and reporting on these issues. The result of this process is a matrix which will be published in the Group's next Sustainability Report.

Set out in the following are the main events in 2013 in the Corporate Social Responsibility sphere:

- the differentiated collection of wet waste in Milan has been extended to the north eastern area (collection will also be extended to the final zone by June 2014): over 56,700 tonnes of wet waste was collected in Milan in the first ten months of 2013, compared with 32,000 tonnes in the same period of the previous year, representing an increase of 76%. The organic fraction is the most important by weight, representing over 10% of total waste. The gradual introduction of wet waste with domestic users is pushing up differentiated collection, which in the southern area of Milan where wet waste is already collected amounts to slightly less than 50% of the total;

- in December, Amsa and CONAI, the National Packaging Consortium, with the contribution of the Municipality of Milan, launched a communication campaign “Milan is my future” as a means of making the non-Italian communities in the city aware about matters concerning differentiated collection and recycling. All the material is published in nine languages in addition to Italian: Arabic, Chinese, Cingalese, French, English, Romanian, Spanish, Tagalog and Ukrainian;
- differentiated collection in Bergamo: the collection of plastic packaging and organic waste was extended to the centre of the city in June 2013 with the involvement of 12,000 users. This will enable a significant push to be given to differentiated collection (currently at 57%) towards the 65% prescribed by legislation;
- A2A’s School Project, designed to encourage greater environmental awareness among young people through the use of visits to the Group’s plants, also got under way in 2013/2014. A total of 35 plants can now be visited with the addition of Edipower S.p.A.’s plants to the project and to the online booking system available on the website www.a2a.eu;
- development of district heating in Milano and Bergamo: it is planned to double the district heating network over a period of five years from the present 40 km. to 80 km.. This development has also been made possible thanks to the waste to energy plant in Via Goltara, where energy efficiency measures were carried out (by modifying the turbine) which have greatly increased the recovery of thermal energy. Work has begun in Milan to connect the Silla 2 waste to energy plant to the Famagosta plant, which will lead to a lengthening of the network by a further 6.5 km;
- A2A was selected for its “good business practices”: A2A received the “Good practices grow - Large companies” award from Unioncamere Lombardia for its work in projects on environmental sustainability, work quality and staff relations and in initiatives for the community and local area;
- customer satisfaction - AMSA: a survey carried out in March 2013 on a sample of 1,000 residents in the city of Milan. Taken overall, an average score of 7.57 for customer satisfaction was achieved (on a scale of 1 to 10). Urban waste collection was the service obtaining the highest level of approval;
- customer satisfaction - A2A Ciclo Idrico: a survey was conducted between May and June 2013 involving all the activities performed by the company, ranging from contact channels to technical services. Taken overall, an average score of 8 was achieved with private customers and 7.95 with public sector customers (all on a scale of 1 to 10);
- service quality charter - AMSA: this describes the services provided to the city on the basis of the Service Agreement entered with the Municipality of Milan; this document was agreed and drawn up with 17 consumers’ associations and is addressed to residents/users in Milan. The document contains details of service quality standards, the way in which residents are listened to and the tools available for protecting users;

- thanks to the assistance provided by residents, shopkeepers and businesses operating in Milan and the other municipalities in the province served by the company, AMSA was given the "Collection Award" by the CiAl - National Consortium for the Recovery and Recycling of Aluminium Packaging) - for the results it achieved in 2012 in the differentiated collection of the precious metal;
- A2A took part in the "Volunteers for one day" campaign with the aim of assessing the experience of voluntary service. The Group's employees had the opportunity of dedicating one day to voluntary service up until December 2013;
- in partnership with the RAEE Coordination Center, AMSA contributed to setting up the "One thing leads to another. The product lifecycle" permanent exhibition situated in the "Leonardo da Vinci" Science and Technology Museum in Milan;
- the "Chiara2a Benefits Program" app was launched by A2A Energia S.p.A.. This enables people to have access to innumerable discounts, special offers and events from their smartphones and tablets;
- signed in March 2013 by A2A Energia S.p.A. and the consumers' associations, the Self-Regulation Protocol is designed to prevent unfair trading practices and protect customers. In addition, a committee has been set up consisting of three members designated by the consumers' associations and another three designated by A2A Energia S.p.A. (plus one substitute member) whose duty is to check that the rules prescribed by the Self-Regulation Protocol are being followed and that the selling procedures set up by the company are correct;
- Aprica and the Municipality of Bergamo started up the collection of WEEE (waste of electric and electronic equipment) as an experiment in the city's schools;
- the PULIamo application developed by A2A which assists residents in understanding the proper way to dispose of their waste and keeping their city clean was one of three cutting edge projects which won the Smart City prize awarded at the Milan SMAU fair at the end of the convention on Smart Communities as a growth engine for the business world;
- ASPEM and Legambiente launched the second edition of the Ecopremio, the section created in Cortisonici Ragazzi which is dedicated to the best short film on differentiated collection and the reduction and re-use of waste;
- A2A took part as a member of Assolombarda in the "Milan Smart City" project, an initiative whose objective is to collect together projects drawn up or being developed by member companies on issues typical of Smart Cities: ICT, mobility, e-government, energy efficiency, environmental sustainability, etc.. A2A participated with the following projects: Ecoflow, e-moving, Integris, Isole Digitali, Smart Domo Grid and Work Force Management and Distribution Management Systems;

- in 2013 the Acerra waste to energy plant worked at 100% of its production capacity, confirming the high standards of efficiency reached and providing a fundamental contribution to the waste cycle in Campania. For the third successive year, in fact, over 600 thousand tonnes of waste were treated by the plant, which allowed 592 million kilowatt hours of energy to be generated and put into the grid, equal to the annual needs of over 200 thousand households. Comparing with the legal limits set on the use of the Acerra waste to energy plant, in 2013 the plant had emissions which on average were under 90% for dust, 70% for carbon dioxide, 40% for nitrogen oxides, 90% for sulphur oxides and 99.6% for dioxins and furans. Thanks to the plant - run by A2A Ambiente S.p.A. - it has been possible to avoid atmospheric emissions of approximately 146 thousand tonnes of CO_2, the consumption of 111 thousand tonnes of oil and the need to use other fossil fuels: oil, hydrocarbons, gas and coal;
- on October 18, 2013 the Brescia waste to energy plant reached and exceeded the figure of 10 million tonnes of waste delivered. Each year this plant, which on average produces electricity equivalent to the needs of around 200 thousand households and heat equal to the needs of around 60 thousand apartments, enables savings of 150 thousand tonnes of oil equivalent to be made and atmospheric emissions of 400 thousand tonnes of carbon dioxide to be avoided;
- A2A has made an application to amend its Integrated Environmental Authorization in order to install a DeNOx at its Monfalcone plant, a system of catalytic reactors capable of significantly lowering the emission of nitrogen oxides (NOx) in fumes. This measure will regard the two coal groups and will take NOx emissions well below the new emission limits set by the European Union for 2016 (200 milligrams per cubic meter compared to the present 500 milligrams per cubic meter), with a reduction exceeding 60%.

Environmental responsibility

The Group's Environmental Management System is based on the principles set out in the Group's Environmental 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.

The A2A Group's Environmental Management System meets all the UNI EN ISO 14001 requirements and is officially recognized and adopted within the Group to the extent of the following percentages.

Plants:

- 100% of installed hydroelectric power;
- 100% of installed thermoelectric power;
- 83% of the thermal power and 87% of the electric power of the cogeneration pool from fossil/renewable sources;
- 100% of the waste treatment capacity in the waste to energy plants;
- 87% of the treatment capacity of the other plants of the integrated waste cycle.

Networks:

- 100% of the Milan area gas distribution network;
- 100% of the electricity distribution networks;
- 100% of the Brescia Municipality integrated water cycle (including the Verziano purifier);
- 100% of the Milano and Brescia area district heating network;
- 100% of public lighting and traffic lights.

Services:

- 100% of environmental services;
- 71% of waste water treatment capacity.

The audit of phase 2 at Bellisolina S.r.l., an investee of A2A Ambiente S.p.A., was completed successfully in the first half of 2013, with certification being awarded.

In addition, during the audit performed at AMSA S.p.A. in April 2013, the company was given confirmation that it can apply the environmental management system to all activities/processes, extending the scope stated on the environmental certificate (all the activities included in the bylaws of AMSA S.p.A. have been certified).

In the second half of 2013 activities were focused on setting up A2A Ambiente S.p.A., established out of the merger of businesses forming part of AMSA S.p.A. and Aprica S.p.A. into Ecodeco S.r.l., which then changed its name to A2A Ambiente S.p.A.. In this respect the environmental management systems implemented in the previous companies were then integrated into those of the company into which they merged.

At December 31, 2013, 18 of the A2A Group’s plants held EMAS registration, while the registration procedure is in progress for the other 5.

With the creation of A2A Ambiente S.p.A., a request was made to the Ecolabel and Ecoaudit Committee on July 1, 2013 to transfer the EMAS registrations referring to the plants now in A2A Ambiente S.p.A.. Two Environmental Declarations were prepared for the site in Via Codignole in Brescia, one for the portion of the area remaining in Aprica S.p.A. and one for that transferred to A2A Ambiente S.p.A..

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.

Of all the areas 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).

More specifically, 2013 led to the completion of the INTEGRIS project, co-financed by the European Commission as part of the Seventh Framework Programme, which saw the active participation of A2A Reti Elettriche S.p.A. in setting up the requirements and demonstrating the results in real life on its own network. An ICT infrastructure supporting the Smart Grids was designed and built; among other things this envisages the use of several communication vectors (broadband power line carriers, wi-fi, optical fiber etc.) to overcome the limitations and costs of current technologies (GSM). The project was brought to a successful close in 2013.

The Smart Domo Grid project, 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. It is planned to introduce a pilot scheme in a quarter of the city of Brescia involving around twenty households.

Another initiative is the ECCOFLOW European Project. This project, co-financed by the European Commission, consists of the design, installation and field testing of Superconducting Fault Current Limiter (SFCL) devices for application in medium-voltage distribution networks. The aim is 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 for AEEGSI Resolution no. ARG/elt 39/10 are in progress. A2A Reti Elettriche S.p.A. has obtained the AEEGSI's approval to carry out 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, only 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 at the development stage. 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 IDE4L Grid (Ideal Grid for All) has been started up. This project, co-financed by the EU as part of the FP7 research and innovation program, 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.

A series of new ideas for projects was additionally prepared in 2013 for submission for assessment by the entities calling tenders for co-financing. Among these in particular is the Smart Living project (a tender called by the Ministry of Education, the Universities and Research), which came first in the assessment listing and is waiting for the funding to be finalized, and the S.C.U.O.L.A. project (a tender called by the Lombardy Region) for which the assessment listing is pending. 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 of the weak. In both projects A2A proposes itself as project leader as part of partnerships which see the participation of large, small and medium businesses, universities and research bodies.

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 by supporting the creation of digital islands in the city of Milan in favor of car sharing electric mobility. The project calls for developments in the battery and vehicle market that will encourage the diffusion of the means and use of the infrastructures.

Studies continue on the possible conversion of discarded materials arriving from the waste to energy plants, with particular reference to heavy and light ash. In this respect collaboration continues with the University of Brescia as part of the COSMOS project, and the initiative for converting light ash from hazardous waste in products is currently at the planning stage, in conjunction with Mapintec.

The testing of new technical solutions for completing the offer with a remote cooling system for the summer period is also planned in the heat and district heating sector. This testing will begin in 2014.

In conclusion, 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,...) 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 2013, 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	178.8	
Audit of consolidated financial statements	41.3	
Periodic tests of accounting	21.3	
Review of half-yearly report	60.4	
Audit of the separate annual accounts for the AEEGSI	19.1	
Other testing and attestation engagements	–	
Total	**320.9**	**–**
Subsidiaries		
Audit of annual financial statements	895.8	
Audit of consolidated financial statements	–	
Periodic tests of accounting	238.3	
Audit of the information sent to shareholders for consolidation:		
- at year end (full audit)	125.7	
- at June 30 (review)	252.3	
Audit of the separate annual accounts for the AEEGSI	126.7	
Other testing and attestation engagements	–	
Total	**1,638.8**	**–**
Associates and joint ventures(1)		
Audit of the information sent to shareholders for consolidation	47.0	
Total	**47.0**	**–**
TOTAL A2A GROUP	**2,006.7**	**–**

(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 2013 for fees amounting in total to 335 thousand euro, which mainly related to activities as the Company's legal auditor as specified by current legislation.

Treasury shares

At December 31, 2013 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, 2013 the Company did not hold any treasury shares through subsidiaries, financial companies or intermediaries.

Each share has a par value of 0.52 euro.

Personal data code

Decree Law no. 5 of February 9, 2012 became effective on February 10, 2012 (Official Journal no. 33 of February 9, 2012 - Ordinary Supplement no. 27), which at article 45 "Simplifications regarding personal data" eliminated the requirement to keep a Policy Document on Privacy.

Secondary locations

The Company has no secondary locations.

Related parties and tax consolidation

Details of related party transactions are provided in note 39 to the consolidated financial statements and note 36 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.

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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, 2013" 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.